MoneyLink

Your Link to Meaningful Wealth Accumulation

Can You Afford to Lose $117,000?

Third Quarter, 2013

<u>Nine out of ten Americans</u>, age 50 to 70 with $100,000 or more in investable or retirement savings, have suffered at least one retirement calamity due to some significant economic or life event that slammed their retirement savings goals! In the end, the accumulated impact of these painful "derailers" cost the average survey respondent a whopping $117,000!

Can You Afford a $117,000 Hit to Your Retirement Plan?

Knowing from the experience of others that this kind of loss looms as a strong possibility in your future, will you take steps to side-step such a serious financial body-blow? Will you take steps to protect yourself?

The background information comes from a startling new survey conducted by Ameriprise Financial. The average survey respondent, drawn from a pool of 50-to-70-year-old adults with $100,000 or more in savings, LOST $117,000 to significant financial setbacks -- events which surveyors call "derailers!"

On average, surveyed families had suffered four significant setbacks, and nearly 40 percent had endured five or more "derailers" -- at even greater cost!

Stop and consider this: beyond the dollar figures, each setback carries its own burden of sweat and stress. More than four in ten surveyed say their savings lag behind earlier projections, and 55% describe the cost as "extreme" or "somewhat serious." If 90% of Americans suffer this kind of loss, is this what YOU want?

What Do These Costly Calamities Look Like?

Of eight setbacks cited most often by respondents, five have to do with poorly

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Vital Issues

for You to Consider:

- **How to Quickly Bump Up Your Credit Score**
- **5 Keys to Building Real Wealth:**
- **Uncle Sam Wants Your Retirement $$$!**

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performing investments. They are:

◆ **Low interest rates** weighed down the velocity of their investments, according to 63% of participants!

◆ **Market declines** threw off the plans of 55% of respondents.

◆ **Stunted home equity** has short-changed the retirement plans of 33% of surveyed families.

◆ **Poorly performing pension plans** is an issue for 23%.

◆ **Just plain bad investments** or, perhaps, poor investment strategies cost 22% of respondents severely.

Common calamities #6, #7 and #8 may reflect personal circumstances more than market issues. Those are:

◆ **Needing to support a grown child or grandchild** (23%);

◆ **Needing to draw down Social Security before retirement age** (19%); and

◆ **Suffering a job loss** (18%).

A dozen more costly scenarios can spring to mind with a moment's thought. The cost of a serious health issue or injury, divorce, or impact of disasters such as the tornadoes that recently raked Oklahoma City are all accompanied by financial trauma and distress.

Does the Survey Indicate Any Way Out of This Mess?

Is there a way to side-step the cost of these "derailers"? Is there a way to avoid the impact and insulate hard-earned savings from this loss?

A full 80% of surveyed adults say the road to recovery begins with them, that their own decisive action is critical to righting their dreams.

You Need to Be Willing to Act!

But act how? Do what?

Consider this: 42% of Ameriprise survey respondents choose to work with a financial advisor. Of those, the vast majority (74%) have stepped up and armed themselves with a written strategy for accumulating wealth. "Survey results," says Ameriprise, "show having this kind of plan can boost confidence and make for a smoother path to retirement."

Listen to Suzanna de Baca, VP of Ameriprise Financial: "Expecting

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> **"The good news is that these unanticipated events don't have to be retirement derailers – they can be addressed with a plan in place."**
>
> *Suzanna de Baca*
> *Vice President*
> *Ameriprise Financial*

How to Quickly Bump Up Your Credit Score:

Like any other tool, credit can be constructive or destructive. On one hand, abusing credit draws millions into financial bondage. On the other hand, try refinancing without any credit at all!

The newest "gold standard" for many lenders is a credit score of 720 or more. Here's how to check your score and bump it a little, if need be.

#1 **By law, you can get one free credit report annually from each of the three big boys in the field: Experian, TransUnion and Equifax. Get yours and scrutinize it. Make the necessary calls to inquire about and correct any questionable items!**

#2 **A quick way to nudge your score up is to call credit card providers and ask them to increase your line of credit. By NOT USING that credit, your over-all credit profile will shine a little more brightly!**

Source: Enright, Jennifer. "Old Home, New Loan" AARP: The Magazine. June/July 2013

5 Keys to Building Real Wealth:

Wouldn't it be great if you could condense all the complexities and complications of finance into a simple set of over-arching principles? You could use a list like that as a constant index to govern all of your investment decisions.

Well, whether you're a financial novice or a seasoned professional, here's a good place to start.

#1 Don't Save Too Little! So you jump on board the company 401(k) plan, and your employer agrees to match up to 4% of your income. Should you stop there? NO!

Especially in your early years, shoot to save 12% to 15% of your total income. And while the company's 4% match may be a good thing, don't tie up additional savings in a restricted place like the company plan. Sit down with us and let us help you build a plan that offers more flexibility and adds lean muscle to your savings strategy!

#2 Don't Procrastinate! Starting never is a recipe for disaster. Starting later costs you money and sucks the power out of your dreams. Starting now is the key to success.

The old proverb says, "You can't fatten a pig on market day!" Don't wait any longer. Act now.

#3 Use Your Fear! Fear can be a great motivator, but blind fear will cost you. Lay your investment fears out before a professional advisor and work with him or her to build a strategy that overcomes the obstacles which frighten you!

#4 Honor Your Partner! When two income-earners share their expenses, the result should be more resources to invest into a defined wealth strategy. If you honor each other's dreams and fears as that wealth accumulates, the process becomes a shared work and can draw you into a deeper appreciation for one another. Long-term, constructive relationships can be a win-win for both parties...and the alternative -- the dissolution of a relationship -- can rank among life's most costly experiences!

#5 Stick to a Plan! The advice to "stick to a plan" assumes that you have a plan in the first place! A defined plan gives you a framework from which to make better decisions, eases the difficulty of saving, and fuels the rate of real wealth accumulation. Wandering aimlessly, grasping for the next pretty thing, and shooting at ill-defined targets rarely gets anyone to an attractive destination.

That's what we do -- build highly personalized plans for meaningful wealth accumulation. Don't put off that phone call. Contact us today.

Source: Cark, Jane Bennett. "Six Costly Retirement-Savings Setbacks -- And How to Overcome Them" Kiplinger's Personal Finance. finance.yahoo.com. 6/4/2013

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the unexpected is clearly more important than ever in preparing for retirement. The good news is that these unanticipated events don't have to be retirement derailers – they can be addressed with a plan in place."

So Will You Act?

A clear, updated wealth plan can make a difference in your future. At our own office, we would like to help you sidestep the costs of those "derailers" revealed by Ameriprise's survey respondents. Let us help you. Call us today.

Sources: "Ameriprise Survey Shows Retirement Savings Derailed by More than Just Recession; Financial Impacts Are Measurable" Ameriprise Financial Inc. 5/14/2013

Uncle Sam Wants Your Retirement $$$!

"I understand your concerns, Mr. Owens! But someone has to pay for my retirement as well!"

Don't even think that, because you're retiring, Uncle Sam is going to give you a break. However much debt you're carrying, he's got more...and he needs your hard-earned dollars to cover his debts.

The Federal Government Can and Will Tax Even Your Social Security Savings!

Very few American's anticipate that Uncle Sam will siphon off a chunk of your Social Security benefit because, they reason, they invested into the Social Security fund with after-tax dollars. It doesn't matter.

Up to 85% of your Social Security withdrawals may be taxable income, and the income threshold that determines whether you pay is painfully low at only $32,000 for a married couple!

Is Your Wealth Plan Tax-Resistant?

Effective wealth accumulation is not about what you earn; it's about what you keep! Let us help you increase your retirement income by decreasing your tax profile! Call for a no-obligation review of your financial plan.

Source: "Plan to Pay Taxes on Your Social Security" Kiplinger's Retirement Report. October, 2012.

Questions or Comments?
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Based in Corona, CA, Western States Financial is an independent financial advisory firm with a very unique approach that helps people find money they are currently transferring away unknowingly and unnecessarily.

We address areas such as Mortgages, Taxes, how you fund your Qualified Plan, College Planning, Debt Elimination, and expenses like car payments and credit cards.

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