LET'S TALK MONEY®

July/August 2014

Live Your Dream of Retiring

More than half (54%) of near-retirees say they're concerned about having enough money to last through retirement. Forty-five percent say they'll *need* to work at some point during retirement.* But this doesn't have to be your retirement story. Following these tips may give you a better retirement outlook.

Be flexible

Retiring before you're financially or psychologically ready can put a damper on your retirement. From a financial standpoint, if you retire too soon, you risk running out of money. Periodically review your retirement investments with your financial professional to see if you're on track for your desired retirement date. If not, you may have to work a year or two longer, which could make a surprising difference in retirement readiness. Or, if you're able to, increase contributions to your retirement account by enough now to meet your desired retirement date.

If you haven't thought about what you're going to do with your time, you may be at loose ends when you retire. Explore paying and nonpaying options for keeping active *before* you retire. The Employee Benefit Research Institute found that many retirement-aged people have nonfinancial reasons for continuing to work full- or part-time.**

Have multiple resources

It's good to have a fixed income source, such as Social Security benefits and/or an employer sponsored pension plan, to help cover basic expenses *and* variable income sources, such as a 401(k) account, an individual retirement account (IRA) and personal investments. Because these accounts have the potential to increase in value, they may help cushion inflationary price increases. You can use the funds to help cover unexpected expenses and/or pay for retirement living expenses.

Be realistic about retirement expenses

Your expenses may or may not decrease at retirement, depending on the activities you intend to pursue. Ask your financial professional to help you realistically project your future retirement expenses based on your individual needs and wants so you can judge if you're financially ready to retire.

* *Maritz Research Retirement Study*, 2013, surveying individuals with less than $500,000 in retirement resources

** ebri.org *Issue Brief*, March 2013, No. 384

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.

By the numbers:

THE BUSINESS OF TRAVEL

$855.4 billion

direct spending on travel (leisure and business, domestic and international)

2.8%

percentage of U.S. gross domestic product attributed to tourism and travel

7.7 million

number of jobs directly supported by the travel industry

$129 billion

tax revenue generated by travel spending

Source: The U.S. Travel Association's *U.S. Travel Answer Sheet*, 2013

How To Relax and Enjoy Your Vacation

A week at the beach. A wilderness hike. A 10-day cruise. No matter where you're headed for your next vacation, here are some suggestions that will help minimize stress before, during and after your getaway.

Don't bust your budget

No vacation is worth racking up a mountain of debt that takes years to pay off. From a financial standpoint, the smartest thing to do when you're planning to take a vacation is to save enough to pay for your trip ahead of time and stay within your budget. You and your financial professional can work this into your annual spending plan.

Outwit potential problems

Make copies of your driver's license, plane tickets, credit cards (both sides, so you'll have the toll-free phone numbers in case problems arise), a passport (if you're traveling internationally), etc. Keep a copy with you (somewhere other than in your wallet or purse) and give a copy to a trusted family member or friend.

If you'll be vacationing abroad, call your credit card company before you leave to provide travel dates and an itinerary. Otherwise, the company may deny your charges. If you're flying, put a slip of paper with your name and address in each bag you check in case the bag is lost and the tag is separated.

While you're away

Ask a neighbor to pick up your mail and bring in the paper. Better yet, stop the paper and save a few bucks. Be careful what you post on social media while you're away. Posts and pictures of you on vacation are proof that you're away, which makes your house an "opportunity" for criminals. The message on your voicemail could also give you away. One way to make it seem like there are people at home is to put timers on various lights.

Consider travel insurance

According to the U.S. Travel Insurance Association, more than 148 million U.S. travelers were covered by the various types of travel insurance and related services in 2012 (the latest figures available). Some travel risks may already be covered under your homeowner's policy or the credit card you used to book your travel. If you need additional insurance, be sure you understand what's covered and any exclusions that may apply.

If you could lock in a guaranteed stream of income during your retirement, would you do it? Plenty of people are doing just that — by purchasing fixed annuities.* Improving economic conditions and higher interest rates have triggered a recent spike in demand for annuities,** boosting the popularity of fixed annuities.

Fixed Annuities:
The DIY Retirement Income Plan

Here's how fixed annuities work. You pay premiums to an insurance company, which invests your money and promises to pay you a fixed amount for an agreed-upon time period, regardless of how well the insurance company's investments perform.

It's essentially a do-it-yourself plan. And with fewer and fewer companies sponsoring traditional defined benefit plans, the fixed annuity option of locking in retirement income is getting a lot of attention.

Is a fixed annuity right for your retirement strategy? Talking with your financial and tax professionals can help you make that determination.

* *An annuity may impose charges, including but not limited to surrender charges, mortality and expense risk charges, administrative fees, underlying fund expenses and feature charges that can reduce the value of your account and the return on your investment. You will have to pay federal income tax on any earnings you withdraw from the annuity during retirement or before. Payments and guarantees are subject to the claims-paying ability of the issuing insurance company, and the underlying investment options are subject to market risk and may lose value.*

** Beacon Research, October 23, 2013

Stick to a Spending Diet

Budgeting is like dieting. Both are disciplines that monitor consumption with the ultimate goal of reaching and maintaining a healthier state. Dieting involves tracking the food you eat. Budgeting involves tracking your spending. And just like sticking to a diet, there are different approaches to sticking to a budget.

Always and forever

Some experts feel the best way to stick to your budget is to constantly track your spending. The theory is that recording your expenditures forces you to think about where your money is going, which makes you less likely to overspend. Once you're in the habit of recording what you're spending, you just keep doing it.

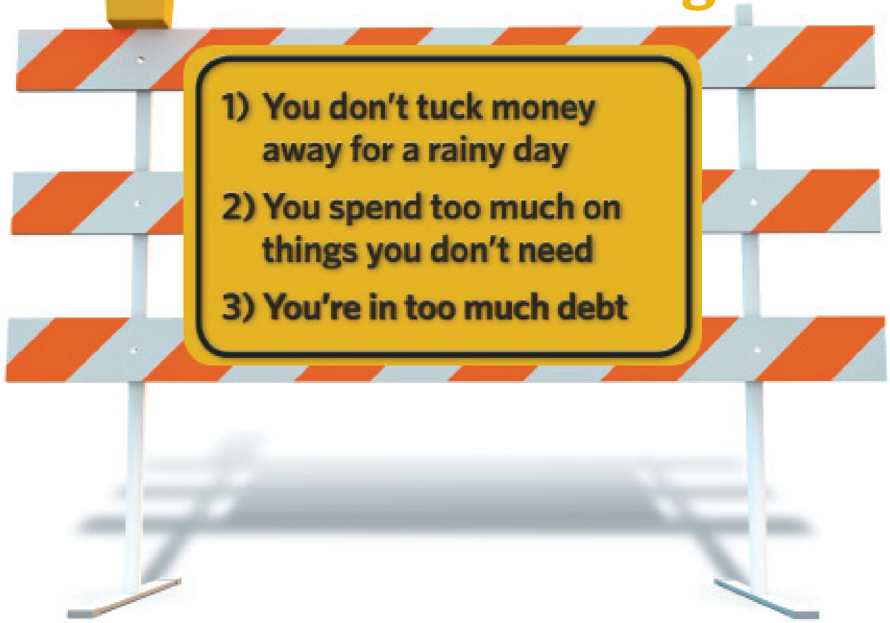
Short and sweet

Other experts back a different (opposing) approach. They feel that long-term tracking is too difficult, that people burn out and then give up on their budget. Instead, they suggest more of a "boot camp" approach — tracking your expenses for a short time period. They feel that a short tracking period provides enough information about spending patterns for you to make the necessary adjustments.

None of the above

Don't think either one of these "spending diets" will work for you? No problem. It doesn't matter *how* you manage your budget. It just matters that you have a realistic one — and that you stick to it.

Top 3 Roadblocks to Financial Well-being



LET'S TALK RETIREMENT

Q. I participate in my employer's retirement plan. Do I need to have other retirement investments, too?

A. You may also want to invest in an individual retirement account (IRA) and taxable accounts — for a couple of reasons. One is to have access to a wider range of investment options. The choices offered by your employer's retirement plan may be limited.

Another reason is to be prepared for financial emergencies during retirement. For example, if you have a traditional pension plan that will pay a set amount of retirement income, you can invest in an IRA and taxable accounts to build an emergency fund for unexpected expenses that pop up during retirement, such as costly medical bills and home or car repairs.

Investing in an IRA can also give you more flexibility to access funds before retirement than an employer's plan. You can withdraw money from a traditional IRA penalty free to buy a first home, pay higher education and medical expenses or to pay health insurance premiums after a job loss. (The withdrawals would be taxable, and certain limits and requirements apply.) With a Roth IRA, your contributions can be withdrawn tax and penalty free for an emergency. Depending on the situation, withdrawals of earnings may be taxable and potentially subject to an early withdrawal penalty. And be aware that withdrawals for nonretirement purposes can reduce your retirement assets and the amount of retirement income you'll have.

Q. When I started my new job, I was automatically enrolled in my employer's 401(k) plan at a contribution rate of 3% of pay. Is this rate about what other people contribute?

A. According to the Plan Sponsor Council of America's *56th Annual Survey of Profit Sharing and 401(k) Plans* (2013), the average percentage of pay deferred to employer sponsored retirement plans is 6.8%. While you can look at this average as a guide, you should base your plan contribution rate on the amount you'll need at retirement to meet your projected income needs. Talk with your financial professional about doing an income projection and setting an appropriate contribution rate.

We Value Your Input...

Your feedback is very important to us.
If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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