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FINANCIALink

Your Money Management Newsletter

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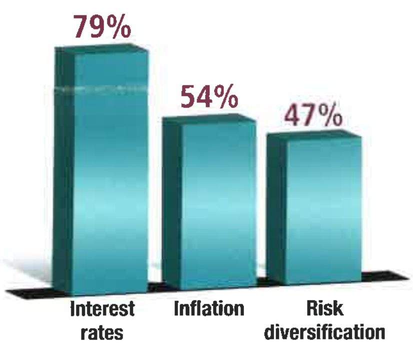
*Snap*SHOTS

OLD ENOUGH TO KNOW

Researchers asked young people (ages 23 to 28) three financial literacy questions designed to demonstrate their understanding of interest rates, inflation, and risk diversification. Here's how many answered correctly.



Source: University of Michigan Retirement Research Center, 2009

Up FRONT

54 Percentage of Americans who do not currently know how much income they will need in retirement.

Source: *Journal of Financial Planning,* April 2010

Quick HITS

Married couples say they are more likely to know their partner's weight than their partner's salary.[1]

In 2010, 24% of workers said they planned to postpone retirement, citing the poor economy and a change in employment situation as the most common reasons for working longer.[2]

Sixty-one percent of poll respondents between the ages of 44 and 75 said they fear running out of money more than they fear death.[3]

Twenty percent of Americans suffered a significant financial loss in 2009, the highest level in 25 years.[4]

Average credit-card fees have risen 33% for balance transfers and cash advances in the wake of the CARD Act of 2009, which took effect in February 2010.[5]

Sources:
1) MarketWatch, July 20, 2010
2) Employee Benefit Research Institute, 2010
3) AARP, 2010
4) CNNMoney, July 22, 2010
5) *The Wall Street Journal,* July 31, 2010

Practical insights for your **FINANCIAL GOALS**

This May Help You Avoid
RUNNING OUT OF MONEY

When it comes to things most people fear, death usually ranks near the top of the list — right up there with snakes and public speaking. But new research shows that an even scarier prospect for the majority of people is running out of money in retirement.

Opinion and Outlook

Selected responses from a survey of people between the ages of 44 and 75

92% ***Think the nation is facing a retirement system crisis***

79% ***Believe their retirement lifestyle will surpass that of their parents***

56% ***Fear not being able to cover basic living expenses in retirement****

36% ***Are not sure whether their retirement savings will be adequate****

*Responses from the 44–54 age group

Source: AARP, 2010

People between the ages of 44 and 75 were asked which possibility they feared more: death or running out of money. Sixty-one percent said running out of money was the scarier option.[1]

If you share the majority's concerns, you may want to consider whether the opportunity for a guaranteed income from a variable annuity could be part of the solution.

INVEST NOW, INCOME LATER

A variable annuity is a long-term retirement savings vehicle. It is a contract in which one or more payments are made to an insurance company, which agrees to pay the contract holder an income at a later date.

Contract holders can choose from a number of income options, including income for life, for the lives of two people, or for a specific number of years.

Variable annuities give contract owners the ability to participate in the stock market with the potential to limit downside risks. Owners can direct their premiums among a variety of investment subaccounts that range from low risk to high risk. For an additional cost, they may be able to purchase guarantees, such as a guarantee of minimum fixed income payments or a guarantee to withdraw a specific amount over a lifetime, regardless of account value.

There are contract limitations, fees, and charges associated with variable annuities, which can include mortality and expense risk charges, sales and surrender charges, investment management fees, administrative fees, and charges for optional benefits. Withdrawals reduce annuity contract benefits and values. Variable annuities are not guaranteed by the FDIC or any other government agency; they are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association. Withdrawals of annuity earnings are taxed as ordinary income and may be subject to a 10% federal income tax penalty if made prior to age 59½. Surrender charges may also apply if the annuity is surrendered in the early years of the contract. Any guarantees are contingent on the claims-paying ability of the issuing company. The investment return and principal value of an investment option are not guaranteed. Because variable annuity subaccounts fluctuate with changes in market conditions, the principal may be worth more or less than the original amount invested when the annuity is surrendered.

Variable annuities 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) AARP, 2010

EVERYONE PROCRASTINATES, *But Why?*

When it comes to procrastination, doing it now may mean having to do it later, too. In 2010, 24% of workers planned to postpone retirement. The poor economy and a change in employment situation were the most common reasons for workers to stay on the job.[1]

We can't know whether any of these people postponed their retirement dates because they got a late start on their saving goals. But as you can see in the table, even five years can make a big difference.

Everyone knows that procrastination is the enemy, yet not only do we all do it, sometimes we have no choice. Effective time management often requires us to put off one task until another is finished. Rather than wrestle with the inevitability of procrastination, a more useful exercise might be to examine *why* we procrastinate.

NOT KNOWING WHAT TO DO

Many people correctly assume that they don't know much about finances, but one of the benefits of working with a professional is access to strategies and education. Although there is no assurance that working with a financial professional will improve investment results, a professional who focuses on your overall objectives can help you consider options that could have a substantial effect on your long-term financial situation.

AFRAID TO ACT

Waiting until your fears subside before deciding to act could be the stepping stone to two classic mistakes: basing your investment decisions on emotion and failing to recognize the opportunity cost of waiting. Risk is an inherent aspect of investing, and few people can assume risk without at least some fear. But inaction is also risky because time is one of the key ingredients to financial success. Procrastination can carry a high opportunity cost by decreasing the amount of time that your investments have available for compounding.

LIFE HAPPENS

The day-to-day demands of having a career, raising a family, and caring for a home often take precedence over investment needs. Most people schedule time to get the oil changed, visit the dentist, and get their hair done. Why not then schedule regular appointments to review investment matters and measure progress toward financial goals?

Squandering time is one mistake that many people may never recover from. If you've been meaning to get around to some aspect of preparing for your financial future, now is the best time to get started.

1) Employee Benefit Research Institute, 2010

Act Now, Procrastinate Later

Jack immediately invested $20,000 per year in pursuit of his financial goals, but Jill decided to wait five years before getting started. Both invested the same amount of money over equal time periods, but Jack's balance was higher after 10 years because his portfolio had more time for the investment returns to compound.

	JACK		JILL	
Year	Investment	Value	Investment	Value
1	$20,000	$21,200	0	
2	$20,000	$43,672	0	
3	$20,000	$67,492	0	
4	$20,000	$92,742	0	
5	$20,000	$119,506	0	
6	0	$126,677	$20,000	$21,200
7	0	$134,277	$20,000	$43,672
8	0	$142,334	$20,000	$67,492
9	0	$150,874	$20,000	$92,742
10	0	$159,926	$20,000	$119,506
	Contributions:	$100,000	Contributions:	$100,000
	Earnings:	$ 59,926	Earnings:	$ 19,506
	Total value:	**$159,926**	**Total value:**	**$119,506**

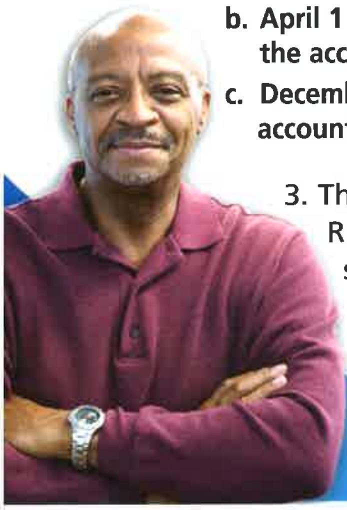
Assumes a 6% rate of return in both accounts. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investments. Taxes and investment costs are not considered. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of investment risk. Actual results will vary.

Meeting the **REQUIRED MINIMUM**

When Congress created the IRA some three decades ago to help retirement savers take advantage of tax deferral, it also created required minimum distributions to ensure that investors couldn't defer their taxes forever. See how much you know about RMDs.

1. RMDs apply to:
   - a. **401(k) plans**
   - b. **Traditional IRAs**
   - c. **Roth IRAs and Roth 401(k) plans**
   - d. **All of the above**
   - e. **401(k) plans and traditional IRAs**

2. The latest date an account owner can take his or her first RMD is:
   - a. **April 1 of the year in which the account owner reaches age 70½**
   - b. **April 1 of the year after the year in which the account owner reaches age 70½**
   - c. **December 31 of the year before the account owner reaches age 71**



3. The penalty for NOT taking an RMD is ____ of the amount that should have been withdrawn.
   - a. **10%**
   - b. **20%**
   - c. **50%**
   - d. **51%**

4. After an account holder has taken his or her first RMD, subsequent RMDs must be taken by:
   - a. **December 31**
   - b. **April 15**
   - c. **The investor's birthday**
   - d. **None of these**

5. RMDs are calculated using the account holder's:
   - a. **Life expectancy and account balance**
   - b. **Life expectancy and financial needs**
   - c. **Account balance and investment performance**
   - d. **Total assets and net worth**

Answers:

1. **e. 401(k) plans and traditional IRAs.** Roth IRAs are not subject to RMDs.
2. **b. April 1 of the year after the year in which the** account owner reaches age 70½
3. c. 50%
4. **a. December 31**
5. **a. Life expectancy and account balance.** The calculation uses IRS life expectancy tables and the account balance on December 31 of the previous year.

The new year is a great time to check your progress toward long-term financial goals and make any necessary updates to reflect changes in your life. We are waiting for your call.

Working toward a better financial future,