

Financially Speaking

308 Third Street
Mailing Address: PO Box 1343
San Juan, Bautista, CA 95045
Phone: (831) 623-2126
Fax: (866) 415-7813

Live Well, Laugh Often

Providing Professional Guidance for the Future You Deserve

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Women and Retirement....

Women simply don't save enough for retirement. This is true in good times and bad. Whether the economy is positive or in a downturn, a study by the **Spectrum Group**, a consulting and research firm in Chicago, shows women participants in employer 401K retirement plans contribute an average 6.3% of salary compared to 7.6% for men. In addition, just 40% of women compared to 48% of men expected to have enough income to live on in retirement.



Ladies, you need to take care of yourself better. Often, in a marriage, the husband makes more than the wife and there is a mistaken belief that contributing to the higher earner's retirement plan will be enough. The wife's salary is put to day to day living. The reality is that both spouses need to contribute to retirement savings. This is especially true when there is a company match. Save the maximum you are allowed. Save in your company retirement plans and contribute to an IRA or Roth IRA. Make this a priority along with the rent, mortgage payment, utility bills and food. Saving for retirement is not a luxury!

If this sounds like a lecture, well I guess it is. Women work very hard at their jobs, in their homes and the surest way to ensure a comfortable retirement is to save now. Save as though no one else will take care of you. It is your responsibility.

Have you checked your credit recently?

Just a reminder that you are entitled to a free credit report from the three major credit reporting agencies once a year: Go to www.annualcreditreport.com for your free credit report now.

How much can I take from my investments each year in retirement?

This question addresses what we in the financial industry call the "annual withdrawal rate". Typically, when folks at or near retirement are asked, "How much money can you take out each year from savings and retirement accounts and not run out of money in your lifetime?", they greatly overestimate what is prudent by answering 8-10% per year. So, for example, a hypothetical \$500,000 portfolio one might draw be \$40-50,000 per year. Most financial planners recommend half that amount of about 4% or \$20,000 per year given a \$500,000 portfolio.

New retirees often spend quite a bit of money early in retirement. Home remodels, that longed for trip or simply not adjusting their lifestyle to match their retirement income are some of the reasons. By taking larger sums of money out of the portfolio early, there is not enough principal left to grow to last for needs later in life. Goal funding for large projects or once in a lifetime trips need to be planned for well in advance of retirement and factored into retirement projections along with the daily cash flow needs.

The "4%" solution is not absolute and will vary based on such things as individual risk tolerance, inflation, personal health, other sources of retirement income and financial market conditions on an annual basis. It is a rule of thumb. Using it can give you an estimate of what you can expect to draw from your savings and retirement accounts when you retire.



The best way to ensure you don't out live your money in retirement is to live within your means. The new "cool" is to out do your neighbors, friends and family by finding ways to live well but economically.

Annual Financial Check-up

If you have received your 2008 Reminder Card and Information Update Sheet—and haven't called for your Annual Financial Check-up call today for an appointment: (831) 623-2126

REMAIN CALM WHEN ALL ABOUT YOU ARE PANICKING

That is some of the best advice anyone can give you. Not easy to do, but it will serve you well. When it comes to the wildly swinging financial and real estate markets we are experiencing recently, it is truly sage advice. If you consistently watch financial news show or the nightly news it would seem we have never had it so bad. It seems like a perfect storm of flat bond markets, depressingly lower stock numbers and real estate values falling with the mortgage and foreclosure concerns. Then there is the IndyMac bank failure to add into the mix.

But wait a minute, recently the bond yield curve has been looking more normal, inflation is at historic norms, not higher and while bumpy stocks have made a slight return and are at low price/earnings ratios. As for the bank failure, in the meltdown of the Savings and Loan failures in the late 80's-early 90's over 740 S&L's failed. Compare this to the following: IndyMac was the fifth bank failure this year, there were three failures in 2007 and none in 2006 or 2005. Going forward, the expectations are that possibly up to 200 banks may fail over the next 3 years out of over 7,000 banks in the US.

So, yes we have stormy times in the financial arena right now. It is a time of uncertainty, but not a time of the hurricane type disaster that the news media seems portray.

Rather than panic in times like these it is good to check your risk tolerance, revisit your time horizon for needing your money and create a portfolio that matches both.

GO GREEN TO GET GREEN *(money that is.)*

It's great to know you can do good and benefit from it. The mantra is reduce, reuse and recycle. Families are saving hundreds to thousands of dollars per year by following "Green" practices. Visit these websites for information on how you can cash in going "Green".



Go Green newsletter from the Environmental Protection Agency:

www.epa.gov/newsroom/gogreen



Going Green article from World Watch Institute: http://www.worldwatch.org/resources/go_green_save_green

PET INSURANCE

Pets are part of the family in most homes. And, as a family member, we take them to a doctor for routine medical issues, illness or accidents. Regular shots, flea and tick medications and dental care add hundreds of dollars to a family budget each year. An accident or chronic ailment can become a budget buster .



Pet insurance is available to help, but you should closely examine the policy. Most basic policies cover accidents only and range in price from \$15 to \$30 per month depending on the co-pay and deductible amount. Illness and cancer protection increases the policy amount to about \$40-45 per month. Coverage for routine care can also be added to some policies for an additional fee. As most insurers exclude pre-existing conditions, if you choose to purchase pet insurance, it is better to enroll your pet early in life. Pet insurers are breed selective. Because some breeds are predisposed to certain medical conditions, insurance may be difficult to find. Let's assume you have an eligible breed or a mixed breed dog with an average life span of 12 years and you elect to have accident, illness and cancer coverage at \$40 per month. Prepare to spend around \$5,800 on insurance (providing they don't raise the rates) over the dog's life. This does not include the co-pay and deductible amount.

Before purchasing insurance, have a heart to heart with your veterinarian about your pet and potential specie/breed based ailments and the doctor's fees. Make sure the animal hospital takes the insurance. Additionally, research the health of the pet insurance company to make sure it will still be in business when needed by calling the California Department of Insurance at 800-927-HELP or online at <http://www.insurance.ca.gov>

A good alternative to pet insurance is to budget for care. Add a potential catastrophic event, again asking the veterinarian for advice on an amount, into your reserve account.

"Thousands of years ago, cats were worshipped as gods.

Cats have never forgotten this."
- Anonymous



COLLEGE FUNDING RESOURCE

Recently, there have been some articles questioning 529 College Savings plans but all in all 529 plans are still a great way to save for college. Parental control of the funds, high contribution limits, tax free growth and the low cost investment choices from some state plans are a few of the reasons to consider a 529 plan.

For more information from a well respected website visit:
www.savingforcollege.com/

FACTS ABOUT MONEY

- **How many pennies were made in 1998?** There were more than 10 billion pennies made in 1998. The actual number of coins produced by denomination, was as follows: pennies 10,257,400,000; nickels, 1,323,672,000; dimes, 2,335,300,000; quarters, 1,867,400,000; half-dollars, 30,710,000
- **How much does \$1 million weigh?** That would depend on the denomination of the bills you use. Since there are 490 notes in a pound, if you used \$1 bills it would weigh 2,040.8 pounds, but if you used \$100 bills it would weigh only 20.4 pounds.
- **If you had 10 billion \$1 notes and spent one every second of every day, it would require 317 years for you to go broke.**

QUOTES ON RETIREMENT

"Planning to retire? Before you do find your hidden passion, do the thing that you have always wanted to do."

~ Catherine Pulsifer

"Retirement is the time when you never do all the things you intended to do when you were still working."

~ Author Unknown

"The harder you work, the harder it is to surrender"

~ Vince Lombardi

"Life begins at retirement."

~ Author Unknown

"Retirement means no pressure, no stress, no heartache... Unless you play golf."

~ Gene Perret

TYPES OF IDENTITY THEFT

- Credit Card Fraud
- Phone and Utility Fraud
- Bank Fraud
- Employment Fraud
- Government Document & Benefit Fraud
- Loan Fraud
- Other
- Attempted Fraud

For more information go to <http://www.factsaboutidentitytheft.com/>

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Mary L. Gibson is the principal of MLG Financial Planning, a Fee-Only financial planning and personal coaching service. Located in San Juan Bautista, CA and serving the greater Central Coast area, Mary is committed to her clients: individuals, families and small business owners. *"I really care that my clients understand what their financial future can be."*

As a CERTIFIED FINANCIAL PLANNER™ I offer my knowledge and expertise through a fee-only, hourly advisory service. *"Because I do not accept commissions, I can offer unbiased financial advice."*

It is my mission to empower people, by providing them with knowledge, planning and advice, to believe they can take control of their financial lives to achieve their lifestyle goals. To give my clients a greater understanding of the use and power that money has in their lives.



Mary Lacey Gibson, CFP®