Courtesy of

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Money Planner

Build It From the Ground Up—A Blueprint for Retirement

A comfortable and worry-free retirement is the goal of many Americans. However, the biggest obstacle in attaining retirement goals is that people may tend to procrastinate and avoid thinking ahead to formulate a plan of action. As a result, many are left scratching their heads, with little time on their side. How will they attain the funds needed to enjoy their retirement years?

Whatever your age, it is never too soon to look ahead and begin giving thought to your retirement. Planning for retirement has become a more difficult task. Therefore, it's important that you plan well in advance by setting goals and deciding how they will be met.

Invest for a Future Lifestyle

Although pre-retirement and post-retirement investment portfolios should each have both income *and* accumulation aspects, your pre-retirement portfolio should be more heavily weighted toward accumulation for later use. It is never too early to begin planning for your retirement. Generally, you will desire to maintain a standard of living consistent with your pre-retirement years. However, you may need about 60-80% of your pre-retirement income to support a comfortable retirement lifestyle.

Proceeds from pension plans and Social Security may account for as little as 35% of the typical retiree's income. Another 25% may be derived from earned income—either full or part-time employment. In order to retire comfortably, the remaining amount needed would have to come from your personal retirement savings or investments.

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Rent or Own: You Decide

If you're considering whether or not to buy your first home, it can be an exciting and time-consuming process. For many, the purchase of a home is the largest purchase they will ever make. Therefore, it's not a decision to be taken lightly. If you feel that you will be better off *financially* as an owner instead of a renter, one important question remains: What mortgage amount could you afford?

A qualified financial professional can help you analyze your situation. However, you can also use the following worksheet to help you arrive at an estimate:

Income	
Job-related income	_____
Investment income	_____
Yearly bonuses	_____
Additional income	_____
Total	_____
Expenses	
Yearly taxes	_____
Monthly savings	_____
Groceries	_____
Insurance	_____
Medical bills	_____
Car payments	_____
Car expenses	_____
Credit card bills	_____
Student loans	_____
Additional loans	_____
Child care	_____
Clothes	_____
Recreation	_____
Vacation	_____
Charitable donations	_____
Other	_____
Total Expenses	_____
Subtract total expenses from total income	_____
This amount is your discretionary income.	
Discretionary income divided by 12	_____

This amount is your monthly disposable income after expenses have been paid and savings deposits have been made. Now that you know the amount available, you can decide how much can go toward a mortgage payment. Remember to budget for the additional expenses that come with homeownership, including utilities, property taxes, homeowners insurance, and home maintenance.

Once you've determined your budget, you're in a better position to determine the type of mortgage that best suits your needs. Mortgages come in two basic forms: the **fixed-rate mortgage** and the **adjustable rate mortgage (ARM)**. A fixed-rate mortgage has a fixed interest rate that never changes, and your loan payment will remain the same for the duration of the loan. An ARM has an interest rate that can fluctuate with the market and the economy.

Obtaining a mortgage is often half the battle. Another challenging aspect of buying a first home is the task of saving toward a down payment. Generally, the more money you put down, the better the interest rate you can receive. If the amount of your deposit is under 20%, your lender may also require **private mortgage insurance (PMI)**. If a 20% deposit seems out of reach, here are some points to consider:

- Explore the possibility of buying a less expensive purchase, such as a condo or smaller home that may need some do-it-yourself repairs. Sometimes even the simplest home improvements can greatly increase a home's value.
- A lease-option contract will allow you to rent a home for a certain amount of time, with the option to buy at a specific price within a given timeframe.
- **Individual Retirement Accounts (IRAs)** allow for a penalty-free qualified first-time homebuyer distribution up to $10,000 toward the purchase of a first home. Married couples may withdraw $10,000 each. For traditional IRAs, withdrawals will be subject to taxation, and for Roth IRAs, the five-year ownership requirement must be met to avoid taxes and penalties. It should be noted that withdrawing from retirement accounts has the potential to affect the amount you're able to save for retirement. The importance of a *disciplined* savings program cannot be emphasized enough in view of your overall financial situation.
- Borrowers who have difficulty meeting stricter lending requirements may be able to secure a loan through the Federal Housing Administration (FHA).

With a little research and creativity, and the help of a qualified financial professional, you can become fully prepared for the steps ahead when buying a home for the first time. Such deliberation may take some time, but the multiple rewards of homeownership can make it worth every effort.

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Fill the "Void"

The amount needed to fill this income "void" will depend on the amount of Social Security you will receive and what income you will have from other sources such as a **company pension plan** or your own **Individual Retirement Account (IRA)**. That is why the steps you take today (investing, diversifying, increasing already existing investments, etc.) will be vital to help fill this gap and secure a comfortable retirement.

Steps to Take Now

- Contribute the maximum amount to your IRA. The tax law changes give taxpayers more flexibility than ever, but also become more confusing. There are some enhancements to traditional IRAs and the **"Roth" IRA** provides tax-free growth and flexibility of withdrawals after five years. In addition, if your spouse is not working, you might consider getting a **spousal IRA**. However, it is essential that you consult with a qualified professional to determine which course of action best suits your needs (especially when comparing the benefits of the "traditional" IRA to the "Roth" IRA).
- If you have an employer-sponsored **401(k)** or **403(b) plan**, you may wish to maximize your contributions there also. The same applies if you are self-employed and enrolled in a **Keogh**, **SEP-IRA**, or **SIMPLE plan**.
- Devise and utilize your own individual investment strategy.

Individualize Your Portfolio

Diversification, or spreading your investible assets among a group of different asset classes (stocks, bonds, and cash), is an investment strategy intended to help protect against a severe crisis every few years and avoidance of the old "feast or famine" characteristic of the investment markets. Diversification is used to create a portfolio by spreading your investible assets among various groups, including **mutual funds**, **variable annuities**, **fixed-return** accounts, and **money market funds**. Today, the majority of all retirement assets are contributed to tax-deferred retirement plans through employers or through individual retirement accounts. Diversification does not eliminate risk, does not guarantee a profitable investment return, and does not guarantee against a loss. It is a method used to manage risk. Diversification offers returns that are not directly related over time and is intended for the structure of a whole portfolio to reduce the risk inherent in a particular security.

Periodically Review Your Goals

When you are younger, you may opt for growth-oriented investments. Consider, however, that investment return and principal value of stocks and mutual funds may rise or fall due to market conditions and shares may be redeemed for more or less than their original purchase price. Thus, the degree of comfort you have with market fluctuation should determine your overall investment strategy. As you grow older, you may wish to moderate risk with fixed income investments, particularly if you plan to take distributions soon after retiring. A balanced asset mix should be employed.

A post-retirement portfolio should show a greater allocation of investment resources toward *income-producing* vehicles, with a portion allocated for accumulation, in order to be able to create a greater income in the future; inflation will erode some of the purchasing power of current income-producing investments.

Irrespective of your age, you can use different investment management techniques as you create your own portfolio and consider the different investment alternatives available to you.

It's In Your Hands

If you are financially independent at retirement, it can become a time of new opportunities, a time to try a second career, to develop a new lifestyle, or to pursue new dreams and goals. Instead of a period of boredom, worry, and disenchantment, retirement can be your most stimulating, fulfilling time ever—truly your golden years. When the time finally comes and you've done the proper planning, the transition will be smooth and you will feel comfortable and secure about it.

Credit Card Errors: “Writing” a Wrong

If you were to discover a billing error on your credit card statement, the first thing you would probably do is call to notify the creditor. But, to avoid having to pay the maximum $50 liability (in the case of a stolen or lost card), you must *write* to the issuer restating what you said over the phone to the creditor.

Even if this concerns only a straightforward billing error, be sure to follow the same procedure. To be covered under the Fair Credit Billing Act, you must report the error in writing within 60 days of the postmark on your statement.

Steps to Take

1. Phone the creditor immediately.
2. Write to the creditor and send the letter by certified mail to the address listed on your statement for billing inquiries (which may differ from where you send your payment) with a return receipt requested.
3. In the letter, include your name, account number, the amount and date of the error, and the reason why you believe it is an error.
4. Include copies of sales slips or other documents that support your position.
5. Request evidence of the credit card charge (often just a photocopy of the charge slip).
6. Keep copies of all documentation for yourself.

The law requires the creditor to investigate your error claim and inform you in writing that they are doing so, within 30 days. The creditor must resolve the matter within two billing cycles or a maximum of 90 days of receiving your notification of the error. While the investigation is in progress, you do not have to pay the amount in question or any interest on it. The disputed amount cannot be reported to a credit agency as delinquent. However, be sure to continue paying any remaining charges.

In Case of a Dispute

If the merchant who has billed the amount in question argues that it is a valid charge, you can continue to dispute the charge by requesting documents to support the merchant’s claim of validity and making your case to the issuer again. If the creditor rules that the merchant’s assertion is valid, they must provide a reason. The charge will then be put back on the statement, at which time you will have 10 days (or your normal grace period) to either pay or protest the charge in a written statement.

At this point, if you have not paid the disputed amount, the charge can be reported to credit agencies as delinquent. However, you can request that a notation be added to your credit reports that there is an ongoing dispute. You have the right to request information about who has received notification of the delinquency. When the dispute is finally resolved, all who have been previously notified of the delinquency must be notified of the resolution.

The Federal Trade Commission (FTC) works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to learn more about consumer issues, visit www.ftc.gov or call toll-free at 1-877-FTC-HELP.