In This Issue...

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JOE'S FINANCIAL LETTER

SPRING 2014

Reassess Your Retirement Plans

Approximately five years before you plan to retire, thoroughly reassess your retirement plans and ensure that all significant financial pieces are in place. Once you retire, you probably won't have the option of going back to your former job. So before you retire, consider these points:

- **Take a serious look at your retirement plans.** You're close enough to retirement that you should have a good feel for your retirement expenses and expected income. While you may be anxious to retire, remain flexible about your retirement date. Working an additional year or two can add substantially to your retirement savings and may boost your retirement benefits.
- **Get a fix on your Social Security and pension benefits.** Make sure you know exactly how much you can expect from Social Security and defined-benefit plans. How much will your benefits increase if you delay retirement by one year, five years, etc.? If you retire before full retirement age for Social Security purposes, do you plan on still working? Be aware that for those under full retirement age for Social Security purposes, earnings over $15,480 in 2014 will cause you to lose $1 of benefits for every $2 of earnings over this threshold. Make sure you understand your distribution options for any defined-benefit plans. In most cases, those decisions are irrevocable, so you'll want to take some time to assess those options.
- **Determine how much income your retirement investments will generate.** As a general rule of thumb, you can multiply your retirement investments by 4% to get an idea of how much you can withdraw annually. You can go through a more detailed analysis, reviewing a wide range of variables for a more precise answer. However, the younger you retire, the more conservative your withdrawals should be, since your funds will have to last for a longer time period.
- **Investigate work options.** If you plan to work at least part-time during retirement, have you decided what you'll do and how much it will pay? Make sure you investigate your options, including asking your current employer about part-time opportunities after retirement.
- **Finalize living arrangements.** Determine whether you want to stay in your current home or move to another one, either in the same city or a different location. At this point, you should be able to determine whether you'll have

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Planning for Retirement Throughout Your Life

After working 40 or 50 years, you could find yourself retired for another 20 or 30 years. To support yourself without a job for 20 or 30 years, you should probably be planning for retirement during your entire working life. However, your concerns and strategies for retirement will change as you age. Consider these tips:

In Your 20s

While you may just be getting started in your career, don't squander the long time period before retirement that can help your retirement funds grow and compound. Some strategies to consider include:

- **Start saving for retirement now.** Saving even small amounts can help you accumulate significant sums by retirement age. For instance, if you invest $2,000 per year from age 25 to age 65 in a tax-deferred account earning 8% annually, you could potentially

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A Retirement Account Is Not a Retirement Plan

A retirement plan is like a road map. It shows you how to get from where you are to where you need to go. The vehicle that gets you there could be a bike, a car, a train, a plane, a boat, or in some cases, a combination of all these vehicles. In retirement planning, your vehicles are your accounts: they transport you from point A to point B.

Just as a road map keeps you from getting lost on the road, a retirement plan keeps you from getting lost on your way to retirement.

A retirement account is simply a vehicle to save for retirement, while a retirement plan includes many factors — when you want to retire, how much you will need every month, your assets and investments, your debts, Social Security benefits, health care, emergency fund, and more.

Some factors to consider include:

Are you contributing enough? If you're like most Americans, the answer is probably no. In 2012, on average, Americans contributed about $2,700 to their 401(k) plans; even if matched at 100%, $2,700 a year is not enough for most people to make it through retirement. There is a lot of room to contribute far more than average before hitting the annual 401(k) contribution maximum of $17,500 (that's the limit in 2014 per IRS rules; it typically increases a bit each year). But if you don't have a plan — if you don't know how much you'll need to have saved when you retire — you won't know how much you need to contribute every month. For most people, not knowing results in not contributing enough.

Are your investment allocations right for you? How you allocate your money — the types of investments you have — should depend on where you are on the path to retirement. Stocks involve more risk but typically yield a higher return, while bonds carry potentially less risk but typically yield a lower return.

Generally, the further away you are from retirement, the more money you should have in stocks and the less money you should have in bonds. As you get closer to retirement, you should reallocate your funds toward more bonds and less stocks. Why?

Because if you are too conservative when you're young (not invested enough in stocks), your investments won't grow like you need them to. But if you're too aggressive as you near retirement (invested too much in stocks), market volatility could derail your retirement plans.

Have you strategically chosen your accounts? The government incentivizes us to save for our retirement by giving certain types of tax advantages to qualified retirement accounts. But those advantages vary.

For some, you may contribute pretax dollars (but that money is taxed when you take it out in retirement). For others, you can take out tax-free money in retirement, but contributions are made after taxes.

So you need to think strategically about how and where you are investing for retirement. In addition to the tax implications associated with different investment vehicles, you also need to look at fees associated with the account. And beware, if you're planning to retire early, many types of retirement accounts will penalize you heavily for early withdrawals.

If your employer offers a 401(k) plan and matches contributions, it always makes sense to contribute at least as much as your employer will match. But for most Americans, that 401(k) plan alone is not sufficient.

To ensure that you are saving enough to retire when and how you want to, you need to have a road map to get from here to there. Please call if you'd like to discuss this in more detail.

Reassess

Continued from page 1

a mortgage and how much equity you'll have in your home. While most retirees continue to live in their current home, explore whether it makes sense to downsize, freeing up home equity for investments or retirement income.

- **Deal with health insurance and long-term-care costs.** Two of the most significant costs in retirement are medical care and long-term care. Make sure you have plans to deal with both. If you are retiring at age 65 or later, you'll be eligible for Medicare, although a spouse under age 65 will not. You will probably need supplemental coverage with Medicare. If you are retiring before age 65, make sure you know exactly how much coverage will cost you, especially if coverage is not provided by your employer. Now is also a good time to take a look at long-term-care insurance, since premiums get significantly more expensive as you age.
- **Live with your retirement budget for a couple of years.** Want to really make sure your retirement budget is reasonable? Try living with your retirement budget for a couple of years before retirement. If you can do so without increasing your debt, you can be reasonably confident that your budget will work during retirement.

Please call if you'd like help assessing your retirement plans before you retire.

Planning for Retirement

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accumulate $518,113 by age 65. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment vehicle.)* Try to save at least 10% of your income, but if you find that difficult to do, at least start saving something. Get in the habit of saving at a young age, before you get used to spending all your income.

- **Investigate different retirement savings vehicles.** If your employer offers a 401(k) plan, start contributing as soon as you can. You should contribute at least enough to take full advantage of any matching contributions offered by your employer, which can significantly increase your savings. For instance, assume you earn $50,000 per year and your employer matches 50 cents on every dollar of contributions up to 6% of your salary. If you contribute 6%, you will make a contribution of $3,000 and your employer will contribute $1,500. If your employer doesn't offer a 401(k) plan, contribute to an individual retirement account (IRA), either traditional or Roth. Investigate the differences to determine which is better for your situation.

In Your 30s

Typically, even though your income is rising, your expenses are also growing as you buy a home and start a family. However, don't lose sight of retirement, since you still have significant time before retirement to help your funds grow. Consider these tips:

- **Start thinking about retirement.** Give some thought to how you want to spend your retirement and how much it will cost. While you may feel that retirement is too far away to gauge these things, putting a rough price tag on your retirement and calculating how much you need to save can provide significant motivation in saving for that retirement.
- **Devise strategies to keep saving.** Look for ways to remain committed to saving, even as your expenses are increasing. For instance, whenever you receive a raise, put some of it into your 401(k) plan so you don't get used to spending that money. Before incurring a large new expense, such as a new car or home, look at the impact the additional expense will have on your retirement.

In Your 40s

While you still have quite a while before retirement, it's time to get serious about saving for retirement. Especially if you haven't saved much during your 20s and 30s, you need to really commit to saving for retirement. Some tips to consider include:

- **Save the maximum in your 401(k) plan.** Don't make excuses; just make sure you are saving the maximum in your 401(k) plan. Also look at contributing to an IRA.
- **Review your investment strategy.** Take a look at all your investments, both inside and outside of retirement accounts. Does your strategy make sense and will it help you reach your retirement goals?

In Your 50s

Retirement is no longer that far away. It's time to assess where you stand and whether your retirement plans are realistic. Consider these tips:

- **Look seriously at your retirement plans.** Make sure you have an accurate assessment of how much money you'll need in retirement and compare that to your estimated retirement income sources. If you are short, consider revising your plans. You may need to work longer, scale back your retirement plans, or save more.
- **Take advantage of catch-up contributions.** In addition to making the maximum contributions to 401(k) plans and IRAs, take advantage of catch-up contributions once you turn 50. In 2014, you can make a $5,500 catch-up contribution to your 401(k) plan, if permitted by the plan, and a $1,000 catch-up contribution to an IRA.
- **Try to increase your savings.** By now, hopefully, some of your larger expenses will be behind you, such as funding a child's college education, and you can divert those sums to your retirement savings.

In Your 60s and Beyond

This is the period when people typically transition from a working life to retirement life. Some strategies to consider include:

- **Finalize your retirement plans.** Go through your expenses and expected retirement income sources one more time to make sure you haven't forgotten anything. Determine when you can start drawing retirement benefits, such as Social Security, Medicare, and pension plans. Before you leave your job, make sure the timing is right, and you'll be able to comfortably support yourself during retirement.
- **Plan before withdrawing your retirement savings.** Before you start withdrawals from your 401(k) plans and IRAs, consider all relevant factors. You don't want to drain those funds too quickly.
- **Consider working on at least a part-time basis.** Even if you think you have sufficient funds for your retirement, consider working at least part-time during the early years of your retirement. This will help keep you active while also supplementing your retirement savings. It is better to work now than to find out late in retirement, when your health may not permit you to work, that you have run out of retirement savings.

To ensure adequate retirement savings, you need to plan for retirement throughout your life. Please call if you'd like help with this process.

Business Data

Indicator	Month-end Dec-13	Jan-14	Feb-14	Dec-12	Feb-13
Prime rate	3.25	3.25	3.25	3.25	3.25
3-month T-bill yield	0.07	0.06	0.05	0.09	0.13
10-year T-note yield	2.89	2.82	2.73	1.80	2.01
20-year T-bond yield	3.61	3.47	3.42	2.56	2.81
Dow Jones Corp.	3.11	2.96	2.83	2.70	2.61
GDP (adj. annual rate)#	+2.50	+4.10	+2.40	+0.40	+0.40

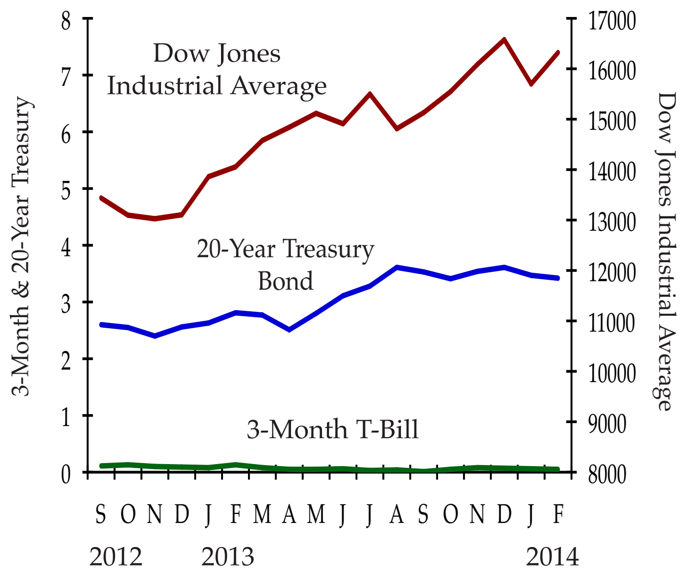
Indicator	Month-end Dec-13	Jan-14	Feb-14	% Change YTD	12-Mon
Dow Jones Industrials	16576.66	15698.85	16321.71	-1.5%	16.1%
Standard & Poor's 500	1848.36	1782.59	1859.45	0.6%	22.8%
Nasdaq Composite	4176.59	4103.88	4308.12	3.1%	36.3%
Gold	1201.50	1251.00	1326.50	10.4%	-16.5%
Unemployment rate@	7.00	6.70	6.60	-5.7%	-16.5%
Consumer price index@	233.10	233.00	233.90	0.3%	1.6%
Index of leading ind.@	99.30	99.20	99.50	1.2%	5.5%

— 2nd, 3rd, 4th quarter @ — Nov, Dec, Jan Sources: *Barron's*, *Wall Street Journal*

Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

September 2012 to February 2014



Do You Know Where You're Going?

I am convinced that for an investment plan to be successful, there must be a clear objective. Defining that goal is often key to determining what you will need to do to help you accomplish it. Once defined, a formula for saving and an investment strategy can be produced to help you achieve that goal.

Financial objectives vary with each person. It could be early retirement, tuition planning, or providing long-term-care for an elderly family member. It may be the funding of a trust. The primary issue could be less about your current needs and more about estate and tax planning for your heirs.

Regardless of the goal, I would recommend that you first define and prioritize your financial goals. Then carefully look at your assets, income, and retirement benefits. Now you are in a position to formulate a plan designed to determine whether your assets are working toward achieving your goals.

I am committed to helping you define and achieve your financial goals. There are a number of financial, retirement, trust, and estate planning services available to you through my firm. I have offered these services to many clients and have been pleased to see the effect it has had on their planning process.

After all, we want to know where we are going so we can do our best to get there.

Joe Ciaramitaro provides a variety of financial services to his clients through the Raymond James & Associates, Inc. office in Birmingham, Michigan. Joe specializes in retirement plans and serving the needs of high-net-worth business owners and individuals. Joe, a Certified Financial Planner™ professional, is well versed in the areas of tax-advantaged investing, retirement planning, personal financial planning, pension plan review and analysis, and professional money management.

Joe has been in the financial services industry for over 25 years, and moved his Financial Planning practice to Raymond James in 2003. Joe came into the financial services industry after obtaining a degree in accounting with an emphasis in Tax from Michigan State University. Joe is the youngest of nine children and is married (Elaine), has one daughter (Jacqueline), and two sons (Charlie and Robert).