Footsteps

News To Help You Along Your Pathway of Life

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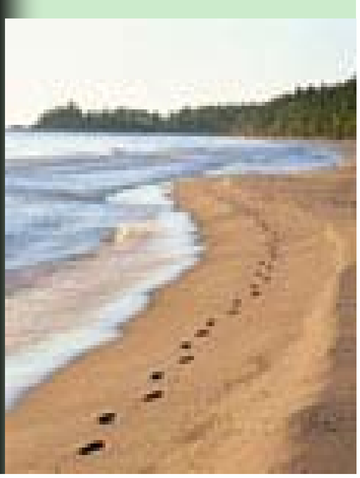


IS THERE A SILVER LINING?

Is there a sliver lining to America's slowest, steadiest, and possibly longest recovery in more than 150 years? Currently low inflation exists, consumer finances appear to be healthy and there is a pent-up demand for housing. Allen Sinai, CEO of Decision Economics, states; "there is a high probability that we will exceed the 10-year expansion of the 1990s." He further states in a Bloomberg article that unemployment could drop below 5% and corporate profits could rise above their current record levels causing the stock market to reach new highs.

"The curse of the economic cycle to date, which has been its sluggishness, is now turning into a blessing, resulting in greater longevity," says Carl Riccadonna, Chief U.S. Economist for Bloomberg Intelligence.

The National Bureaus of Economic Research's Business Cycle Dating Committee, which determines when recessions begin and end, sees the expansion lasting another three years. However, our recommendation is to remain cautious due to the risk of higher interest rates and the possibility of increased inflation.

Being able to remain calm and not over-react is one of the most valuable skills you can have as an investor in these turbulent times.

We are always available to review your current portfolio and determine if it still meets your risk tolerance and current situation. We are just a phone call, e-mail, or text away.

Charles Cheryl Matt

Age-Based Tips for Making the Most of Your Retirement Savings Plan

No matter what your age, your work-based retirement savings plan can be a key component of your overall financial strategy. Following are some age-based points to consider when determining how to put your plan to work for you.

Just starting out

Just starting your first job? Chances are you face a number of financial challenges. College loans, rent, and car payments all compete for your hard-earned paycheck. Can you even consider contributing to your retirement plan now? Before you answer, think about this: The time ahead of you could be your greatest advantage. Through the power of compounding--or the ability of investment returns to earn returns themselves--time can work for you.

Example: Say at age 20, you begin investing $3,000 each year for retirement. At age 65, you would have invested $135,000. If you assume a 6% average annual rate of return, you would have accumulated $638,231 by that age. However, if you wait until age 45 to invest that $3,000 each year, and earn the same 6% annual average, by age 65 you would have invested $60,000 and accumulated $110,357. By starting earlier, you would have invested $75,000 more but would have accumulated more than half a million dollars more. That's compounding at work. Even if you can't afford $3,000 a year right now, remember that even smaller amounts add up through compounding.[1]

Finally, time offers an additional benefit to young adults: the ability to potentially withstand greater short-term losses in pursuit of long-term gains. You may be able to invest more aggressively than your older colleagues, placing a larger portion of your retirement portfolio in stocks to strive for higher long-term returns.[2]

Getting married and starting a family

At this life stage, even more obligations compete for your money--mortgages, college savings, higher grocery bills, home repairs, and child care, to name a few. Although it can be tempting to cut your retirement plan contributions to help make ends meet, try to avoid the temptation. Retirement needs to be a high priority throughout your life.

If you plan to take time out of the workforce to raise children, consider temporarily increasing your plan contributions before leaving and after you return to help make up for the lost time and savings. Also, while you're still decades away from retirement, you may have time to ride out market swings, so you may still be able to invest relatively aggressively in your plan. Be sure to fully reassess your risk tolerance before making any decisions.[2]

Reaching your peak earning years

This stage of your career brings both challenges and opportunities. College bills may be invading your mailbox. You may have to take time off unexpectedly to care for yourself or a family member. And those pesky home repairs never seem to go away.

On the other hand, with 20+ years of experience behind you, you could be earning the highest salary of your career. Now may be an ideal time to step up your retirement savings. If you're age 50 or older, you can contribute up to $24,000 to your plan in 2015, versus a maximum of $18,000 if you're under age 50. (Some plans impose lower limits.)

Preparing to retire

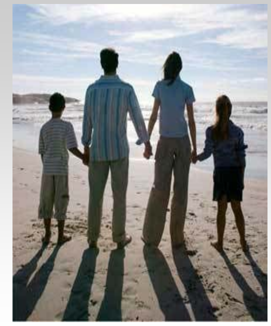
It's time to begin thinking about when and how to tap your plan assets. You might also want to adjust your allocation, striving to protect more of what you've accumulated while still aiming for a bit of growth.[3]

A financial professional can become a very important ally at this life stage. Your discussions may address health care and insurance, taxes, living expenses, income-producing investment vehicles, other sources of income, and estate planning.[4]

You'll also want to familiarize yourself with required minimum distributions (RMDs). The IRS requires you to begin taking RMDs from your plan by April 1 of the year following the year you reach age 70½, unless you continue working for your employer.[5]

Other considerations

Throughout your career, you may face other decisions involving your plan. Would Roth or traditional pretax contributions be better for you? Should you consider a loan or hardship withdrawal from your plan, if permitted, in an emergency? When should you alter your asset allocation? Along the way, a financial professional can provide an important third-party view, helping to temper the emotions that may cloud your decisions.



[1] This hypothetical example is for illustrative purposes only. Investment returns will fluctuate and cannot be guaranteed.

[2] All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful. Investments offering a higher potential rate of return also involve a higher level of risk.

[3] Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against a loss.

[4] There is no assurance that working with a financial professional will improve your investment results.

[5] Withdrawals from your retirement plan prior to age 59½ (age 55 in the event you separate from service) may be subject to regular income taxes as well as a 10% penalty tax.

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Millennials vs. Boomers: How Wide Is the Gap?

Texting versus email (or even snail mail). Angry Birds versus Monopoly. "The Theory of Everything" versus "The Sound of Music." "Dancing with the Stars" versus "American Bandstand."

It's no secret that there are a lot of differences between baby boomers, born between 1946-1964, and millennials, who were generally born after 1980 (though there is disagreement over the precise time frame for millennials). But when it comes to finances, there may not be as much difference in some areas as you might expect. See if you can guess which generation is more likely to have made the following statements.

Boomer or millennial?

1) I have enough money to lead the life I want, or believe I will in the future.

2) My high school degree has increased my potential earning power.

3) I rely on my checking account to pay for my day-to-day purchases.

4) I consider myself a conservative investor.

5) Generally speaking, most people can be trusted.

6) I'm worried that I won't be able to pay off the debts that I owe.

The answers

1) Millennials. According to a 2014 survey by the Pew Research Center, millennials were more optimistic about their finances than any other generational cohort, including baby boomers. Roughly 85% of millennials said they either currently had enough to meet their financial needs or expected to be able to live the lives they want in the future; that's substantially higher than the 60% of boomers who said the same thing. Although a higher percentage of boomers--45%--said they currently have enough to meet their needs, only 32% of millennials felt they had enough money right now, though another 53% were hopeful about their financial futures. Source: "Millennials in Adulthood," Pew Research Center, 2014

2) Boomers. The ability of a high school education to provide an income has dropped since the boomers' last senior prom, while a college education has never been more valuable. In 1979, the typical high school graduate's earnings were 77% of a college graduate's; in 2013, millennials with a high school diploma earned only 62% of what a college graduate did. And 22% of millennials with only a high school degree were living in poverty in 2013; back in 1979, the figure for boomers at that age was 7%. Source: "The Rising Cost of Not Going to College," Pew Research Center, 2014

3) Boomers. Not surprisingly, millennials are far more likely than boomers to use alternative payment methods for day-to-day expenses. A study by the FINRA Investor Education Foundation found that millennials are almost twice as likely as boomers to use prepaid debit cards (31% compared to 16% of boomers). They're also more than six times as likely to use mobile payment methods such as Apple Pay or Google Wallet; 13% of milliennials reported using mobile methods, while only 2% of boomers had done so. Source: "The Financial Capability of Young Adults--A Generational View," FINRA Foundation Financial Capability Insights, FINRA Investor Education Foundation, 2014

4) Millennials. You might think that with thousands of baby boomers retiring every day, the boomers might be the cautious ones. But in one survey of U.S. investors, only 31% of boomers identified themselves as conservative investors. By contrast, 43% of millennials described themselves as conservative when it came to investing. The survey also found that millennials outscored boomers on whether they wanted to leave money to their children (40% vs. 25%) and in wanting to improve their understanding of investing (44% vs. 38%). Source: Accenture, "Generation D: An Emerging and Important Investor Segment," 2013

5) Boomers. Millennials may have been around the track fewer times than boomers have, but their experiences seem to have given them a more jaundiced view of human nature. In the Pew Research "Millennials in Adulthood" survey, only 19% of millennials said most people can be trusted; with boomers, that percentage was 31%. However, millennials were slightly more upbeat about the future of the country; 49% of millennials said the country's best years lie ahead, while only 44% of boomers agreed.

6) Millennials. However, the difference between the generations might not be as significant as you might think. In the FINRA Foundation financial capability study, 55% of millennials with student loans said they were concerned about being able to pay off their debt. That's not much higher than the 50% of boomers who were worried about debt repayment.

Can you tell the difference between the attitudes of baby boomers and millennials when it comes to finances? Take this quiz and see.

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