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FINANCIALink

Your Money Management Newsletter

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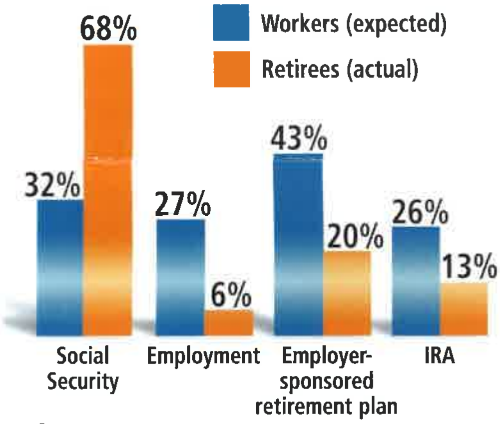
*Snap*SHOTS

INFLATED EXPECTATIONS?

Expected versus actual major sources of retirement income



Source:
Employee Benefit Research Institute, 2010

Up FRONT

54%

Percentage of high-net-worth individuals who said they would always be involved in some kind of professional work.

Source: WebCPA.com, 2010

Quick HITS

More than 40% of Americans ages 36 and older are at risk of running out of money in retirement.[1]

From 2007 to 2009, the amount of money allocated according to socially responsible investing criteria increased more than 13% to $3.07 trillion.[2]

Less than half (42%) of adult children with retired parents know their parents' approximate incomes.[3]

The average household spends more than $2,600 a year eating out.[4]

Nearly all Americans (92%) agree that the U.S. retirement system is facing a crisis.[5]

Sources:
1, 3) Employee Benefit Research Institute, 2010
2) Social Investment Forum Foundation, 2010
4) Bureau of Labor Statistics, 2010 (2009 data)
5) AARP, 2010

Practical insights for your **FINANCIAL GOALS**

Fixed for **LIFE**

More than 40% of Americans ages 36 and older are at risk of running out of money in retirement, according to a retirement readiness study.

Researchers divided working Americans into four groups, ranging from the lowest to the highest income levels. They found that, even though the risk of running out of money decreases with a higher pre-retirement income, almost one-third of people with upper-middle incomes and 13% with high incomes may not be able to pay for basic retirement expenses and uninsured health-care costs after two decades in retirement.[1]

The risk of running out of money doesn't appear to be reduced for people who have more time to prepare for retirement: Baby boomers and Generation Xers are almost equally at risk.[2]

Fortunately, it's possible to purchase an insurance product that could pay an income for a specified period, including your lifetime or the lifetimes of you and another person. The guaranteed retirement income available from a fixed annuity could be just the fix you're looking for.

FUND YOUR FUTURE INCOME

A fixed annuity is a contract with an insurance company that guarantees a fixed rate of return during the life of the contract. The type of annuity that may be appropriate for you will depend on your situation.

An *immediate annuity* is typically funded with a lump-sum premium. Payments start soon thereafter and continue for the duration of the contract. This type of annuity is often purchased at the beginning of retirement.

A *deferred annuity* can be funded with either a lump-sum premium or a series of payments over time. Payments start at some point in the future at a rate that reflects any tax-deferred growth during the accumulation period. The income amount depends on the amount of the initial contract, the contract's rate of return, the age of the contract holder, and the number of years over which payments will be received.

ANNUITY TRADE-OFFS

Generally, annuities have contract limitations, fees, and expenses. They tend to offer more conservative rates of return than the financial markets because the insurance company is responsible for paying the contract's stated return, regardless of market conditions. Of course, any guarantees are contingent on the claims-paying ability of the issuing insurance company.

Most annuities have surrender charges that are assessed during the early years of the contract if the annuity is surrendered. Distributions of annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

If you are concerned about running out of money in retirement, it might be time to consider a fixed annuity. A stable source of income could be a welcome addition to your portfolio.

1–2) Employee Benefit Research Institute, 2010

Running Short

Percentage of workers who are projected to run out of money in retirement

Source: Employee Benefit Research Institute, 2010

Get the Facts Before You **GO GREEN**

A growing number of investors are jumping on the green bandwagon. Should you?

From 2007 to 2009, the amount of money allocated according to socially responsible investing criteria increased more than 13% to $3.07 trillion. Nearly $1 out of every $8 under professional management in the United States today is allocated according to socially responsible criteria.[1]

If you want to add socially responsible investments to your portfolio, it's a good idea not to let a desire to benefit society outweigh other important factors that should be considered when making sound financial decisions. You'll want to understand what you are investing in and whether it's a good fit for your portfolio.

WHAT IS SOCIALLY RESPONSIBLE INVESTING?

Most socially responsible investment (SRI) options involve one or more of these strategies.

Screening involves selecting or avoiding companies according to environmental, social, and governance criteria. This can include seeking out developers of environmentally friendly products, finding companies that abide by certain moral or ethical standards, and avoiding firms with products or policies that some investors may consider objectionable.

Shareholder activism involves joining with other shareholders in encouraging a company's management to make changes that may benefit the environment, the community, and/or the company's employees.

Community investing involves placing capital with companies and organizations that make loans in communities that may be underserved or unable to attract the interest of mainstream financial firms.

IT'S ABOUT YOUR SITUATION

Any investment decisions you make should consider your current circumstances and long-term goals. Thus, an appropriate investment should satisfy not only your conscience but also your asset allocation strategy, risk tolerance, and time horizon.

For instance, companies developing environmentally friendly products and services may be years away from making technological breakthroughs that would allow them to bring their products to market. Or they might have a product on the market but have yet to turn a profit. Such companies might have tremendous growth potential but may also carry risks that are not suitable for all investors. The closer you are to retirement or another major financial goal, typically the less risk you may be able to assume.

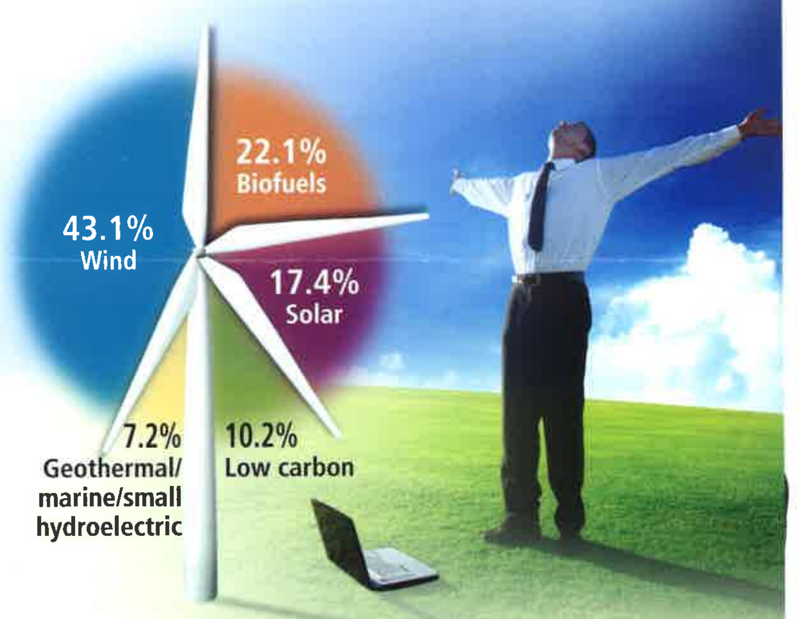
Like all investments, SRIs entail risk, could lose money, and may underperform similar investments not constrained by socially conscious criteria. There is no guarantee that a SRI will achieve its investment objectives. As with many investment strategies, SRIs may limit the total universe of available investments, and investors who want to diversify their portfolios among a variety of sub-asset classes may not find a SRI to fill each sub-asset class. Different companies offering SRIs may use different definitions of socially responsible investing.

Diversification and asset allocation do not eliminate the risk of investment loss; they are methods used to help manage investment risk.

If you feel strongly about directing your investment dollars to a particular cause, don't let your altruism put your financial future at risk. Exercising care with investment decisions now may help put you in a better position to benefit society in the future.

Power Play

How U.S. investments in renewable energy are allocated



Source: FastCompany.com, September 2010

1) Social Investment Forum Foundation, 2010

Inflation Making You Uneasy? **Try These TIPS**

In November 2010, the Federal Reserve announced plans to purchase between $600 billion and $900 billion in bonds in an effort to lower longer-term interest rates — a policy known as *quantitative easing.*[1]

By pumping billions into the economy, the Fed hoped to spur economic growth. But critics believe that too much monetary stimulus might lead to higher inflation.

Investors looking to diminish the risks associated with inflation may want to consider Treasury Inflation-Protected Securities. TIPS are similar to other Treasuries, but with an important distinction: The principal increases when the Consumer Price Index rises and decreases when the CPI falls. TIPS make payments twice a year and return the greater of either the original or the inflation-adjusted principal at maturity.

One advantage is that as the principal amount of TIPS grows, so do the interest payments, meaning that the income generated has the potential to rise over time. However, one disadvantage is that, unless you own TIPS in a tax-deferred account, you must pay federal income tax on the income *plus* any increase in principal, even though you won't receive the accrued principal until the bond matures.

TIPS are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value will fluctuate with changes in market conditions. If not held to maturity, TIPS may be worth more or less than their original value.

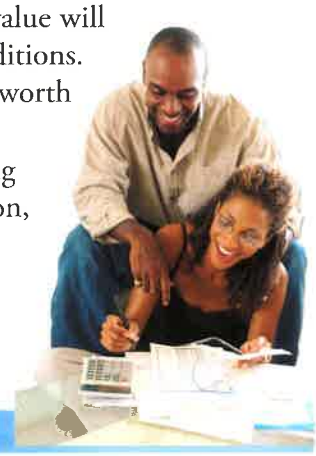
If quantitative easing has you feeling uneasy about the prospects for inflation, you may want to consider Treasury Inflation-Protected Securities.

1) CNNMoney, November 3, 2010

The Rule of 72

For a better understanding of the effects of inflation, divide 72 by an annual rate of inflation to calculate the number of years it would take for the purchasing power of your money to be cut in half.

Annual rate of inflation	Rule of 72 formula	Number of years for purchasing power to be reduced by half
3%	72 ÷ 3	24
4%	72 ÷ 4	18



If you are concerned about your ability to afford a comfortable retirement, now could be a good time to take action. We can help you evaluate your options.

Working toward a better financial future,