

CG Financial Consulting Newsletter

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New Website and Market Update

CG Financial Consulting has a new website. I would appreciate any feedback you would have concerning it. Much thought and time has gone into it. Thanks for looking! You can access via: www.cgfinan.com or www.cgfinancialconsulting.com My new email address is: clark@cgfinan.com

The stock market is not hovering around twelve or thirteen thousand like a lot of us would want. But September has been surprisingly strong. I still feel that this is a great time for younger people to stash money away in their retirement plans. Even middle-aged people should not ignore the market and be patient. You can do this by being balanced. By this I mean a combination of stock funds and bond funds, or using balanced funds which have both bonds and

stocks. Many people have asked me; "Shouldn't I be in Gold?" My reply is that it is OK to have a smaller percent in a Gold exchange traded fund or a precious metals fund. However, if you review the records of Gold vs. large, mid or small cap stocks over any period longer than 10 years...gold loses. If someone decides they can perfectly time the market and be in Gold, then perfectly time the exact moment when the economy is growing and sell Gold and buy stock funds, then be my guest. I still recommend having enough liquidity to pay for the things you need for at least six months. You don't have to live with bad bank CD's rates or low savings account rates that don't even return one half of one percent. There are very low risk ways to keep savings safe such as GNMA funds, online savings, municipal bonds, or very stable high



dividend stocks . If you invest in the stock market you have a to have a 10 year time horizon. We all want to average 9 or 10% per year, but it doesn't happen that way, especially now with our economy struggling. Stock market returns come in bunches. Warren Buffet, is the greatest investor in the world because he buys assets as cheap as he can, and hangs onto them.

To Roth or Not to Roth

Deciding when to retire is an important financial decision. Considerable financial research is required. If you don't know where you are going, any road will get you there. The problem with such an approach, is that you may not like where you end up.

That's why it is so good.

The conversion to the Roth requires some thinking. When you do the conversion, it is treated as taxable event. You pay the taxes and the Traditional becomes the Roth IRA, after the paperwork and monies are paid. Is it a great deal? Sure, but it may not fit everyone. You need to be able to afford paying the taxes now to

make it work.

What about the people who don't normally qualify for the Roth IRA? (If you are single your MAGI (modified adjusted gross income) is \$122,000 or more or if you are married filing jointly and your MAGI is \$177,000 or more, you are ineligible to make a Roth IRA contribution. These individuals may not get another chance to convert their old Traditional IRA's to a Roth. Now is a great opportunity. Normally in any

other year you cannot convert to a Roth IRA UNLESS your MAGI is \$100,000 or less. This year is a very wonderful opportunity for high income earners. In 2011, the high income earners cannot do the conversion, it has to be done by December 31, 2010.

The immediate tax bite is a detriment, but, you can pass the Roth IRA on tax-free to kids at death. Give me a call or email to discuss your situation.

Eight ways you can derail your retirement plan

Too much debt. Americans are increasingly entering the traditional retirement years with credit card, mortgage, and other forms of debt. But carrying debt into retirement means your savings will have to support past expenditures, plus interest--as well as your current spending. If you have debt and you are going into retirement, I

There are many people who are considering the conversion to the Roth IRA, especially the high income earners. In 2010 you can convert a Traditional IRA to a Roth IRA. A little background is needed first. The Traditional IRA sometimes allows (depending on income) a tax deduction. The Roth IRA does not. The fabulous thing about the Roth IRA, is that if you own it for five years, you never ever have to pay taxes when you use the money.

don't think you are ready for retirement.

Underestimate how long you will live. The average man who is currently 65 can expect to live until age 83, and a 65-year-old woman can expect to live until 85, according to Social Security Administration data. There is about a 1 in 10 chance that current 65-year-olds will live past age 95, according to SSA.

Retire too young. Perhaps the biggest retirement decision you will make is when to retire. Sometimes retirement is foisted upon you unexpectedly because of a buyout or layoff, or it is necessitated by a health problem or care giving responsibilities. Retiring young means more years of retirement that you'll need to finance with savings. Monthly Social Security benefits are reduced for early claiming. Many people are retiring too early and taking Social Security at the earliest possible time, and that's a mistake. If you simply wait from age 62 to age 66, you will increase your monthly Social Security payment for the rest of your life. Someone born in 1950 who would have been eligible for a \$1,000 monthly check at age 66 will receive 25 percent less--just \$750 each month--if he or she signs up at age 62.

Ignore inflation. Over time, inflation will slowly decrease the spending power of your savings unless

you take steps to protect it. Social Security payments and some annuities and pensions are adjusted for inflation each year. One type of government bond, Treasury Inflation-Protected Securities (TIPS), promises a rate of return above inflation. Other common hedges against inflation include exposure to the stock market, commodities, or real estate.

Neglect your social life. Once you retire, there are no more work obligations and no one will be counting on you to finish a project or meet a deadline. It's easy to feel isolated. A lot of people have been totally immersed in their work and have not taken time to develop outside interests, and when they retire they are just totally lost. It's important to prepare for retirement by developing a hobby or interest outside of the workplace and planning what you are going to do in the retirement years. Consider which friends you will spend time with and what activities you will take up.

Rely on a single source of retirement income. While most working Americans get their income from a single source, retirees shouldn't count on any one income stream. You should have between four and six sources of retirement income, and don't count on any one of them. Guaranteed sources of retirement income include Social Security payments, pensions, and

annuity payments. Other common retirement income sources include 401(k)'s, IRAs, personal investment accounts, cash investments such as savings accounts and CDs, and rental or royalty income. Diversifying income sources ensures that if any one of them loses value, you will still have some money coming in.

Don't save enough. There are many reasons why it's difficult to save for retirement. A home purchase, college costs, and even everyday expenses often compete with your retirement savings. A few easy ways to grow your nest egg include setting up a direct deposit into a retirement account, saving enough in a 401(k) account to receive an employer match, and remaining in a job long enough to be vested or eligible to keep the match. If you haven't saved throughout your lifetime, you generally can't make up for it by investing in high-risk and potentially high-reward funds close to retirement. It's hard to make up for a lack of saving in a couple of years.

Fail to protect your savings. As you approach retirement, you should shift your focus from growing your nest egg to protecting it. When you get within five or 10 years of retirement, you need to start reducing your risk. Avoid early withdrawals from your retirement plan.

Nine things you can teach young adults about saving

One of the most important things you can do for yourself -- and your future -- is to set aside money for saving. Opening a savings account is a good way to start. A habit of saving can help you achieve financial freedom, since you will be prepared for emergencies, as well as prepare for the future that you want.

1. Compound Interest Really is Magic

You should realize that compound interest really can help you build your savings faster. This means that the earlier you start, the more your savings will grow. Additionally, realize that the best yield matters, so you should look for high yield money market account or savings. GNMA funds also provide a great yield with very low risk.

2. It's OK to Start Small

Many people think they need to start with \$1,000 for an emergency fund, or make a big contribution to a retirement account. This is not true. It is OK to start small. Figure out what you can afford now, and get in the habit of saving. Just make sure to increase the amount you save as your income increases, and/or as you pay down debt.

3. You Need Savings Goals

Carefully think about what you want your savings accounts to accomplish, and set goals. Having goals for your money will help you better prepare, and it gives you something to work for. Then you need to create a plan to help you reach those goals.

4. Different Accounts Accomplish Various Purposes

There is more than one kind of savings account. You should have different accounts for different goals. Your emergency fund should be distinct from your retirement account, and savings for short term goals should be separate from both of those. Consider the type of account you need for each of your savings goals.

5. Savings Should Be Part of Your Budget

You will be better off if you make your savings part of your budget. Think of your savings contributions as an "expense" -- and an important one at that. Put "paying yourself" at the top of your financial priorities list. Giving to your church is also important.

6. Cash is Not Always King

When it comes to saving, cash is not always king. While you want your emergency fund and short term savings goals to benefit from the liquidity of cash, more long term savings endeavors need something with a higher yield. Long term, you need to

beat inflation, so that your buying power isn't eroded during retirement. Consider investments like stocks and bonds for long term savings goals, like retirement.

7. For Retirement, Max Out Tax-Advantaged Accounts First

One of the ways to get ahead with your retirement savings is to invest. Before you start using a regular investment account, though, make sure you have maxed out your tax-advantage first. Putting money into a 401k and an IRA (including Roth options) before you move to other types of investment accounts is a good idea, since you will see tax advantages.

8. Spending is Never Saving

Many people talk of "saving" when they get a "good deal." However, you really are not saving in such cases; you are spending money. If you do not need the item, or do not even really want it that much, then the spending aspect is even more pronounced. Do not confuse getting a good bargain with actually *saving* money.

9. It is Possible to get Too Carried Away

While you want to save for the future, it is possible to get too carried away with saving money. Remember that life is for living as well. Strike a balance so that you are saving enough to protect you during an