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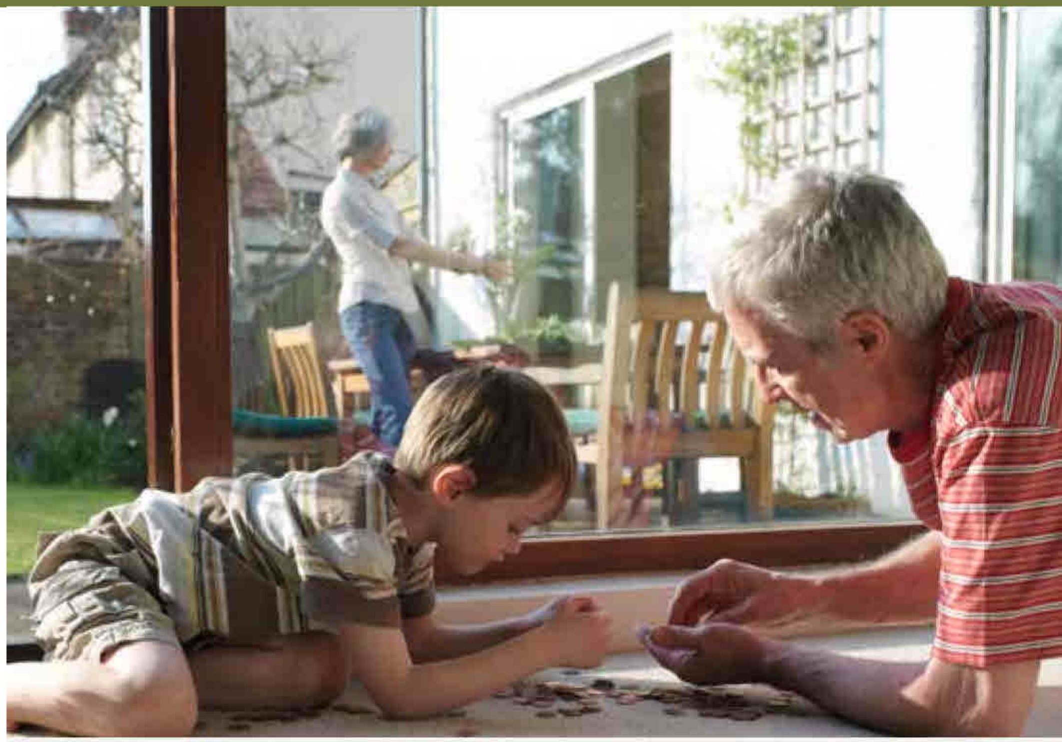
SPRING 2016

FINANCIAL DIRECTIONS

SETTING YOUR COURSE FOR FINANCIAL SECURITY



ARE YOU RETIREMENT READY?

Some people have misconceptions about how much money they will need to support a comfortable retirement. The Employee Benefit Research Institute's 2015 Retirement Confidence Survey found that many retirees say their expenses in retirement are higher than expected rather than lower. The survey also found that 67 percent of workers are planning to work after they retire and 81 percent said they'll need the income to make ends meet. Where do you fall?

Call me today and we can review your finances. In addition, we can explore strategies that may help to grow and preserve your wealth and get you retirement ready.

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DEFLATION: WHAT INVESTORS NEED TO KNOW

Deflation is a fairly rare economic phenomenon in which the price of goods and services decreases over time. It is often associated with a contracting or stagnating economy in which investment is curtailed and economic expansion becomes very difficult.[1] The opposite of inflation, which is characterized by rising prices, deflation is more serious because it is not as easily controlled by monetary policy.

DOWNWARD SPIRAL

One may think that lower prices are a good thing for the consumer. However, because there is a lower level of demand in the economy, deflation generally is accompanied by increased unemployment, which can lead to an economic depression.[2] Excess supply eventually forces companies to sell their products for less money, subsequently cut back on production costs, reduce employee wages, lay off workers or even close production facilities. At this point, unemployment will increase, the economy cannot expand, and people aren't spending their money because their economic future seems uncertain.

WHAT DOES IT MEAN TO ME AS AN INVESTOR?

- **Equity prices** — Typically, equity prices begin to decline as people sell off their investments, which are no longer offering good returns. In an attempt to stimulate

[1]http://finance.zacks.com/effect-economic-deflation-stocks-bonds-7088.html
[2]http://www.investopedia.com/terms/d/deflation.asp

(continued on page four)

› DON'T LET OPTIMISTIC EXPECTATIONS DERAIL YOUR RETIREMENT

Some people have misconceptions about how much money they will need to support a comfortable retirement. The Employee Benefit Research Institute's (EBRI) 2015 Retirement Confidence Survey[1] found that retirees are more likely to say their expenses in retirement are higher than expected (37 percent) rather than lower (24 percent).

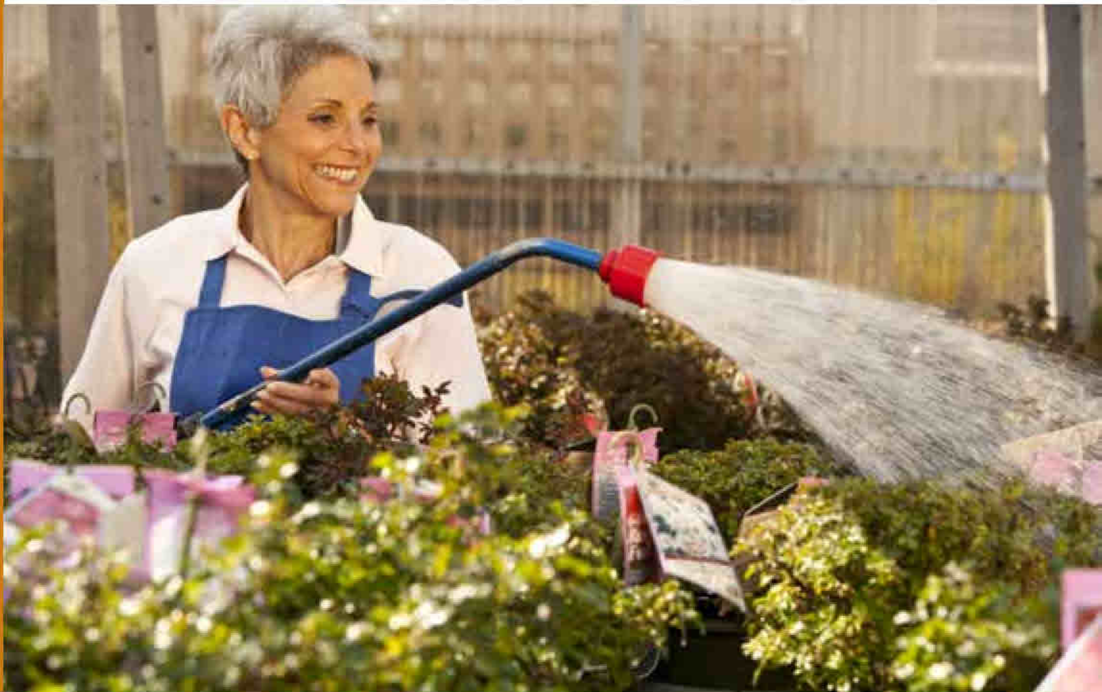
Consider the following misconceptions about retirement:

- **You can always continue working** — The EBRI survey found that 67 percent of workers are planning to work for pay after they retire, and 81 percent said they would need the income to make ends meet. There are risks associated with this planning: First, it's possible that appropriate work isn't readily available. Second, health issues often preclude working. You may be better off structuring your retirement plan so that working during later years is a matter of choice, not necessity.
- **You'll only need 70-80 percent of your pre-retirement income** — Are you saving 20-30 percent of your pre-retirement income? If so, this assumption may be a fair one for you. If not, this old rule of thumb may no longer be relevant. It's safer to plan on covering 100 percent of your pre-retirement income.
- **The next bull market will save you** — It's best to be very cautious when relying upon or making predictions about the market's performance. Your retirement-spending plan should consider a range of reasonable portfolio outcomes. Market gains may help your retirement savings go further, but they aren't a replacement for actual retirement savings.

ERR ON THE SIDE OF SAFETY

Don't get into a situation where your retirement works only if one set of assumptions turns out to be true. That could be risky business. As noted earlier, it is safer to plan for replacing 100 percent of your pre-retirement income. I can help you plan for a comfortable retirement based on conservative assumptions. Let's get together call me today.

[1] *http://www.ebri.org/pdf/briefspdf/EBRI_IB_413_Apr15_RCS-2015.pdf*



4 TIPS TO HELP MAXIMIZE RETIREMENT SAVINGS

If you've been setting aside money for your retirement but suddenly realize that your lump sum isn't nearly large enough, don't panic. Here are four quick tips to help maximize your retirement savings:

1. Earn your employer's match — If you have an employer-sponsored retirement plan with a matching employer contribution available, contribute enough to capture the full match. This is free money.

2. Adjust your allocations — On occasion, you need to rebalance your portfolio so you are not exposed to too much risk, jeopardizing your nest egg. There is no guarantee that a specific asset allocation will satisfy your investment objectives or generate a certain amount of income.

3. Make catch-up contributions — Individuals who are age 50 or older at the end of the calendar year can make annual catch-up contributions to qualified retirement plans. If eligible, take advantage of this opportunity to beef up your savings.

4. Minimize account fees — The cumulative effect of fees and expenses on retirement savings can be substantial. When making investment decisions, be sure to ask about fees.

Tip #5

Call me — I can help you find ways to maximize your savings and minimize your account fees. It's never too late to re-energize your retirement investing strategy.

CASH VALUE LIFE INSURANCE — AN ASSET THAT MAY BE RIGHT FOR YOU

Whether you have estate planning-needs, business-protection needs or supplementary retirement needs, cash value life insurance may offer competitive advantages versus alternative financial assets.

A FEW KEY TAX ADVANTAGES:

- Death benefits of life insurance are generally income tax-free when paid to the policy beneficiary. This is true whether the death benefit is paid to an individual, a business entity or a trust.
- The death benefit can be estate tax-free if the policy is owned by a third party (adult child) or an irrevocable trust.
- The policy can pay out tax-free cash to the policy owner in the form of policy loans at a stated rate of interest. Loans will reduce the policy's cash value and may reduce the death benefit.

SOME KEY LEGAL AND CONTRACTUAL ADVANTAGES:

- Life insurance is a legal contract between the policy owner and the insurance company. Any guarantees specified in the contract are legally enforceable under state-law protections of all the states.
- Insurers are required to reserve significant assets to pay future death claims.
- Many states have adopted statutory law that protects policy cash values and death benefits from the claims of the policy owner's creditors.
- Policy owners have the contractual right to assign the ownership of the policy to a new owner; the right to change the beneficiary of the policy to a new beneficiary; the right to collaterally assign the policy to offset a debt obligation to a financial institution or other legal person; and the right to take a reduced paid-up policy with no more future premiums due.

LET'S GET TOGETHER

I can give you additional information that may help you decide if cash value life insurance is an appropriate financial asset to add to your portfolio.

529 PLAN MISCONCEPTIONS

Here are three of the biggest misconceptions causing the most confusion about 529 plans:

1. **Saving for college will hurt how much financial aid you receive.** When you apply for financial aid, only 5.6 percent of what you saved as a parent is factored into the expected family contribution (EFC), which is what a college will expect you to pay for one year at your child's school.[1]
2. **Money saved in a 529 can only be used for education.** 529 funds can be used for undergraduate or graduate studies at any accredited two- or four-year university. This includes tuition, fees, room and board, computers and textbooks. If you have money left after paying your child's tuition expenses, you can change the designated beneficiary, or roll over the funds to another member of the family to avoid tax penalties.[2]
3. **You can only use your own state's 529 plan.** You can choose from any state's options.[3]

[1]*http://www.savingforcollege.com/intro_to_529s/does-a-529-plan-affect-financial-aid.php*

[2]*http://www.savingforcollege.com/questions-answers/article.php?article_id=21*

[3]*http://www.savingforcollege.com/questions-answers/article.php?article_id=141*