

Financial Ink®

YOUR MONEY MANAGEMENT NEWSLETTER

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POPULATION IN PERIL?

When the U.S. population surpassed 300 million in 2006, it was a newsworthy event. But it won't be the last big news you hear about demographic trends.

As the baby-boom generation approaches retirement, you are likely to hear more about how this massive generation will influence and reshape the economy. To be sure, there are some real problems to face as baby boomers in the United States, Europe, and Japan make the transition to retirement. But as John F. Kennedy once said, "Our problems are man-made, therefore they may be solved by man."¹

Stock Up

One key concern about the future is the belief that as baby boomers begin to sell their retirement assets to raise cash for retirement, they will trigger a massive sell-off that will depress stock prices because there will be more sellers than buyers. In reality, 90% of all stock is owned by 10% of all investors — a group that is unlikely to need to sell stock to pay the mortgage or the power bill.² This would seem to indicate that even the most extreme behavior by baby-boomer retirees may have a minor effect on stock valuations.

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IMMIGRATION-ADJUSTED U.S. BIRTH INDEX

The baby-boom generation, the group born between 1946 and 1964, is much larger than the generations preceding and succeeding it. This chart has been adjusted to reflect the births of people who later emigrated to the United States.



Source: H.S. Dent Foundation, 2006

WORKING WITH YOU TO HELP ASSURE YOUR FINANCIAL SECURITY

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YOU CAN'T AFFORD TO PUT THIS OFF

Forty-eight million U.S. households believe they don't have enough life insurance. Of this group, nearly half expect to buy more life insurance during the coming year.¹

But reality portrays a different picture: In any given year, only about one in 10 U.S. households buys life insurance.²

Reviewing your life insurance coverage is probably not your idea of a good time. But did you know that putting off this task could cause serious problems, from costing you more money to putting your family's financial future at risk?

More Birthdays, More Expensive

One key factor in the cost of life insurance is the insured's age.

Typically, the younger the insured, the less expensive the policy. This means that the longer you wait to buy the coverage your family needs, the more expensive the premiums will generally be.



Health Is Never Guaranteed

The health of the insured is a key factor affecting not only the cost of life insurance but also the availability. If you were to suffer an illness or injury before you secured the appropriate coverage, the insurance company could deem you uninsurable and refuse to issue a policy. The good news is that your health is not likely to be evaluated again while the policy remains in force.

The Future Is Uncertain

The most important reason to own life insurance is to help preserve the family's financial situation if a primary wage earner were to die. If a tragedy occurred while your family was uninsured or underinsured, it would be too late to correct the error. They could be left unprotected.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

When it comes to life insurance, it's too costly and too risky to put off important decisions. If you haven't reviewed your policy recently, we can help you determine whether you have adequate coverage and have correctly named beneficiaries.

THE FACTS OF LIFE (INSURANCE)

75

Percent of U.S. households that agree life insurance is the best way to protect against the financial consequences of a primary wage earner's premature death.

44

Percent of U.S. households that either don't own life insurance and believe they should, or own insurance but believe they need more.

8

Number of consumers out of 10 who find it difficult to decide the type and amount of insurance to buy and who worry about making the wrong decision.

6

Number of years of income that the average household thinks a life insurance policy should cover.

2.8

Number of years of income that the average household actually has in life insurance coverage.

2/3

Share of adults who believe they need more insurance but have not gotten around to buying it.

Source: LIMRA International, 2006

1-2) LIMRA International, 2006

DISABILITY HAPPENS

Did you know that medical bills related to illness contribute to one out of every four bankruptcies in the United States?¹

A disability caused by illness or injury that prevents a household member from working can create an alarming cycle whereby income decreases as expenditures rise. Under this scenario, the typical household may be forced to dip into savings or go into debt, or both, to pay living expenses and medical costs.

It's easy to think that your chances of being laid up with a disability are remote, but the statistics are disturbing. More than four out of every 10 people between the ages of 30 and 50 will suffer a long-term disability (lasting 90 days or more) prior to age 65.²

Do you have a way to help protect against the financial ruin that can be caused by a disability?

A Policy That Works for You

Disability income insurance can replace a percentage of your salary if you should experience an illness or injury that makes it impossible for you to continue working. Benefits may last for a set number of years or even until retirement age and are usually not taxable if you pay the premiums yourself. Some plans pay a benefit if you are unable to perform your current occupation, whereas stricter policies require that you be incapable of working at any job.

An employer-sponsored group disability policy is a fairly common employee benefit, but it doesn't offer the same level of coverage as an individual policy. Group policies generally pay less than the 70% to 80% of income that individual policies commonly offer, and the benefits are usually taxable. If you are highly compensated, the maximum benefit paid by a group policy may not even begin to replace your salary.

It can be uncomfortable to think about becoming too incapacitated to work and pay the bills, but it may be less uncomfortable than being unable to work and worrying about how to pay the bills. If you become disabled, a disability income insurance policy may help you focus on getting better rather than going broke.

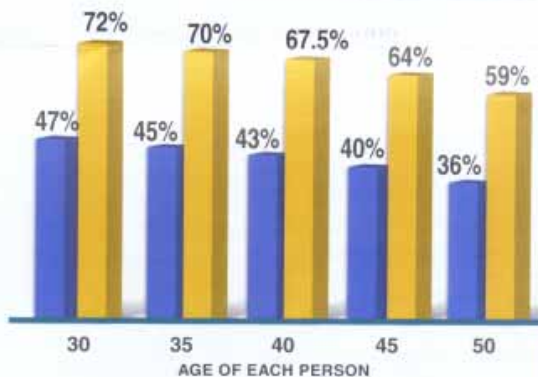
1) CNNMoney, September 25, 2006

2) 2006 Field Guide, The National Underwriter Company

AGAINST ALL ODDS

The chances of suffering a disability that lasts 90 or more days prior to age 65

■ Any one person
■ Any one out of any two people



Source: 2006 Field Guide, The National Underwriter Company

POPULATION

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Live It Up

American life expectancies have increased dramatically since 1900, when a newborn could expect to live an average of 47 years.³ In addition to giving us longer life expectancies, modern medicine has made great strides against many of the ailments that force people into early retirement, including cancer, heart disease, and arthritis.

Many people may refrain from retiring in their sixties because they want to (or need to) keep working and have the health and vitality to remain in the workforce. We may live to see the day when the traditional retirement age of 65 is as much of a relic as the defined-benefit pension plan.

The oldest baby boomers began turning 60 in 2006. You may see a dramatic shift in our society's definition of retirement before the youngest baby boomers reach their sixties in 2024.

1) Speech at The American University, Washington, D.C., June 10, 1963

2-3) *The Wall Street Journal*, September 19, 2006



FINANCIAL FOUNDATIONS

POP QUIZ: PAYING FOR COLLEGE

Test your knowledge of college funding basics.



- How much have average tuition and fees for four-year public colleges risen over the past 20 years?
a. 21% b. 31% c. 101% d. 231%
- What is the maximum amount that can be contributed each year to a 529 savings plan on behalf of a student?
a. \$2,000 b. \$5,000 c. \$10,000
d. As much as is reasonably necessary to fund the student's future education costs, up to plan limits.
- What is the federal income tax rate on withdrawals from a 529 savings plan that are spent on qualified higher-education expenses?
a. It depends on the student's tax bracket.
b. 0% c. 10% d. 15%
- People with a bachelor's degree earn over ____% more, on average, than people with only a high school diploma.
a. 10 b. 21 c. 62 d. 71
- What is the maximum amount that can be contributed each year to a Coverdell Education Savings Account (ESA) on behalf of a student?
a. \$2,000 b. \$5,000 c. \$10,000
d. As much as is reasonably necessary to fund the student's future education costs.

Answers:

- d.** Comparison of 1985–86 and 2005–06 college costs.
- d.** Contributions of more than \$12,000 in 2006 and 2007 may be subject to the federal gift tax. As with other investments, there are generally fees and expenses associated with participation in an ESA or a 529 savings plan. In addition, there are no guarantees regarding the performance of the underlying investments.
- b.** The tax implications of a 529 savings plan should be discussed with your legal and/or tax advisors because they can vary significantly from state to state. Also note that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers.
- c.**
- a.**

Source: The College Board, 2006

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Risk management is essential to financial health, and the appropriate insurance coverage is essential. We can help you evaluate whether you have the necessary coverage for your situation.

For help with your financial decisions,