VOLUME 21 • ISSUE 3

FINANCIAL ink

Your Money Management Newsletter

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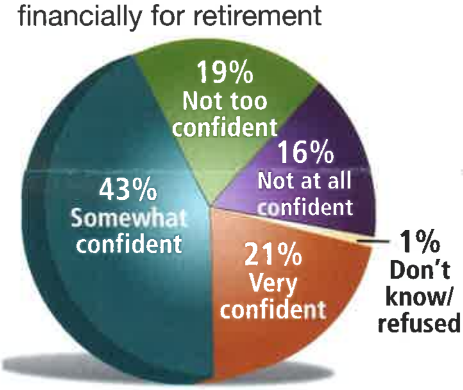
*Snap*SHOTS

CONFIDENT OUTLOOK

Workers' confidence that they're doing a good job of preparing financially for retirement



Source:
Employee Benefit Research Institute, 2010

Up FRONT

7.9% Average increase in in-state tuition and fees at public four-year colleges for the 2010–11 school year. Fees and tuition at private nonprofit colleges increased by an average of 4.5%.

Source: The College Board, 2010

Quick HITS

The typical family saving for college has saved an average of $28,102 and is projected to accumulate $48,367 by the time their child reaches age 18.[1]

Store theft added $423 to the average American family's shopping bill in 2010, down slightly from $435 in 2009.[2]

Women who are single, younger than 30, and do not have children make 8% more in median full-time salary than young men in most big U.S. cities.[3]

About 75% of baby boomers indicated that they are willing to spend less today to help ensure a comfortable retirement.[4]

Half of retirees say their spending in retirement is higher or about the same as it was when they were working.[5]

Sources:
1) Sallie Mae, 2010
2) CNNMoney, October 19, 2010
3) *Journal of Financial Planning,* November 2010
4) *Journal of Financial Planning,* October 2010
5) Employee Benefit Research Institute, 2010

Practical insights for your **FINANCIAL GOALS**

Consider Your Retirement Needs, but Don't Forget **YOUR RETIREMENT WANTS**

You might have read or heard that you need to replace about 80% of your pre-retirement income to maintain your standard of living in retirement. Although some research validates this guideline, consider that half of today's retirees say their spending is higher or about the same as it was when they were working.[1–2]

The idea that you may need less income in retirement considers that your income tax burden may be lower when you quit working and that you probably are not contributing a large chunk of your salary to retirement plans. Variables that can influence the replacement ratio — positively or negatively — include your living expenses, overall debt level, health-care costs, and whether you will receive an employer-provided pension.

Rather than focusing on how much money you'll need to *get by* in retirement, take some time to envision a retirement lifestyle that you can really get excited about.

Needs or Essentials? You Decide

In a 2010 retirement lifestyle study, baby boomers found the following items to be basic, not discretionary, needs.

Internet connection	86%
Shopping for birthdays/special occasions	66%
Pet care	51%
Annual family vacation	50%
Weekend getaways	46%
Professional hair color/cut	43%
Children/grandchildren's education	42%
Dining out	38%
Domestic travel	35%
Ordering takeout	34%
Movies	30%

Source: MarketWatch, August 6, 2010

Unless you plan to spend retirement being frugal, there's a good chance that you could need more than 80% of your pre-retirement income to fund the lifestyle you seek.

MORE TIME, MORE MONEY?

Retirement may be the first time in your life when you are free to travel, play golf, go back to school, focus on hobbies, and pursue other interests that you simply didn't have time for during your working years.

What a disappointment it would be to retire and finally have the time, but not the money, to do as you please. If you would find it difficult to afford your ideal retirement lifestyle on your current income, it could be an indication that you are underestimating how much income you'll need in retirement.

CHANGING NEEDS

As we grow older, what once may have been considered a luxury can become a necessity. In their list of "basic needs," more than half of baby boomers include an Internet connection, special occasion gifts, and pet care. Many baby boomers would add family vacations, dining out, professional haircuts/coloring, movies, and their children's or grandchildren's education to the list of basic needs.[3] And for 98% of baby boomers, health-care coverage is not a luxury but a basic need, one that they are extremely concerned about being able to afford.[4]

UNDERESTIMATING COSTS AND SPENDING

The danger of underestimating how much you expect to spend in retirement is that it could lead you to save too little or invest too conservatively during your working years. Among the 46% of workers who have attempted to calculate how much money they will need for retirement, 44% made changes to their retirement savings strategies as a result, with the majority of changes involving saving or investing more.[5]

To prepare for a retirement that you can truly look forward to, consider the luxuries that your retirement-*needs* calculation may not account for. It could mean the difference between living well and just getting by.

1) CNNMoney, October 8, 2009
2, 5) Employee Benefit Research Institute, 2010
3) MarketWatch, August 6, 2010
4) Society for Human Resource Management, 2010

Making Money Market Funds **WORK FOR YOU**

Some investors turn to money market funds when they are concerned about market volatility. At the start of 2009, in the wake of the 2008 global financial crisis, the amount of cash held in money market funds exceeded the money in stock mutual funds for the first time in more than a decade.[1]

Money market funds may carry less risk than stocks, but investing in them as a reaction to market volatility also carries risk: You could miss out on any potential gains when the market begins to recover.

MEET THE MONEY MARKET

Money market funds are mutual funds that invest in cash-alternative assets, usually short-term debt. They seek to preserve a value of $1 per share.

Investors may use money market funds on a temporary basis to hold proceeds from the sale of assets while they determine where to reinvest the funds. Because money market funds aim to maintain liquidity and may offer higher yields than bank savings accounts, they can also provide a place to hold your emergency fund. It's always a good idea to have enough cash saved to carry you through a financial emergency.

Timing Trouble

The difference in returns experienced by two hypothetical investors holding identical stock portfolios over a 30-year period. One investor remained fully invested for the entire 360 months. The other used a market timing approach that caused him to miss the 12 best-performing months.

Source: Thomson Reuters, 2010, for the period 12/31/1979 to 12/31/2009. Stocks are represented by the S&P 500 Composite Index (total return), which is generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

LESS RISK MAY MEAN LOW RETURNS

Money market funds may have a place in your portfolio, but it's usually not a good idea to keep the bulk of your wealth in low-yielding cash instruments because you are concerned about market volatility. As you can see in the chart, trying to choose the appropriate moment to flee or reinvest in stocks can be a costly practice that may cause you to miss out on market gains.

Low rates of return may also make money market funds less ideal for long-term investing. Any time the after-tax yield is lower than the rate of inflation, your investment may be losing purchasing power.

When considering money market funds, it's important to remember that lower risk usually translates to lower returns. Before you invest in money market funds, be sure to evaluate whether or not they may help you reach your long-term goals.

Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.

Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

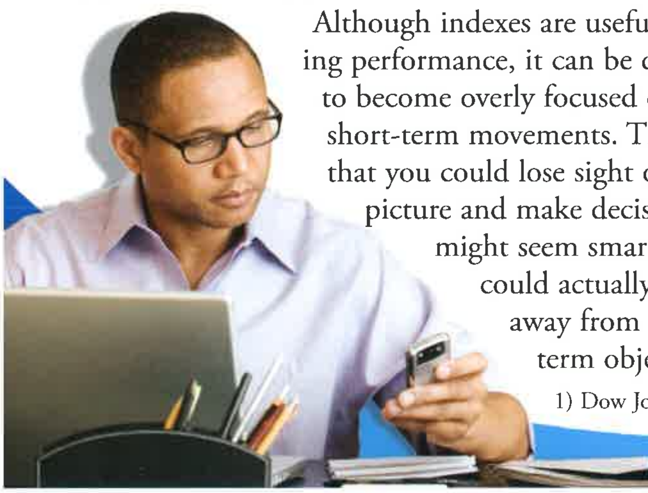
1) *The New York Times*, January 10, 2009

Indexing Your **INDEX KNOWLEDGE**

Investors may find it useful to track the overall direction of the markets by turning to market indexes. These useful benchmarks measure the performance of key groups of securities that may help indicate the performance of a broader market.

Most indexes are based on a point system. The points are meant only to show changes in asset values, similar to the way in which degrees on a thermometer represent changes in temperature. The more points an index records, the greater the cumulative value of the assets being measured.

The Dow Jones Industrial Average could be considered the grandfather of all market indexes. It was developed in 1896 by Charles Dow, who wanted a mechanism that allowed him to confirm broad market trends. The 30 stocks in the Dow are widely held by individual and institutional investors.[1]



Although indexes are useful for tracking performance, it can be dangerous to become overly focused on their short-term movements. The risk is that you could lose sight of the big picture and make decisions that might seem smart today but could actually lead you away from your long-term objectives.

1) Dow Jones Indexes, 2010

Gauging the Markets

Just about every financial market is tracked by one or more indexes. Though they may not make as many headlines as the Dow, the following indexes are commonly watched by investors.

NASDAQ Composite Index: Measures all domestic and international stocks listed on the NASDAQ stock market. Many are technology and Internet-related.

S&P 500: Tracks common stocks of 500 leading companies in leading industries in the United States.

S&P MidCap 400: Tracks 400 mid-cap U.S. stocks, covering 7% of the U.S. equities market.

Russell 2000® Index: Tracks 2,000 U.S. small-cap stocks (a subset of the Russell 3000® Index).

Wilshire 5000 Total Market Index: Tracks the performance of all U.S. equity securities with readily available price data.

The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in an index.

Your savings goal for retirement should account for more than just basic needs. Envision what you want to be doing and then prepare for a retirement that could enable you to enjoy those activities.

Working toward a better financial future,