RETIRE WELL

The Top 10 Planning for Retirement Excuses

Ten common "reasons" why someone does not plan for retirement.

Provided by Jim Lee

#10: "I'm too busy"
Stop procrastinating. How does the saying go? The best time to plant a tree is 30 years ago. The second best time is ... TODAY.

#9: "It's too soon"
It's NEVER too soon. The sooner you start planning, the better chance you stand of having the kind of retirement you want.

#8: "It's too late"
Think again. Even if you've already retired, it's important to consider how you're receiving income and how long it will last.

#7: "I don't need to"
This one baffles me. If you're simply giving monthly to a savings account and hoping for the best, you may be in for an unpleasant surprise someday.

#6: "I don't have enough money to get started"
Starting small is better than not starting at all, and if you plan well, you'll eventually have more to work with.

#5: "My finances are a mess"
Consider speaking with a professional who can look at your financial picture and help you to develop a plan to make your "mess" work for you.

#4: "The Government will take care of me"
If you're planning to retire on Social Security alone, I would advise you to create a back-up plan at the very least.

#3: "Between my savings and my 401(k), I'll be fine"
Saving for retirement without an income distribution plan could be a mistake. Have you considered inflation? Taxes? If you live to 100, will the money last?

#2: "I don't want to think about it"
If you bite the bullet now and put a firm plan in motion, you may not have to think about it again for quite some time.

#1: "I don't know how"
You don't have to know everything there is to know about planning for retirement. If you're putting off planning for retirement because you don't know how to begin, consider speaking to a professional who does.

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FIXED INDEXED ANNUITIES

These conservative products have become a popular alternative to bonds.

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Fixed indexed annuities can be very useful accumulation and distribution tools. As the name implies, FIAs are fixed annuities linked to the performance of a stock market index (often the S&P 500). Because of this stock market exposure, they can sometimes bring conservative investors very nice returns – often, considerably better returns than CDs, bonds, or money market accounts. They really aren't designed to outperform the stock markets; they are designed to outperform the fixed markets.

Principal protection, guarantees and a chance to benefit from market gains. During the accumulation phase of an FIA, you have the opportunity to benefit from stock market gains while your principal is protected against stock market losses. The annuity contract usually guarantees you a minimum rate of interest on your purchase payments while the annuity is growing; the insurance company involved will credit you with the greater of the minimum return stated in the contract or a return based on the performance of the linked index.[1]

If you are skittish about stock market investment, you can potentially realize the benefits of stock market participation through this comparatively low-risk investment.

Participation rates to note. Each FIA has a particular participation rate. The participation rate signifies the percentage of the assets within the annuity keyed to the linked index.

Let's say you have an FIA linked to the S&P 500 and the participation rate is 60%. That means 60% of your assets are exposed to the index. If the S&P 500 gains 10% across a year, this means your annuity gives you a 6% return for the year. Compare that 6% potential return to so many CDs and money market accounts which often feature low rates of return.

Some FIAs measure an index's gain on an annual basis, others over the entire term of the annuity. Sometimes there are "ceilings" on just how high a return you can realize. From time to time, participation rates may be reset by the insurance company.

Occasionally, a margin or "spread" determines the index-linked interest rate instead of a participation rate. In this case, if your annuity gains 10% and the spread is 2.5%, your credited gain is 7.5%.[2]

Tax-deferred growth, an income stream, and often a death benefit. Most FIAs give you all the features of a fixed annuity: your earnings are not taxed until withdrawn, and when the distribution phase of your annuity starts, you can receive periodic (usually monthly) income payments. (Sometimes you can take the entire value of your annuity as a lump sum at the end of the contract term. It is only upon withdrawal that you are taxed.) There is often a guaranteed minimum death benefit payable to your beneficiary when you pass away.

No annual contribution limit. If you need to put away more retirement savings NOW, the contribution limits on IRAs and 401(k)s can be frustrating. Would you rather have a retirement account you can only put $5,000 or $6,000 in annually or an account to which you can contribute as much as you want? FIAs (and other types of annuities) have no contribution ceiling, and there are no IRS-imposed income limits above which you cannot contribute.[3]

Make no mistake, these are long-term accumulation vehicles. Many of these annuity contracts are 6-7 years or longer. If you need to withdraw your money from the annuity in the accumulation phase, there is often a considerable penalty. Fixed indexed annuities do require a long-term outlook and a long-term commitment.

Would you like to learn more? If you are planning to maintain or improve your quality of life in retirement, maybe you would like to see how fixed indexed annuities can potentially help you. If that's the case, then ask a qualified insurance or financial advisor about these annuities today.

Citations
1 sec.gov/answers/annuity.htm [7/19/05]
2 newsobserver.com/293/story/222312.html [10/23/05]
3 finance.cch.com/sohoApplets/FixedAnnuity.asp [10/29/08]

We here at JIM LEE FINANCIAL hope you had a HAPPY VALENTINE'S DAY!

My Modern Family

Some of you may not know this about me, but I am a pretty romantic guy. Just ask my wife. She tells everyone how outrageous I can be in that department. Yes, it's true I showed up at her bridal shower as a Knight in Shining Armor complete with a red rose in my mouth. She knew way back then how much I love to surprise her... and not only on Valentine's Day. Before kids we've even been known to travel to exotic locations on a whim. Not so much anymore. In fact, hardly ever. Since when did it become all about the kids? Nowadays, you can find us at our favorite perch at Moonlight Beach here in Encinitas, watching the sun set and reflecting on life.

Sappy, but true. We've both had to re-invent ways to connect after the homework is done, dogs are walked and the kids are supposedly sleeping. Not an easy task after a full day of work for me and constant negotiating for V. TGIF.

I know it's cliché but one sure-fire way to bring us both together is our weekly date-night on Friday's. Every Friday we manage to be alone, hang out, grab a bite to eat and talk without interruption. San Diego is full of incredible little treasures and we love to discover every one of them, especially near the beach.

I'd love to hear how you spent your Valentine's Day with your loved one or if you have a tradition that your family cherishes, I'd love to hear about it. One of the best parts about my job is hearing your stories.

Email darlene@jimleefinancial.com or call me direct at 760-436-1711.
Hope you had a special Valentine's Day and every day in between...

Jim Lee

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