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FINANCIAL*ink*®

Your Money Management Newsletter

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Quick HITS

Employees' share of health-care costs has risen 42% in the past five years, compared with a 32% increase for employers.[1]

Seven out of 10 retirement plan participants say they would be more likely to read plan documents if they were delivered on paper rather than online.[2]

Driving at 75 mph versus 55 mph may result in reduced fuel efficiency of up to 14 miles per gallon, even for cars considered to be fuel-efficient.[3]

Twenty-two percent of Americans occasionally overdraw their checking accounts.[4]

About two out of three parents with children in grades K to 12 believe that public school teachers are paid too little for the work they do.[5]

1) BenefitsPro.com, March 8, 2013
2) *Journal of Financial Planning*, March 2013
3) *Consumer Reports*, August 2013
4) FINRA Investor Education Foundation, 2013
5) Associated Press, 2013

Up FRONT

$74.8 trillion

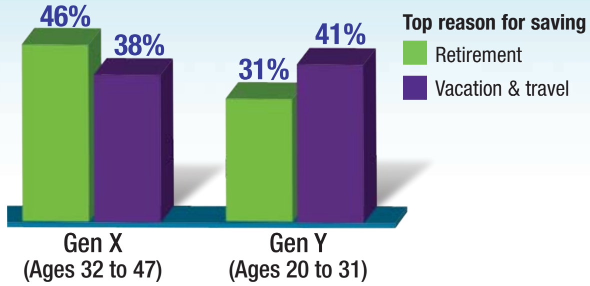
Total U.S. household net worth (including nonprofit organizations) in the second quarter of 2013, almost $20 trillion above the low point during the Great Recession

Source: Federal Reserve, 2013

*Snap*SHOTS

SAVING PRIORITIES

Less than half of Gen X and Gen Y consumers consider retirement as their top reason for saving. Many are focusing instead on vacation and travel.



Source: LIMRA, 2013

Practical insights for your **FINANCIAL GOALS**

Overcoming RETIREMENT CHALLENGES

In a 2013 survey of people aged 50 to 70 with $100,000 or more in investable assets, 90% reported that they had experienced at least one setback in saving for retirement. In fact, the average respondent had experienced four setbacks with an average loss or missed opportunity of $117,000.[1]

The future is always uncertain, and as the saying goes, "Life happens." It would be wise to prepare for the unexpected and react logically rather than emotionally when faced with retirement challenges. Here are some obstacles you might need to overcome.

Surviving market downturns. More than half of those surveyed said their assets had been reduced by market losses during the Great Recession.[2] Yet another survey suggested that about 50% of workers who were 32 to 51 when the recession started actually showed gains in their retirement accounts during the 2007 to 2009 period.[3] This group may have had lower balances when the recession began, and it's likely that they continued saving throughout the downturn, which might have helped them benefit when the market started to improve. Remember that all investments are subject to market fluctuation and the potential for loss.

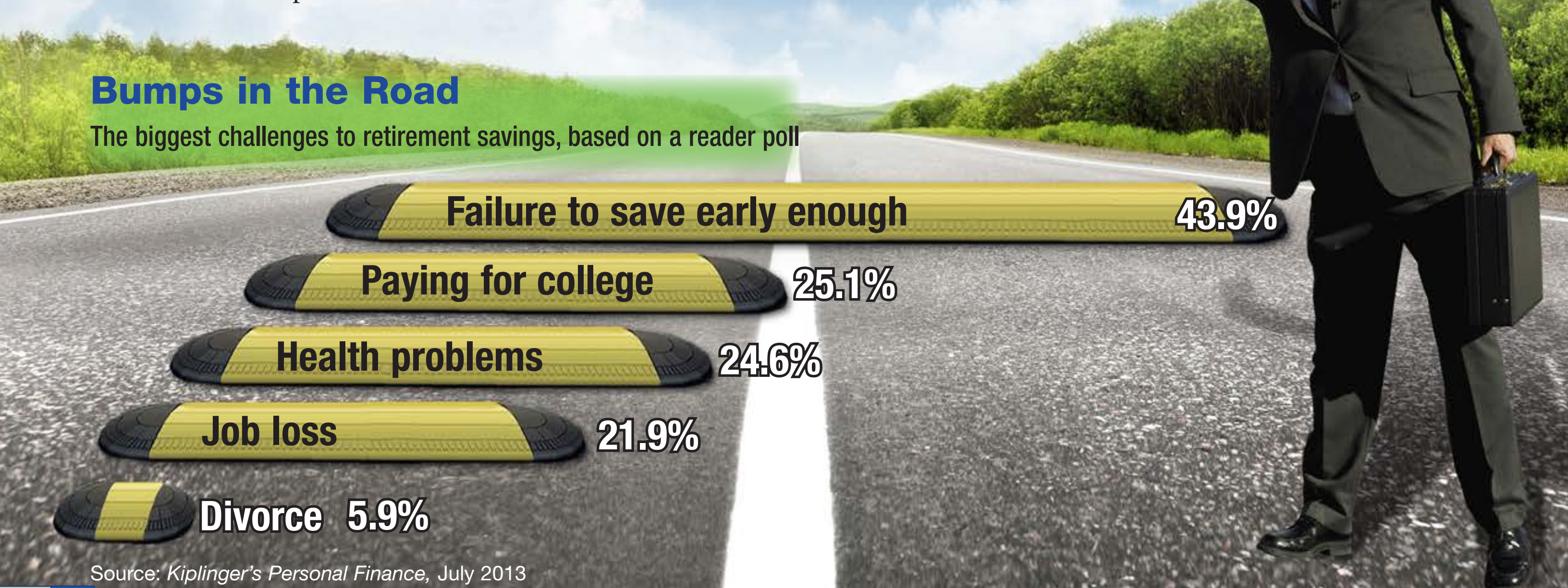
Saving too little or too late. To accumulate sufficient assets to retire at age 65, one rule of thumb suggests saving 15% of income starting at age 25. Someone starting at age 35 might need to save about 30% each year, and the savings percentage would increase to about 64% annually for someone starting to save at age 45![4] If these percentages seem unrealistic, consider that any savings increase is better than none. In addition to maximizing your retirement contributions, you may also need to adjust your lifestyle and control your spending. Once you reach age 50, you are eligible to make additional "catch-up" contributions.

Experiencing a traumatic event. A job loss, unexpected medical expense, death of a loved one, or divorce might make it difficult to save for retirement. Having an emergency savings account that could help cover at least three to six months of living expenses would put you in a stronger position. If possible, avoid tapping your retirement savings, especially tax-deferred IRAs and 401(k)s, because withdrawals are taxed as ordinary income and may be subject to a 10% federal income tax penalty if taken prior to age 59½. When your life returns to normal, try to save as much as possible at the highest contribution rate you can afford.

Balancing college and retirement. When these two priorities compete, many people — 15%, according to one survey — stop saving for retirement to pay for their children's educational costs.[5] A wide variety of college funding options are available, but there is no "scholarship" for retirement. The key is to balance your children's needs with your own retirement goals and find an appropriate strategy.

The road to retirement is long, winding, and seldom smooth. But with patience and a steady commitment, you could reach your destination regardless of how many obstacles you encounter along the way.

1–2) DailyFinance.com, May 14, 2013
3) The Pew Charitable Trusts, 2013
4) Forbes.com, September 24, 2012
5) usnews.com, March 4, 2013



Source: *Kiplinger's Personal Finance,* July 2013

Looking Back, LOOKING FORWARD

The month of January is named after the Roman god Janus, who was imagined as having two faces: one looking toward the past, the other looking toward the future. In a similar manner, economists like to look in both directions to better understand economic trends. But instead of two faces, they use economic measures called "indicators."

The most commonly studied indicators are tracked by The Conference Board, which publishes composite indexes of leading, lagging, and coincident indicators (see chart). These indexes are designed to more clearly summarize and reveal economic patterns and turning points by smoothing out the volatility of individual components.[1]

READING TEA LEAVES?

Not surprisingly, leading indicators garner the most attention because they may forecast the future direction of the economy. The Conference Board Leading Economic Index® includes 10 components: weekly hours for manufacturing workers, initial unemployment insurance claims, consumer expectations for business conditions, stock prices, credit activity, interest-rate spread, building permits, and three separate measures of manufacturers' new orders.[2]

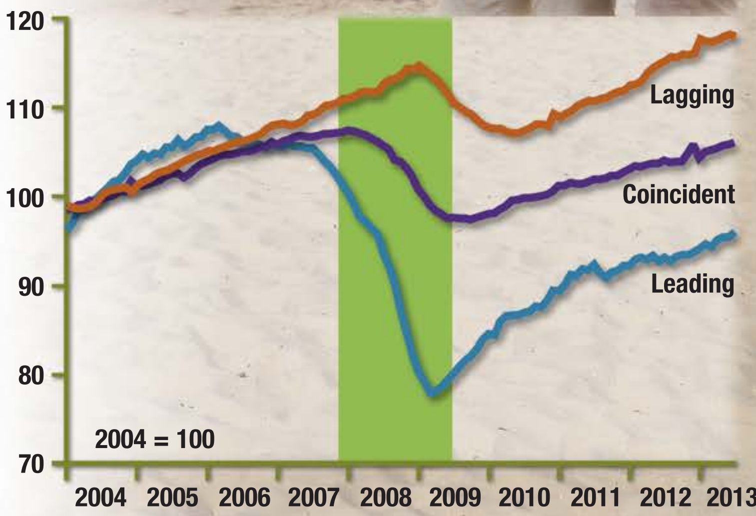
Some economists also consider more unusual trends. For example, former Federal Reserve Chairman Alan Greenspan thought that sales of men's underwear could be a leading indicator because underwear is among the first purchases that men postpone when times are tough. The "lipstick index" was coined to explain why sales of lipstick (later expanded to nail polish and cosmetics) increased during an economic downturn when women would buy relatively affordable treats rather than expensive luxuries. On a more serious level, sales of scrap metal and cardboard boxes can be viewed as leading indicators because they are used for industrial production and to ship manufactured goods.[3–4]

CONFIRMING THE PAST AND PRESENT

Lagging economic indicators can help confirm that an economic trend is already in place, but they are not helpful in forecasting the future. For example, as has been evidenced over the last six years, unemployment tends to rise after a recession has already begun, and it may take months or years of recovery before the unemployment rate begins to fall.[5] The Conference Board Lagging Economic Index® includes duration of unemployment, the ratio of inventories to sales, labor costs in relation to manufacturing output, the prime interest rate, outstanding commercial and industrial loans, and the consumer price index for services.[6]

Three Economic Perspectives

The Conference Board indexes of leading, coincident, and lagging indicators (the green shaded area indicates recession from December 2007 to June 2009)



Sources: Haver Analytics, 2013 (data through July 2013); National Bureau of Economic Research, 2013

Coincident indicators, which generally move in step with the broader economy, may also offer confirmation that the economy is moving in a particular direction. The Conference Board Coincident Economic Index® tracks employment (employees on nonagricultural payrolls), personal income, industrial production, and manufacturing and trade sales.[7]

Economic indicators may offer helpful clues about the direction of the economy, but economists require extensive training and experience to interpret them. Be careful when making any investment decision based on these indicators, and be sure to consider your long-term financial strategy.

1–2, 6–7) The Conference Board, 2013
3) usnews.com, February 13, 2012
4) SeekingAlpha.com, June 10, 2013
5) U.S. Bureau of Labor Statistics, 2013

Assets in Waiting: **UNCLAIMED PROPERTY**

Most people try to keep track of their assets, but it's easier than you might think for money and other property to slip through the cracks.

In 2011 alone, $2.25 billion was returned to rightful owners through state unclaimed property programs. The average claim amount was $892, hardly a hidden fortune but probably worth the effort for those who suspect they may have "lost money" waiting to be found.[1]

STATE PROGRAMS

Every state has an unclaimed property program that requires companies and financial institutions to turn account assets over to the state if they have lost contact with the rightful owner for one year or longer (such as when the account has been inactive). It then becomes the state's responsibility to locate the owner.

For state programs, unclaimed property might include financial accounts, stocks, uncashed dividend or payroll checks, utility deposits, insurance payments and policies, trust distributions, mineral royalty payments, and the contents of safe-deposit boxes. Some states also include unredeemed gift certificates. State-held property generally can be claimed in perpetuity by original owners and heirs.

To see whether you have unclaimed assets, you may have to search the database for each state where you have lived, but most states participate in a combined database called Missing Money. For more information about state programs, see the National Association of Unclaimed Property Administrators at **unclaimed.org**.

FEDERAL PROGRAMS

The federal government tracks a variety of unclaimed property, including unclaimed or undelivered tax refunds, unclaimed pension funds, unclaimed funds from failed banks and credit unions, funds owed investors from U.S. Securities and Exchange Commission enforcement cases, refunds from FHA-insured mortgages, and unredeemed savings bonds that are no longer earning interest. The government also helps U.S. citizens claim assets owed to them by foreign countries. To find out more about federal programs, visit **usa.gov/Citizen/Topics/Government-Unclaimed-Money.shtml**.

Not everyone has unclaimed property waiting to be found, but you'll never know unless you look. Good hunting!

1) National Association of Unclaimed Property Administrators, 2013

Have you faced setbacks on the road to retirement? Call us to discuss potential strategies that might help you get back on track.

Mark Reynolds