

# Financial Ink®

YOUR MONEY MANAGEMENT NEWSLETTER

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## Too Much, Too Soon

**When your last day of work arrives — and with it your final paycheck — will you know how much of your hard-earned retirement assets you can withdraw without running out of money?**

In a recent survey, only about one in 10 prospective retirees knew what percentage of retirement assets could be safely withdrawn each year without a high risk of depleting retirement savings during their lifetimes. More than one-third of survey takers mistakenly thought they could safely withdraw 14 percent each year.<sup>1</sup>

Unless you understand how to manage the systematic withdrawal of your retirement assets, you may run the risk of taking too much and running out of money during your lifetime, or being too cautious and living on an unnecessarily low income.

### It's All in the Variables

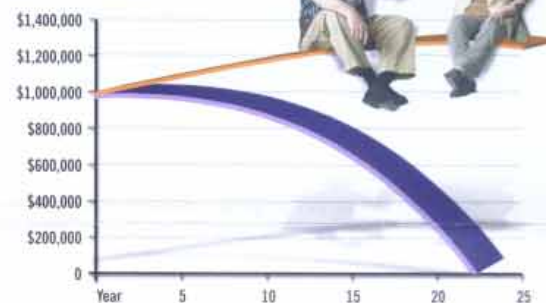
A systematic withdrawal program can help you schedule regular income from one or more accounts that continue to pursue investment returns. The exact amount that you will

*continued on page 2*

### TIPPING POINT

This hypothetical example compares 5% versus 7% inflation-adjusted withdrawals from a \$1 million account earning a hypothetical 7% rate of return. With the 5% initial drawdown rate, the account value would remain above \$1.2 million after 25 years. With the 7% initial drawdown rate, the account would be depleted in year 22.

— 5% initial withdrawal rate  
— 7% initial withdrawal rate  
Assumes 3% inflation



This hypothetical example is used for illustrative purposes only and does not represent any specific investment. It assumes an account with a \$1 million beginning balance earning a hypothetical 7% rate of return. It mathematically compares withdrawals starting at 5% (\$50,000) versus 7% (\$70,000) of the balance, with withdrawals increasing by 3% annually to keep pace with inflation. Rates of return will vary over time, especially for long-term investments. Actual results will vary.

## WORKING WITH YOU TO HELP ASSURE YOUR FINANCIAL SECURITY

Securities offered through Cadaret, Grant & Co., Inc. Member of NASD/SIPC. PPG and CG are separate entities.  
Securities and/or insurance products not FDIC/NCUA insured. May go down in value. No financial institution guarantee.  
Not a deposit. Not insured by any federal government agency.

# Guarantees You Can Live With

The words “lifetime guarantee” or “money-back guarantee” are on many products we buy. But when was the last time you based your decision to buy on the type of guarantee a product offered?

In recent years, many variable annuity contracts have begun to offer certain “living benefit” guarantees. In fact, more than 85 percent of variable annuity contracts sold today offer one or more living benefit guarantees.<sup>1</sup>

If you are concerned about market volatility or running out of money in retirement, you might want to learn more about the guarantees available with some variable annuities for an additional cost.

## Fixing the Variables

Adding a *guaranteed minimum withdrawal benefit* to a variable annuity contract would ensure that the contract owner could withdraw a fixed percentage (usually 5 to 7 percent) of the premiums paid until 100 percent of the premiums paid had been withdrawn, even if the contract’s underlying investments were to lose money.

A *guaranteed minimum income benefit* would ensure that when the contract owner is ready to collect retirement income payments, they would be based on a minimum payout base if the contract is worth less than this minimum because of poor investment performance.

A *guaranteed minimum accumulation benefit* would ensure that the contract value would not fall below a specified minimum — usually the premiums paid — after a certain number of years, regardless of how the underlying investments perform.

Withdrawals of annuity earnings are taxed as ordinary income and may be subject to a 10 percent federal income tax penalty if made prior to age 59½. Surrender charges may also apply during the contract’s early years. Any guarantees are contingent on the claims-paying ability of the issuing company.



Variable annuity subaccounts fluctuate with changes in market conditions. When an annuity is surrendered, the principal may be worth more or less than the original amount invested.

*Variable annuities are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.* ♦

1) National Association for Variable Annuities, 2005

## Too Much, Too Soon (continued from page 1)

be able to withdraw each month or year will require that you strike a balance between personal goals and certain variables.

**Investment performance** — When you withdraw more each year than the account earns, a portion of your withdrawal will come from principal. If this continues, a greater percentage of your withdrawal will come from principal as time passes. This may or may not be a problem, depending on your goals and life expectancy.

When you limit withdrawals to what the account earns (minus fees and expenses) or even less, withdrawals could continue indefinitely, in theory. This

is something to consider if you are intending to leave a legacy for your heirs.

**Inflation** — If you adjust your withdrawals each year to keep pace with inflation, it will typically be at the expense of other variables, such as a shorter account life or a lower starting income.

Before you begin systematically taking money from your investments in retirement, it’s important to make a careful calculation, taking stock of your personal financial circumstances and goals. This may help ensure that your money lasts as long as you need it. ♦

1) *Investor’s Business Daily*, May 18, 2006

# Put Experience in the Driver's Seat

In January 2006, the Dow Jones Industrial Average closed above the 11,000 mark for the first time since 2000, only to fall back below 11,000 a few days later. By mid-year, the Dow had fluctuated back and forth across the closely watched 11,000 mark an amazing 17 times (see graph).

This type of volatility can be tough to endure unless you have the experience to know how to react.

Are you concerned about navigating market volatility? Owning mutual funds is one way to help avoid the difficulties posed by trading in the stock market.

## Pro Power

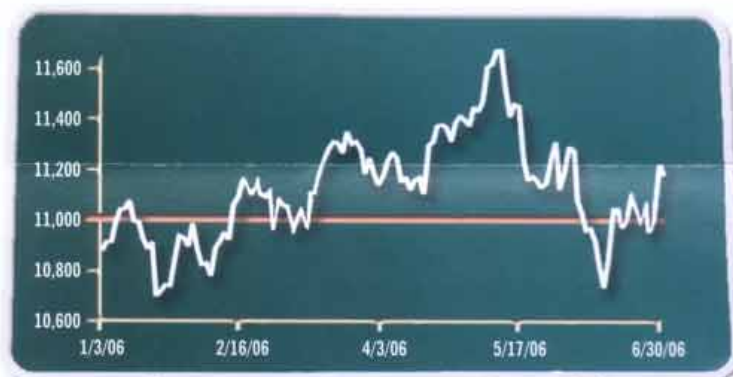
A mutual fund is an investment company that pools money from a group of investors to buy a portfolio of securities. Actively managed funds employ professional investment advisors who research, select, and supervise fund assets, buying and selling in an attempt to generate investment returns that meet the fund's objectives.

When you purchase shares in a mutual fund, to some extent you are also buying the expertise of the fund manager and the fund management company. Although you have a certain dollar amount riding on the fund's performance, it's likely that the fund managers also have a big stake: their reputations.

It's possible for individuals to trade successfully for their own portfolios — if they have enough time and expertise. For many working Americans who are juggling careers and families, professional management spares them both the time and the headache of managing investments on their own. Professional money man-

## SEVENTEEN TIMES 11,000

The Dow Jones Industrial Average crossed the 11,000 threshold 17 times in the first half of 2006.



Source: Thomson Financial, 2006, for the period 1/3/2006 to 6/30/2006. The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of U.S. industrial stocks. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance does not guarantee future results.

agers help remove the burden of having to study company financials or watch the markets every moment that they are open.

If you are like many people, you don't have the time to untangle the mysteries of the U.S. financial markets. When you own mutual funds, you don't have to.

Remember that mutual fund share prices fluctuate with changes in economic and market

conditions. Shares, when sold, may be worth more or less than their original cost.

*Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

# Millionaires Reach New High

The number of U.S. millionaires grew by 11 percent to a record 8.3 million households in 2005, compared with 7.5 million a year earlier. The number of U.S. households with a net worth of \$5 million or more grew by an impressive 26 percent during the same period.<sup>1</sup>

It used to be that a millionaire was a rare bird — perhaps a movie star or a CEO. These days, being a millionaire might be a minimum requirement for funding a comfortable retirement.

If retiring with at least \$1 million is part of your plans for retirement, here are some facts

about today's high-net-worth individuals that may interest you.

- High-net-worth households keep the largest percentage of their wealth in investable assets (stocks, bonds, etc.). Privately held businesses accounted for about 15 percent of their wealth, a primary

residence accounted for 14 percent, and other real estate accounted for 9 percent.<sup>2</sup>

- Wealthy investors polled in 2006 were more upbeat about the investment climate than they were a year earlier.<sup>3</sup>
- The wealthy were far more likely to be self-made. Only a small percentage inherited their money.<sup>4</sup>
- The number of U.S. households that are considered "affluent" has grown as well. In 2005, 14 million households had \$500,000 or more in net worth (excluding a primary residence), a 7 percent increase over 2004.<sup>5</sup> ♦



## HOW MUCH DOES \$1 MILLION COST?

Age when contributions begin	Annual contribution	Total contributions	Balance at age 65
25	\$ 4,660	\$191,060	\$1,000,081
35	\$ 9,800	\$303,800	\$1,000,316
45	\$22,300	\$468,300	\$1,000,493

This hypothetical example is used for illustrative purposes only and does not represent any specific investment. Actual results will vary. It assumes a hypothetical 7% annual return after taxes. The effects of investment fees were not considered and would reduce the ending balance if they were included.

1, 3) *InvestmentNews*, April 24, 2006  
 2, 5) *PR Newswire*, April 19, 2006  
 4) *Registered Rep*, September 1, 2005

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*Are you concerned about the effects of market volatility? We can help you evaluate whether mutual funds may be the way to go.*

*For help with your financial decisions,*

*Tom Lovde*