YOUR FINANCIAL FUTURE

Your Guide to Life Planning

November 2012

This is a new program we are using to stay in touch with our clients. The stories and articles will be different each month to keep it interesting. We hope you like our newsletter and please call if you have any questions or want to make an appointment.

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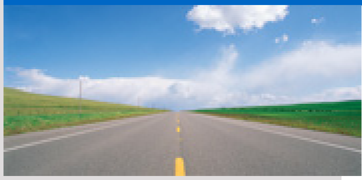

When It Comes to Retirement, Timing Is Everything

Regardless of income level, maintaining lifestyle expectations through a retirement that may last 30 years or more requires careful planning.

Most everyone dreams of the day they can finally retire and live the life of leisure. Yet recent evidence suggests that most near-retirees and retirees need to do a better job of timing and long-term planning.

One study, conducted by the Society of Actuaries, looked at retirement risk factors and concluded that while decisions around the timing of retirement are among the most critical, for most individuals, those decisions are not carefully planned out.[1]

The study found that while a high percentage of retirees/preretirees have considered delaying retirement, when asked how a three-year delay in retirement would or could have affected them financially, almost half of current retirees said a delay would have made them no more financially secure. Among current workers, nearly 40% felt a delay would have no impact on their future finances.

Another trouble spot is time horizons. According to the study, the typical retiree has a planning horizon of just 5 years; preretirees plan just 10 years out. A shockingly low number -- 7% of retirees and 13% of preretirees -- look 20 years or more into the future when making important financial decisions. Even fewer respondents have plans to account for their life expectancies.

Clearly these gaps in planning can have major implications for your financial security and standard of living in retirement. Consider the following points when planning for your own retirement.

Should You Delay?

For many, Social Security is a major component of their retirement income. Social Security benefits increase substantially with retirement age. For instance, for those with full Social Security benefits the monthly payout is substantially higher at age 70 than it would be if you opted for early retirement at age 62. For example, a 50-year-old today would receive an estimated $1,030 per month by opting for early retirement at age 62, $1,577 by waiting until age 67, and $1,995 by waiting until age 70.[2] Visit the Social Security Administration's website at www.ssa.gov for more on benefits and retirement age.

Consider a Long Horizon

Regardless of income level, maintaining lifestyle expectations through a retirement that may last 30 years or more requires careful planning. Researchers refer to this planning challenge as "longevity risk," or the risk that an individual could outlive their retirement income. To plan for such a contingency, many financial experts suggest the following game plan:

- Withdraw very conservatively (just 4% or 5% annually) from your retirement accounts.
- Consider purchasing a long-term care insurance policy, which covers nursing home and other long-term care expenses.
- Maintain an allocation to stock investments, for their long-term growth potential.[3]
- Consult with a financial professional.

[1]*Source: Society of Actuaries, "2009 Risks and Process of Retirement Survey Report," February 2011.*

[2]*Source: Social Security Administration, Benefit Estimates Quick Calculator.*
[3]*Investing in stocks involves risks, including loss of principal. Past performance is not a guarantee of future results.*

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Preventing Identity Theft

You want to be on the lookout for phishing scams, particularly those that appear to come from a credit card company, bank, retailer, or anyone else you do business with.

Millions of Americans fall victim to identity theft each year -- and their financial losses are in the billions. In 2010 (the latest data available), an estimated 8.6 million Americans experienced identity theft, causing losses of $13.3 billion.[1]

What can you do to help reduce your chances of having your identity stolen? The steps below can help you prevent significant losses.

- **Check your credit reports every year.** You have the right to obtain a free copy of your credit report every 12 months from each of the three credit reporting bureaus -- Equifax, Experian, and TransUnion. Check thoroughly to ensure that there aren't any unidentified accounts on your report.
- **Place a freeze on your credit reports.** This can help stop an identity thief from opening a credit card account under your name. You simply contact the three credit bureaus and request a credit freeze. This prevents lenders who don't already have a relationship with you from viewing your credit report. If they can't access your credit report, they won't issue a new account. There is often a fee to request a freeze, depending on your state of residence and whether you've ever been the victim of identity theft in the past.
- **Monitor your email.** You want to be on the lookout for phishing scams, particularly those that appear to come from a credit card company, bank, retailer, or anyone else you do business with. Many of these emails will direct you to a phony website that will ask you to input sensitive data, such as your account numbers, passwords, and Social Security number.
- **Be careful online.** When banking or shopping online, be sure to use websites that protect your financial information with encryption, particularly if you are using a public wireless network via a smartphone. Sites that are encrypted start with "https." The "s" stands for secure. Also be sure to use anti-virus and anti-spyware software.

What do you do if your identity is stolen? First, call one of the three credit bureaus and ask them to place a 90-day fraud alert on your credit report. They must contact the other two bureaus to place fraud alerts on your reports. You also want to get a copy of all three credit reports.

Second, file a complaint with the Federal Trade Commission (FTC). You'll create an FTC Affidavit, which you should then take to your local police department and file a police report. Your copy of the FTC Affidavit and the police report make up an Identity Theft Report, which can help you:

- Get fraudulent information removed from your credit report.
- Stop companies from collecting debts caused by the theft.
- Get information about accounts that were illegally opened in your name.

[1]*Source: Bureau of Justice Statistics, November 2011.*

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How to Contain Costs for Your College-Ready Child

College graduates in 2011 walked away with a diploma and an average of nearly $27,000 in student loans, according to a recent report.[1] The report also estimated that two-thirds of the class of 2011 held student loans upon graduation, up 5% from the 2010 findings.

Student debt is widely understood to be a serious and growing problem in the United States. The federal student loan default rate is now the highest it has been in 14 years, at 9.1%.[2] According to economists with the Federal Reserve Bank of New York, more than five million student loan borrowers have at least one loan past due.[3]

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And the news gets worse: While unemployment for college graduates was at 8.8% in 2011 -- mostly in line with the national rate -- an estimated 38% of recent graduates are working in jobs that do not require a college diploma.

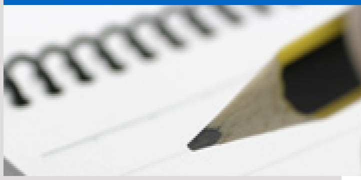
What can you do to help contain costs for your college-ready child? Here are some tips.

- **Start locally --** Attending a community college for one or two years could substantially reduce costs when compared with a four-year public or private school.
- **Tap into federal loans first --** Find out more at the Federal Student Aid website, created by the Department of Education. Federal Student Aid provides more than $150 billion in federal grants, loans, and work-study funds each year.
- **Investigate Income-Based Replacement (IBR) --** Available for federal student loans since 2009, IBR caps monthly payments at a manageable share of income and forgives any debt remaining after up to 25 years of payments, or as few as 10 years of payments, for those working for public or nonprofit employers.
- **Consider private loans as a last resort --** These loans are tricky, as graduates find themselves locked into loan terms that can make repayment difficult as they navigate the job market and struggle to find steady work.

[1]*Source: The Institute of College Access & Success, "Student Debt and the Class of 2011," October 2012.*

[2]*Source: The U.S. Department of Education, Federal Student Aid Chart, October 2012.*

[3]*Source: The Federal Reserve Bank of New York, "Grading Student Loans," 2012.*



Thinking About Life Insurance? Start Here

Universal life policies are highly flexible in regard to premiums and face value.

Do you need life insurance? If there are individuals who depend on you for support -- financial or otherwise -- you probably do. But what kind and how much? Below are some definitions that can help you familiarize yourself with insurance products.

Types of Insurance

- **Term Insurance** is the most basic, and generally least expensive, form of life insurance for people under age 50. A term policy is written for a specific period of time, typically 1 to 10 years, and may be renewable at the end of each term. Be warned: The premiums increase at the end of each term and can become prohibitively expensive for older individuals. A level term policy locks in the annual premium for periods of up to 30 years.
- **Whole Life** combines permanent protection with a savings component. As long as you continue to pay the premiums, you are able to lock in coverage at a level premium rate. Part of that premium accrues as cash value. As the policy gains value, you may be able to borrow up to 90% of your policy's cash value tax free, although loans reduce the policy's death benefit and cash value, and may trigger a taxable event if the policy lapses.
- **Universal Life** is similar to whole life with the added benefit of potentially higher earnings on the savings component. Universal life policies are also highly flexible in regard to premiums and face value. Premiums can be increased, decreased, or deferred, and cash values can be withdrawn. You may also have the option to change face values. Universal life policies typically offer a guaranteed return on cash value. You'll receive an annual statement that details cash value, total protection, earnings, and fees.
- **Variable Life** generally offers fixed premiums and control over your policy's cash value. Your cash value is invested in your choice of stock, bond, or money market funding options. Cash values and death benefits can rise and fall based on the performance of your investment choices. Although death benefits usually have a floor, there is no guarantee on cash values. Fees for these policies may be higher than for universal life, and investment options can be volatile. On the plus side, capital gains and other investment earnings accrue tax-deferred as long as the funds remain invested in the insurance contract.
- **Universal Variable Life** insurance is the most aggressive type of policy. Like variable life, you can choose from a variety of investment options. However, there are no guarantees on universal variable policies beyond the original face value death benefit. These policies are probably best suited to affluent buyers who can afford the risks involved.

How Much Do You Need?

A popular approach to buying insurance is based on income replacement. In this approach, a formula of between five and ten times your annual salary is often used to calculate how much coverage you need. Another approach is to purchase insurance based on your individual needs and preferences. To do so, start off by determining your net earnings after taxes. Then add up all your personal expenses such as housing, health care, food, clothing, transportation expenses, etc. This represents the amount that your insurance will need to replace. You'll want a death benefit amount that, when invested, will provide income annually to cover this amount. Then, you should add to that the amounts needed to fund one-time expenses such as college tuition for your children or paying down mortgage or debt.

Income replacement for nonworking spouses is an important and often overlooked insurance need. Coverage should provide for your costs for day care, housekeeping, or nursing care. Add to this any net earnings from part-time employment. Finally, estimate your own "final expenses" such as estate taxes, uninsured medical costs, and funeral costs.

For more information, contact an insurance professional.

Heres To Your Health

Here's To Your Health

It's never too early to plan for healthcare coverage

Healthcare expenses are likely to continue increasing for retirees due to higher costs for medical services, the development of new technology, and increases in the use of specialized services such as diagnostic testing.

To control healthcare expenditures, you need to learn more about the level of healthcare you need, and where to get it. This is important because most retirees leaving full employment also leave their healthcare coverage behind. The small number of plans that do offer retirement health coverage may look very different from their pre-retirement versions, with higher deductibles, co-pays and premiums.

Most people automatically qualify for basic hospital insurance (known as Part A) under Medicare as soon as they reach age 65. Although this benefit is free, if these folks paid Medicare taxes during their working years, Medicare medical insurance (known as Part B) is not free. Part B pays for doctor's services, outpatient care and other medical services, such as physical therapy and home care. To cover prescriptions, retirees can also purchase Part D prescription coverage.

To plan ahead, you need to get a rough estimate of how much of your post-retirement budget you will need to devote to medical costs. Fidelity Investments® projects that a 65-year old couple retiring in 2012 will need $240,000 to cover medical expenses throughout retirement- a 4% increase over last year's estimate.[2] Since it is unlikely that Social Security will cover these costs for the average retired couple, [3] you may want to explore funding alternatives, such as 401(k) accounts, IRAs or Health Savings Accounts, to help build a more secure retirement.

1. Source: Fidelity Investments, May 9, 2012
2. According to Fidelity, households relying on Social Security benefits to cover these costs should expect medical bills to consume 61% of their social security payments by 2027.
3. Dollar-cost averaging does not guarantee profit or protect against loss. Investors must carefully consider their ability to continue investing in extended down markets.

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