

Financial Ink®

YOUR MONEY MANAGEMENT NEWSLETTER

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WILL YOUR DEBT RETIRE WITH YOU?

Research shows that many of today's retirees are swimming in debt. One study found that the average credit-card debt among the 65-and-older crowd more than doubled between 1992 and 2004. Among those aged 75 and older who carry household debt, the average debt load grew an astounding 160% to \$20,234.¹

IS THIS YOUR FUTURE?



Average total debt of households headed by someone aged 55 to 64



Source: Employee Benefit Research Institute, 2006

Consider this a cautionary tale. It's unlikely that these folks were just running up their credit-card bills on fancy vacations. In recent years, we've seen the costs of health care, housing, and energy rise dramatically, forcing some retirees to borrow to meet unexpected expenses. This is especially true of retirees with fixed incomes that don't keep pace with inflation.

Because debts can take years to repay, the time to begin thinking about the role of debt in your retirement is now.

- **Your mortgage:** Living mortgage-free used to be the hallmark of a successful retirement. But today's retirees and pre-retirees are challenging conventional wisdom and questioning whether paying down the mortgage still makes sense. If the interest rate on your mortgage is low, you may be able to earn more from investing your money than you would save by using the funds to pay off the mortgage. Of course, investments offering the potential for higher rates of return also involve greater risk.

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WORKING WITH YOU TO HELP ASSURE YOUR FINANCIAL SECURITY

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TOLERATING RISK

Nearly all mutual fund shareholders acknowledge that investing in equity or bond mutual funds involves some degree of risk. About half of shareholders say they are willing to assume average risk for average potential gain, and 35% are willing to accept above-average risk for above-average potential gain.¹

The actions of mutual fund shareholders would seem to validate their willingness to tolerate risk in order to reach financial goals: 80% own equity funds, which are generally considered the riskiest type of fund, considerably more than the 49% of shareholders who own less-risky money market funds.²

Whether you are a conservative investor or an aggressive one, it's likely there are mutual funds that match your risk tolerance.

Fund to Fit You

Investors with a long time horizon who are willing to accept more risk in pursuit of greater return potential may want to consider *equity mutual funds*, which typically invest in a portfolio of stocks that pursue the funds' stated objectives.

Investors who have a shorter time horizon and less appetite for risk may prefer *bond mutual funds*, which purchase debt issued by corporations and governments. This type of mutual fund is generally considered less volatile than an equity fund,

provided that the fund manager trades bonds rated investment grade or higher. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with the underlying bonds in the fund.

For investors who have cash they will need in the short term, a *money market mutual fund* may be more appropriate. This type of fund typically invests in short-term debt instruments and is considered among the least volatile.

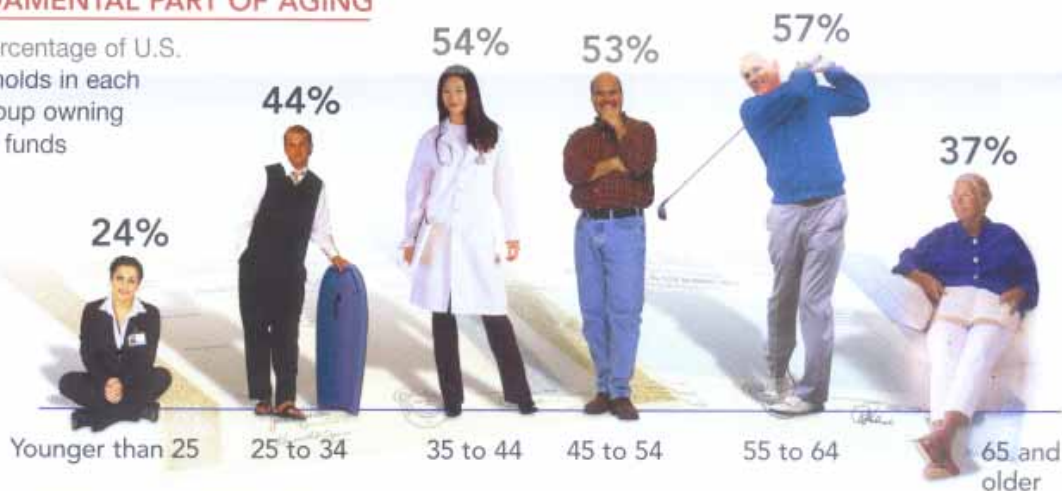
Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund attempts to maintain a stable \$1 share price, you can lose money by investing in a fund.

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.

1-2) Investment Company Institute, 2006

FUNDAMENTAL PART OF AGING

The percentage of U.S. households in each age group owning mutual funds



Source: Investment Company Institute, 2006

BEST OF BOTH WORLDS

The stock market has traditionally offered opportunities for investors with long-range goals. However, in a recent survey, 32% of baby boomers and 50% of people aged 60 and older said they would not be comfortable investing anything at all in the stock market.¹

Wariness about stock investing might be fairly common, but it also creates a conflict for people who need to accumulate enough money to maintain their lifestyles throughout a long retirement.

Variable annuities may be the answer for people who need the historical power of the stock market to help reach their goals but also want to limit some of the downside risks of stocks.

A variable annuity is a long-term retirement savings vehicle. It is a contract in which one or more payments are made to an insurance company, which agrees to pay the contract holder an income at a later date.

Variable annuities give contract owners the potential to participate in stock market performance and the ability to limit downside risks. Owners can direct their premiums among a variety of investment subaccounts that range from low risk to high risk. For an additional cost, they may be able to purchase guarantees against negative outcomes, such as lost principal and underperformance.

Variable annuities have contract limitations, fees, and charges. Subaccount values fluctuate with changes in market conditions. When surrendered, the principal may be worth more or less than the original amount invested. Withdrawals of annuity earnings are taxed as ordinary income and may be subject to a 10% federal income tax

REALM OF CONCERN

Sixty-seven percent of Americans aged 40 to 49 are "somewhat" or "extremely concerned" about having enough money to maintain their desired lifestyles in retirement.



Source: National Association for Variable Annuities, 2006

penalty if withdrawn prior to age 59½. Surrender charges may also apply during the contract's early years. Variable annuities are not guaranteed by the FDIC or any other government agency. They are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association.

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, 2006

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- **Your car payments:** Many people mistakenly assume that they will have only one or two cars in retirement. If your retirement lasts 20 to 30 years, you and your spouse could go through several cars. Whether it will make sense to pay cash or take out an auto loan will depend on the interest-rate environment and the effect of payments on your income.

- **Emergencies:** No one wants to be the kind of retiree who has to turn to credit cards to pay

for emergencies such as medical bills and home repairs. Putting a strategy in place now to prepare for unexpected expenses may help spare you from this scenario.

Debt can help you reach your goals or keep you from achieving them. A careful consideration of your habits and intentions may give you a head start on controlling debt in retirement.

1) USA Today, January 23, 2007

SCORE YOUR CREDIT KNOWLEDGE

Creditworthiness is an inseparable part of financial health. Test your understanding of credit reporting with this quiz.



1. Federal law requires each of the main credit-reporting agencies to provide consumers with a free copy of their credit reports on request once every _____.
 - a. month
 - b. 12 months
 - c. 2 years
 - d. lifetime
2. Credit-reporting agencies are required to give you your credit score at no cost.
 - a. True
 - b. False
3. If someone steals your credit card and makes a fraudulent purchase, you are liable for _____.
 - a. the entire amount
 - b. 50% of amount charged
 - c. up to \$50
 - d. nothing
4. If you find inaccurate or incomplete information on your credit report, the credit-reporting agency is _____ to investigate your claim.
 - a. free
 - b. under no obligation
 - c. required by federal law
5. With one phone call, it is possible to opt out of "prescreened" unsolicited offers for credit or insurance that are based on information in your credit report.
 - a. True
 - b. False

Answers:

1. **b. 12 months.** Go to www.annualcreditreport.com.
2. **False.** You have a right to request your credit score, but you may be required to pay a fee to obtain it.
3. **c. Up to \$50.** The Federal Trade Commission warns against buying credit-card loss protection products because they are unnecessary due to the \$50 limit.
4. **c.** Required by federal law, except for frivolous claims. For information on how to file a dispute, go to www.ftc.gov/credit.
5. **True.** Call (888) 5-OPTOUT.

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Have recent developments in your life affected your risk tolerance? We can help ensure that risk is playing an appropriate role in your retirement portfolio.

For help with your financial decisions,

Tom Lovde