

LET'S TALK MONEY[®]

September/October 2015

Have you heard of 401(k) Day? It's a time for promoting the popular 401(k) retirement plan and the importance of setting money aside for the future while you are working.



If your employer offers a 401(k) plan, participating is an important step toward having the retirement you want. To be successful, you must understand your retirement plan's investment options and choose those that are right for you.

Default investments

Many retirement plans have a default investment (sometimes referred to as a "qualified default investment alternative," or QDIA). Basically, if you don't specify where you want your retirement plan contributions invested, the retirement plan invests your contributions in the default investment. Your retirement plan's default investment may be a balanced fund that includes a mix of stock and bond investments, a life cycle or target date fund that takes your age or anticipated retirement date into account or something else.

Consider all your options

Keep in mind that your retirement plan's default investment may or may not suit your personal needs and goals. You shouldn't

assume the default investment is right for you just because your employer provided it. Sticking with an investment that isn't a good fit could impact your retirement readiness. Instead, carefully review *all* your investment options and choose the ones that fit your goals, risk tolerance and investment time frame. Your financial professional can provide guidance in choosing suitable investment options.

Permission to change your mind

If you initially decide to go with your retirement plan's default investment, you can opt later to have your contributions put into different investments offered by your retirement plan. Take the time to review the investment information your retirement plan provides, your current situation and your long-term goals. You also may want to consider contributing to an individual retirement account (IRA) to help you further prepare for the future. Ask your financial professional about the different kinds of IRAs and how they work.

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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.

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By the numbers:

SPENDING ON BACK-TO-SCHOOL ITEMS (GRADES K-12)

Average spending by families

2012

\$1,020

2013

\$672

2014

\$543

Average spending by parents

2014

\$370

Average spending by children

2014

\$173



Get an A+ in School Shopping

Back-to-school spending is huge. How huge? The only "spending season" that's bigger is the December holiday season. For the 2014-2015 season, December spending was \$616.1 billion. For the same period, spending on school-related items totaled \$74.9 billion. Spending on Mother's Day came in at \$19.9 billion and Valentine's Day at \$18.9 billion.*

Learn your lesson

Collective spending on school-related items may be in the billions, but that doesn't mean *you* have to break the bank. Here's a short tutorial on how to keep spending in check this season:

- Go through the supply list from your child's teacher to see what items you already have on hand.
- Before you even get in the car or go online to shop, come up with a clothing budget. And stick to it.
- If you live in a state that charges sales tax, find out if there will be a tax-free shopping period during back-to-school season and plan accordingly.
- Resist the temptation (and ignore your child's pleas) to purchase items that aren't on the teacher's list unless your budget allows.
- Look for coupons, both print and online.

- Get your kids involved by having them research and compare prices for items on their lists.
- If your children don't need their supplies the very first week of school, wait until the rush is over to make your purchases.
- If you find a good sale on items you know you'll need all year long, stock up.

Teach your children

You can turn back-to-school shopping into a learning experience for your kids by giving them money and letting them decide what to buy. Before you head to the mall, though, sit down with your children and agree on a list of the things they are responsible for purchasing. Then it's up to them to figure out that if they splurge on one or two expensive items, they won't have enough to buy the other things on their list.



Source: 2014 Back-to-School Survey, Deloitte

* Holiday Spending Totals, 2014-2015, NRF Foundation Retail Insight Center

Life Insurance — Who Needs It?

People who say they don't need life insurance may be absolutely right. *They* don't, but their loved ones are another matter! Finding excuses for not buying a policy is easy. But life may not be so easy for your family if you fail to take steps to preserve their financial security.

Don't let these "reasons" stand in your way of protecting your loved ones.



I have plenty of money

Maybe you do have significant assets, but would your loved ones have enough money available to them to cover all their expenses while your estate is being settled? Life insurance proceeds can provide funds early on to fill in the gaps and pay any taxes or bills that are due without having to sell assets.

I'm healthy as a horse

No one expects to be diagnosed with a dire illness. But if you are,

getting life insurance may be out of the question. Buying a policy while you're healthy can help ensure your loved ones won't have to worry about money if something happens to you.

I'll buy a policy soon

Soon may be too late. Fatal accidents and illnesses don't ask permission before they happen. It's smart to have life insurance to protect your loved ones financially, just in case. September is Life Insurance Awareness Month. What better time to talk with your financial professional about your coverage?

Give them options

Life insurance offers options to your loved ones they might not have otherwise. The proceeds can provide a financial cushion during a time when survivors may not be emotionally ready to make good decisions. Insurance proceeds can give them the time they need to plan for the future.

Spend Some Hard-earned Cash on Yourself

Nobody's saying you should spend your entire paycheck on a splurge. But treating yourself to something special every now and then can actually help you stay on track with your budget.

Budget backlash

Some people think following a budget means denying themselves all the things they enjoy. But, in fact, being too strict with your money can make you resentful — and possibly send you on a major spending spree to compensate for feeling deprived. A good spending plan allows you to cover your basic expenses, add to your investment account and still have money left over for other things.

First, the basics

You can have a sound spending plan and still be financially vulnerable. According to a *bankrate.com* survey, 82% of Americans keep a household budget, but only 38% have enough money in an emergency fund to pay for unexpected

expenses. Not having the funds when you need them can cause you to charge the expense on a credit card, take out a loan or borrow from your retirement plan. Before you treat yourself, make sure you have enough money in an account to cover unanticipated bills. Once you've accomplished this goal, reward yourself with a small splurge.

It's all about balance

Stick to your budget, but build in some flexibility as well. You should be able to control your spending without forgoing all the benefits of your hard work. Good financial management is important. But it's fine — and even healthy — to occasionally spend money on yourself.





LET'S TALK RETIREMENT

Q. An article I read in the financial news mentioned target date retirement funds having “glide paths.” Can you clue me in on what that means and why it’s important?

A. Very generally, “target date” refers to a certain date range for retirement or the approximate time when investors would want to start withdrawing money from the fund. It may be a useful starting point in selecting a fund, but you shouldn’t rely solely on the date when choosing or deciding to remain invested in a fund. Consider the fund’s asset allocation over the whole life of the fund. To reduce the risk of investment losses as the target date nears, a target date fund will typically shift some assets into more conservative investments. This change is the fund’s glide path. As the years pass, the fund’s stock allocation “glides,” or is rebalanced, to a more conservative point. Principal is not guaranteed at any time, including at the target date.

A fund’s glide path is important because the pace at which a target date fund becomes more conservative may differ

from fund to fund. If you’re considering investing in a target date fund, your financial professional can help you choose one with an investment strategy that fits your risk tolerance, as well as your retirement time frame.

Because mutual fund values fluctuate, redeemed shares may be worth more or less than their original value. Past performance won’t guarantee future results. An investment in mutual funds may result in the loss of principal.

Mutual funds involve risk and are offered by prospectus (and summary prospectus, if available), which you can get from your registered representative. Carefully consider investment objectives, risks, charges and expenses of the investment company before investing. The prospectus will include this and other information; read it carefully before investing. Investing involves risks, and there is no guarantee that any one strategy — including diversification — ensures a profit or protects against a loss in a declining market. You should consult with your financial professional regarding your particular situation.

Often target date funds invest in other mutual funds, and fees may be charged by both the target date fund and the underlying mutual funds. A fund with higher costs must perform better than a lower cost fund to generate the same net returns over time.

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