Wise Money Newsletter

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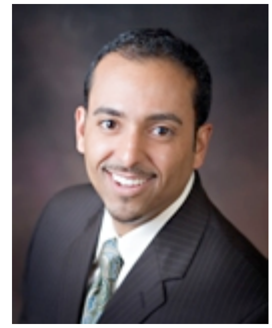
YOU'VE WORKED TO HARD FOR IT; LET ME HELP YOU PROTECT IT



OCTOBER 2013

5 Pitfalls That Can Ruin Your Retirement!

If you are in or nearing retirement, taking care of your money has never been more important. I have noticed many retirement pitfalls from meeting with hundreds of people. I will discuss a few of these later on but, consider the three phases of the financial planning cycle: accumulation, preservation, and distribution. During your working years accumulating as much money as you can for your retirement years is the goal. When you do retire, preserving your hard earned dollars is essential. You don't want to lose what you worked so hard to save, do you? And lastly, when you start pulling money out of your retirement accounts, your focus should be on tax efficiency and longevity. You want to pay as little tax as possible and, you want your nest egg to last as long as you do, right?

Now let's look at the retirement pitfalls.

Pitfall #1: Underestimating life expectancy. The average woman will live to about age 82 and men will live on average to about 78. So, don't pull too much money out of your accounts each year. On average, it is safe to use 4%-6% each year.

#2 Choosing the wrong strategies to achieve financial longevity for retirement. Is all of your money exposed to market risk? I hope not. The rule of 100 has been around financial circles for years. What is the rule of 100? Take your age minus 100 and that is what would be acceptable to be exposed to the market. So, a 70 year old should have 70% of his money in accounts that will never give a negative return. And 30% would be an acceptable

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Leaving Memories, Not a Mess

Over the next 50 years, an estimated $45 trillion is expected to pass through estates to heirs and charities, the largest transfer of wealth in history. That alone justifies the importance of having estate documents in place, such as a will, powers of attorney for health care and finances, and possibly trusts.

However, there is a document you'll need to create that will help your heirs understand and carry out your wishes during a difficult time: a letter of instructions. It is not a legal document, but a letter of instructions allows you to layout what you want to see happen with you money, body, burial and other details that are not specified in your will or trust.

This letter should also contain: where important financial documents are located, provide the names of all your financial advisors, attorneys, accountants, and names of people to contact in the event of your death.

Once you have written your letter of instructions, take the time to review and update it annually.

As life changes, the letter will need to be changed. Be sure to store your letter in an accessible location (not a safety deposit box) known to your family and address it to your spouse, a family member, or a close friend.

Remember, your will addresses many important legal matters and may not be the most appropriate place for your personal requests. Writing a letter of instructions can help

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Interesting Facts

Did you know that there are 206 bones in the adult human body and there are 300 in children As kids grow some of the bones fuse together

Flea's can jump 130 times higher than their own height. In human terms this is equal to a 6ft. person jumping 780 ft. into the air.

The most dangerous animal in the world is the common housefly. Due to their habits of visiting animal waste, they transmit more diseases than any other animal.

Snakes are true carnivores because they eat nothing but other animals. They do not eat any type of plants.

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amount to have in the market. Additionally, it is good to use good old common sense. Any money you have that you can't afford to lose, should not be in the market.

#3 Failure to revise plans over time. Again, the rule of 100 should be applied at all times. At age 70, should your portfolio look like it did at age 50? It's not quite as bad to lose money when you're still working, but it can be financially crippling to lose money that you are using to live on. Also, make sure your life insurance is up to date. If you have plenty of life insurance, it gives you more flexibility knowing that when you die your spouse will get a tax free check.

#4 Not outpacing inflation on a consistent basis. Inflation has averaged about 3% since 1945. So, if your money is invested too conservatively, you are at risk of losing purchasing power. Another interesting financial rule is the rule of 72. If your money earns 7.2% for 10 years, you just doubled your money. If you are very conservatively invested and only earn 3% a year, your money will take 24 years to double. Well, this rule works in reverse too. In 24 years you will need twice the money you now have to keep the same purchasing power.

#5 Dealing with long term care. One of the quickest ways to lose your wealth is to have poor health. The cost of staying in a nursing home is around $70,000 per year. That would take a huge bite out of your nest egg, wouldn't it? People like to say, "my kids will never put me in there!" I can tell you most nursing homes are full. Most of the people in there never imagined this would be their fate. You just never know. Having a long care term policy makes sound financial sense.

There are other pitfalls, but I view these as the top 5. Financial planning is like putting a fine recipe together. Leaving out the flour or putting in too much sugar might make for a bad chocolate cake.

What would happen if there was an improperly allocated ingredient within the components of your financial plan?

For example, do you have too much money allocated in the stock market in these turbulent times? If you take into consideration these 5 pitfalls and a few others, you will be in a much better position during your retirement years.

Use common sense and the help of an adviser to make sure you will have peace of mind and financial longevity.

Leaving Memories, Not a Mess

ensure that your final wishes are done right and will help your family through a very difficult time!

Keys components of your letter…

1. Locations of Important legal Documents: Wills, Trusts, Birth Certificate, Marriage License, Social Security card, etc…
2. Financial Info & Documents: Life Insurance Policies, Bank Accounts, Deeds, etc...
3. Employer Information - Location, Phone numbers, Benefit info, etc..
4. Creditor Info - where you keep "The Bills"
5. And your last wishes.

Has your retirement plan changed to meet the times?

Join us for dinner and learn how we can "Market Proof" your retirement!

BRIO
tuscan grille

Dates:

Wednesday, October 16th at 6:30

Thursday, October 17th at 2:30 or 6:30

If you are retired or plan to retire in the next 5 years, and have an IRA, 401(k) or other retirement accounts – don't miss this event!

To register and hold a seat CALL:

800.815.4873

****Current clients are welcome to attend but bring another couple to introduce us to****

Avoid future losses, maximize social security, increase interest rates and much more! Join Manny for this EVENT!