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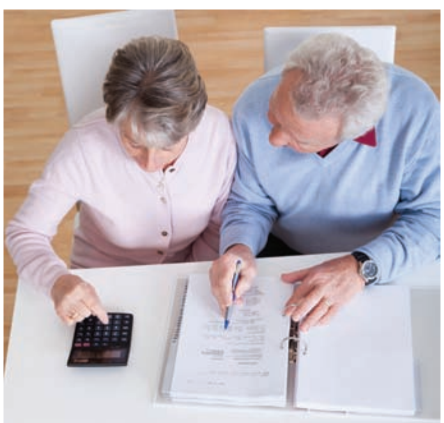
Retirement Derailers

In a February 2013 survey of 1,000 employed and retired Americans aged 50–70 with $100,000 or more in investable assets, 90% of respondents said they had experienced a "retirement derailer" — a specific circumstance that seriously impacted their retirement plans or reduced their retirement savings (Source: Ameriprise Financial, February 2013). Approximately 37% of respondents had experienced five or more such circumstances. **The top 10 derailers cited by survey respondents were:**

- Taking care of an aging parent or other family member
- Supporting one or more grown children or grandchildren
- Paying for significant medical bills that aren't covered by insurance



- Using retirement savings to pay bills
- Having to spend a lot of money on home repairs
- Losing some retirement savings because of unsuccessful investments
- Receiving pension benefits that are lower than expected or not getting an anticipated pension at all
- Experiencing a career or job loss
- Taking Social Security benefits before reaching full retirement age
- Experiencing a career or job loss
- Not getting an anticipated inheritance

To help ensure your retirement isn't derailed, consider these tips:

1. Start saving now. When asked what they would have done differently, 57% of survey respondents said they wished they would have started saving earlier. Indeed, because of the power of

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Your Stock Allocation

Some factors to consider when deciding how much to allocate to stocks include:

✔ **Your risk tolerance** — The advantage of including both stocks and bonds in your portfolio is that when one category is declining, the other category will hopefully offset this decline.

✔ **Your time horizon** — The longer your time horizon for investing, the more risk you can typically tolerate in your portfolio, since you have more time to overcome any significant downturns in your portfolio. Certainly, individuals with short time horizons, perhaps five years or less, should be very cautious about how much to allocate to stocks.

✔ **Your return needs** — Your need to emphasize income or growth is likely to change over your life. When you are trying to accumulate significant assets for a goal far in the future, you may want to allocate more of your mix to stocks. However, when your needs for a predictable income stream become more important, such as when retirement approaches, you may want to allocate more to bonds. ❍❍❍

Retirement Derailers

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compounding, starting to save for retirement just a few years earlier can make a huge difference in the end.

For example, a 30-year-old puts $400 per month into a tax-deferred retirement plan (like a 401(k) plan), which generates $1,015 per month in retirement income for 30 years beginning at age 65. For the 35 years that the individual is saving (from age 30 to 65), she will have contributed $168,000 to the account. A 45-year-old makes the same amount in total contributions ($168,000 at a rate of $700 per month) to the same retirement account. Even though she has contributed the same dollar amount, because her savings compounded for 15 fewer years, she has about 20% less during retirement (Source: Ameriprise Retirement Calculator).

2. Save now to spend later. About 33% of survey respondents said that if they had spent less on discretionary expenses like dining out and vacations during their working years, they would be better prepared for retirement. This is where it's critical to make a budget for current expenditures, a retirement budget, and a plan for how to make retirement work. That plan may involve trimming current expenditures, scaling back retirement expectations, or both.

3. Prepare a retirement plan. Unless you plan to work until the day you die, a retirement plan should be an integral part of your overall investment plan — and no matter what your circumstances, a very important way to decrease the likelihood that your life plans will be derailed by unexpected circumstances that inevitably arise.

4. Have a candid conversation with your parents or other family members whom you might be caring for in old age. Talk about how they'll want to be cared for and the means they have to pay for such care. Urge them to consider long-term-care insurance, which can greatly ease the financial burden of paying for their care in a world in which the average cost for an assisted-living facility is nearly $42,000 a year and more than $90,000 a year for a nursing home (Source: *The Wall Street Journal*, October 12, 2012).

If you have already been impacted by one or more of the derailers listed above — or any other circumstance that has impacted your retirement plans, here are five ways you can get back on track:

1. Take advantage of catch-up provisions. If you are 50 or older, you can contribute more tax-deferred income to a 401(k) or IRA (these are called catch-up contributions). In 2013, you can contribute $5,500 more to a 401(k) or 403(b) and $1,000 more to an IRA.

2. See where you can trim expenses to save more. Boosting your savings to get back on track for retirement might be easier than you think: most of us spend more than we realize on discretionary things like meals out, clothing, travel, and other personal expenditures. Take a hard look at your budget and see where you can cut back — even $100 per month can make a difference in your retirement savings.

3. Evaluate your investment choices. Review your current asset allocation. Many individuals close to retirement pulled money out of the stock market during the financial crisis; and if you haven't since reassessed your asset allocation, you're probably missing out on

significant investment opportunities as the equity market rebounds. That said, you want to ensure that your asset allocation is appropriate (not too heavy in equities) given your age and target retirement date.

4. Reevaluate your retirement lifestyle. Most financial advisors recommend that you be able to replace at least 70% of your pre-retirement income during retirement. So if you planned to spend 85% of your current income in retirement, you might be able to scale back and still retire comfortably.

5. Work longer. When Social Security was created in 1935, the average American 65-year-old man could expect to live to age 78 and the average American woman to 80. Today, the average American 65-year-old man can expect to live to 84 and the average American 65-year-old woman to 86 (Source: Social Security Administration, 2013). In that context, working five more years might not be such a sacrifice — and it can make a big difference in the retirement lifestyle that you can afford. For a 60-year-old who has a retirement account balance of $250,000 today and contributes $2,000 a year, pushing retirement back from age 65 to age 70 would yield an additional $158,410 in total savings (not counting Social Security) — adding $300 per month to the individual's retirement income.

No matter where you are on the path to retirement, whether you've been derailed or not, it helps to have someone you can talk with about your long-term goals and plans. We're here for you. ❍❍❍

How the Fed Impacts the Market

What moves the stock market? There is no easy answer to that question. Ultimately, many factors influence the stock market indices that are often referred to generally as the market.

At the most micro level, the price of individual stocks is influenced by company performance — or, more accurately, investors' perception of future company performance. At the most macro level, the prices of stocks are influenced by the economy — or, more accurately, investors' perception of the economy's future performance.

From micro to macro, the key factor is this: investor perception. Whether investors are irrationally exuberant or irrationally despondent or anywhere in between, investor perception can and does move markets. One factor that strongly influences investors' outlook of future economic performance is the Federal Reserve.

The Fed: How It Works in the Economy

The Federal Reserve has a dual mandate: to pursue the economic goals of price stability and maximum employment. The Fed affects those goals through management of the nation's supply of money and credit (in other words, by conducting monetary policy).

People sometimes talk about the Fed setting interest rates, which it does not actually do. The Fed sets a target for the federal funds rate, which is the rate banks charge each other for overnight loans, which influences other interest rates. Typically, when the federal funds rate rises or falls, so do the prime rate, mortgage rates, auto loan rates, and other rates.

So how does the Fed help the economy reach its target fed funds rate if it doesn't set the rate directly? Through what's called open market operations, essentially buying or selling government securities. When the Fed wants to lower the fed funds rate, it engages in expansionary monetary policy. It buys government securities, which means that it's sending more cash into the economy — specifically to banks. Banks want to loan that money, so they lower interest rates to entice more borrowers.

How Fed Actions Affect the Market

Since the financial crisis, the Fed has been engaged in a series of stimulus programs known as quantitative easing. The current program entails $85 billion in monthly bond purchases. As a result of these programs, interest rates have remained near historic lows.

But the Fed can't keep interest rates low forever, because low interest rates put upward pressure on inflation. So the Fed's job is a balancing act, trying to keep unemployment low and inflation at a target level of about 2%.

In recent months, as the economy has continued to show signs of improvement and employment levels have continued to rise (even as the unemployment *rate* has not fallen dramatically), market watchers have all assumed that the Fed would soon announce it would scale back its economic stimulus programs.

The Fed did just that on June 19 when Fed Chairman Ben Bernanke announced after the Federal Open Market Committee meeting that the Fed intended to begin gradually

reducing monthly bond buying this year, depending on continued economic strength. When the stock market reacted strongly, he later backtracked, indicating it would be some time before the Fed would reduce bond buying.

How Should You React?

As an investor, what does the Fed's influence on markets mean for you? It's not wise for individual investors to buy or sell investments based on what the Fed has said it might or might not do at some uncertain point in the future.

What individual investors should do is review investment portfolios annually. From changes in Fed policy to changes in asset value in different classes, an annual review of your portfolio — and tweaks to your investments to ensure that your portfolio remains in line with your financial strategy — is the right way to ensure that you are maximizing performance given market fluctuations that are out of your control. 2014 ushers in a new Federal Reserve Chairman with Janet Yellen, Ben Bernake's #2 as his successor. The handoff to Yellen from Bernake will come with likely commitment to her statements of focused trimming of the bond program. She has been a central figure during Bernake's leadership, so her policies are expected to remain continuous to the present day strategies (Source: "Yellen's To-do List Shortens." *The Wall Street Journal*. 12.19.13). ❍❍❍

Dorito Salmon Patties

An Investment Answers family member who is an avid fisherman was looking for a change to the way their family cooks up Salmon from their annual expeditions. This recipe should do the trick!

This recipe can be made with fresh or canned/drained salmon. The sauces and chips can be used interchangeably. Adding in a small shot of peppers and oatmeal adds additional fiber and flavor. I've even diced up ¼ avocado into small pieces and added it to these patties.

1 lb. cooked and cooled Salmon, flaked

1–2 Tbs. Extra Virgin Olive Oil

1–2 Tbs. Dijon Mustard – or – BBQ Sauce

½-1 Cup crushed Nacho Cheese Doritos – or – BBQ Lays Potato Chips

1–2 Tbs. finely diced jalapeno slices *(optional)*

2–4 Tbs. finely diced Red Bell Pepper *(optional)*

1–2 Tbs. "1 minute" Oats *(optional)*

Directions: Remove the fish skin, and after it has reached room temp, add the flaked salmon into a large bowl. Crush between ½ cup – 1 cup of chips. Pour Chips (Doritos/ Lays and Oatmeal) over the fish and add a sauce (choose Mustard or BBQ) and peppers (optional). Using your hands, mix the fish, sauce, chips, and peppers until thoroughly mixed. Divide the ball of meat into 4–8 equal parts and shape into equally sized patties using your hands. Approximately ¼ cup per patty is a good serving size. The patties should be able to easily hold their shape. If they don't, add more chips or oatmeal. If it feels too dry to stick together, add additional sauce, (reuse either mustard or BBQ). Preheat a skillet so that it's at a medium-high temp and add olive oil. Fill the skillet with half of the patties and cook until one side browns — just a few minutes. Gently flip them and cook until they are browned on both sides and warmed through.

Side note: Salmon is easy to skillet fry, grill, or bake. Just wash and dry the fish and leave the skin on, bones removed. Lightly flavor it with a little olive oil, light salt and a splash of lemon. Simply preheat a skillet or grill, add some olive oil, and cook for 4–6 minutes per 1 inch of fillet thickness. If you like it well done, cook it through with the lid closed. If you're using a skillet, splashing a tablespoon of water helps to keep that moisture in the fillet.

If you're baking the fish, preheat the oven to 350 and bake for 15–30 minutes until your fillet looks an even, light pink color all of the way through. Garnish your fillet with thin lemon slices and fresh herbs, like parsley or dill. Cucumber relishes are also delicious atop salmon.

Investment Answers News

Can you believe January 2014 is almost over? Time sure does fly by quickly! As a New Year ushers itself in, that means Tax Time is just around the corner. February through April are wonderful times to compile your statements and receipts and make organized sense of all of those paper and digital documents. We understand how overwhelming receipts and statements can be. Let us know if we can help you create an organization system for your finances.

Many of you attended the year end Circle of Family (COF) Event at Big Spring Country Club this past December. It was wonderful to reconnect and have an evening of fellowship with you. We enjoyed meeting your loved ones and look forward to building relationships with them. We always have a follow-up event to our year-end COF party.

This year we look forward to celebrating with you and your friends and family at **Belterra** on **Monday, March 24, at 6:00 p.m**. Call the office to confirm your RSVP. We will spend February contacting and confirming with your friends and relatives who are interested in building relationships with Travis and the Investment Answers team. See you soon!

Keep Track of Your Retirement Plans

Most of us change jobs at least twice before retiring, leaving a trail of retirement nest eggs behind us. Here are a couple of tips to keep track of your retirement plans:

Organize your records. As long as you continue to hold your account in a former employer's plan, you should receive statements. Keep them all in a file — or, even better, enter them all in a spreadsheet, tracking the combined balances and the amount in each type of investment.

Consolidate your accounts. It's much easier to manage your assets if they're all in one place. Meeting with us one on one and reviewing your current goals, investments, and insurances will help us determine if there's a way we can simplify your present portfolio. That single consolidation account could be the plan you're currently contributing to, if the plan permits rollover contributions. There are many options available. You can potentially open a rollover individual retirement account (IRA) and have funds from your other accounts directly transferred there. However, be careful about transferring checks and making deposits between accounts. That's where you want to leverage us as a tool to make sure your choices and actions best meet your goals according to the tax and legal requirements your accounts are bound to. Rest assured. That's why we're on your team. Let us know that you're looking for support in meeting your goals. ❍❍❍