

The following are scripts for video vignettes, this information WILL NOT appear in text copy to the client.

Circle of Wealth® Series

1. Your Circle of Wealth

This circle represents all the money you will ever have. Your circle of Wealth is larger than some folks, some larger than yours but there is one thing we all have in common and that is we want our Circle of Wealth to grow. What is the first thing that comes to mind when you think about what will have the biggest impact on your ability to accumulate money for your future?

Many financial institutions as well as their advisors would have us believe that purchasing their product is the answer. When the products we have purchased do not perform as well as we hoped we begin looking for yet another product. Believing that the answer lies within the product keeps you constantly searching for the best financial product on the market that pays the highest rate of return.

There are at least two ways to increase your investment wealth potential. The first is to find investments that pay higher rates of return than you are currently earning which often require increased risk. The second is to be more efficient with the dollars you have today. We believe that avoiding your losses can often have an equal or possibly greater impact on your financial future than trying to find the best investments paying the highest returns. Give us a call and let us talk about how we can help you discover where you may be transferring money away unknowingly and unnecessarily.

2. Retirement Ready or Not

Perhaps this question has crossed your mind more than once as you consider your financial future. There are many issues surrounding this question and one of the first steps to finding the answer is to evaluate where you are today. Take a snap shot of where you are currently and paint a picture of where you want to be financially during your retirement years. You may be surprised to find how much it will take in the future for you to live during your retirement years at the same standard of living you are enjoying today. The time to find out what you need to do to make sure your financial future is on solid ground is now.

With the recent downturn in the economy many are worried the assets they have currently will not be enough for them to retire when they were hoping. In just a few minutes we can help you get a glimpse of your current situation. We can do this in person or meet online if you prefer in just minutes and give you answers to these questions and more:

- What rate of return would you have to earn to retire when you want and have your money last to life expectancy?
- How much money should you be saving to get you where you want to be?
- How long will you have to work if you keep doing what you are currently doing?
- How much will you be able to spend during retirement each year and have your money last till your life expectancy?

If you want the answers to these questions e-mail me a time that would be best for you to get together online. We only need about 15 minutes.

3. Opportunity Cost

Definition: If you lose a dollar you did not have to give away you not only lose the dollar, you also lose what that dollar could have earned for you had you not had to give it away. A good example would be taxes. Do people pay more taxes than they have to? Yes, some do. Not because they want to, they simply did not take advantage of every deduction available under the tax law. There is a difference between tax evasion and tax avoidance; it's about 5 years in the federal pen. You must pay all the taxes required by law but no more. If you give away a dollar in taxes you did not have to pay you not only lost that dollar, you lost what it could have earned for you which can amount to a large amount of money over your lifetime.

Another example where opportunity cost plays an important role in your finances is with credit cards and car payments. If you lose a dollar in interest you could have avoided you should also factor the opportunity cost. That means you need to calculate the interest payment you made. Learning to avoid or recapture the opportunity lost from money you may be losing in interest can have a tremendous impact on your financial future.

Many people can potentially lose more money financing the cars they drive to work than they will accumulate in their life long savings account. We are not saying you should not buy a car; you simply need to find a way to buy the car and avoid giving away the interest. Give us a call if you are interested in finding ways to recapture the lost opportunity cost on your car loans, credit cards, and unnecessary taxes.

4. Spender, Saver, Wealth Creator

Which one are you? Let's first take a look at the Spender. This person spends then saves what is left over if any. Their thoughts are usually centered around what is the next thing on the list they "need". If you can imagine this line to represent zero financially the Spender never gets on the top side. There is always something more important to spend their money on and are often heard saying "I would love to save but there is just not enough left after I pay my bills". They finance a car, maybe two, which pushes them below the line and then there is housing which moves them even farther below the line and then kids come along and, well you know the rest of the story. The Spender often spends a lifetime trying to pay for the things they bought at interest which steepens the hill they must climb to get debt free. Unfortunately if the Spenders do not find a way to overcome this cycle they could be doomed for financial failure.

The Saver understands the term opportunity cost and puts away money today so that they will not be forced to pay interest to anyone in the future. The Saver is not immune from frustration. While they have money in the bank they feel safe and the more they save the safer they feel. They slowly climb above the zero mark and the fact that they refuse to pay interest on their purchases affords them a lifestyle that the spender cannot enjoy because a good portion of the spender's money is going to the lender. However from time to time something comes along that requires them to dip into their savings, moving them ever closer to zero and that fear of having to borrow and pay interest. They save for a car and pay cash. They feel great with the money in the bank but after they buy the car their account is back to zero and they start saving again to get ready for the next crisis or expense.

The Wealth Creator is one who saves as a matter of course. They know the amount of income they desire during retirement to live the lifestyle they wish to live and know how much money they must save every month at a reasonable interest rate to achieve their goal. They too are savers but what makes them different is when they take money from their savings they do not stop making their monthly savings contribution, they also replace what they borrowed from themselves at interest. Paying themselves back at interest insures that money will be available in the future for larger purchases and investment opportunities.

Many say saving is painful. Remember there are two types of pain. There is the pain of discipline and the pain of regret. Give us a call and let us help you determine what you have to do today to be where you want to be tomorrow.

5. Qualified Plans Do Two Things

Qualified Plans are tax deferred accounts sanctioned by the federal government—which is what makes them qualified. Qualified Plans provide a tax deduction at the time of deposit. Non-Qualified accounts are accounts that do not receive tax deductions at the time of the contribution but may provide tax favored treatment at the time of withdrawal. This discussion will focus on Qualified Plans such as your 401(k), IRA, SEP, and SIMPLE retirement accounts.

Do people pay more taxes than they have to? The obvious answer is yes, but not because they want to. Given the choice many people would prefer to avoid taxes today at almost any cost. Hence, one of the most common recommendations of where to place your money to grow for the future is in Qualified Retirement Accounts. One of the more common of these being the 401(k).

While most Americans utilize these type of accounts for their retirement savings and investments many lack a proper understanding of exactly what they do. What do qualified plans do? The number one response is to this question is that they defer taxes. If that is what you said they do you were only partly correct. A part you missed may be more important to your future than you may realize.

So what do qualified plans really do? They actually do at least two things.

- Number 1: They do defer taxes, which is the part we are most interested in at the time of our contribution.
- Number 2: They also defer the tax calculation. Let this run past your brain for a few minutes.

Your tax bracket plays a very important role in this discussion. Many Americans focus on the tax bracket they are in today, not the one they will be in when they take the money. The truth is they are both important but it is easy to find yourself focusing your attention only on the contribution. What Tax bracket will you be in when you take this money out? This question should receive more attention than it is getting. Sure you should consider the value of the deduction today. However do not overlook the fact that you will be taxed on the money you withdraw from this account.

Let's assume you are investing money in one of these accounts. You probably thought doing so would save you taxes. You may have even received information from tax professionals that tell you will "save" taxes. The truth is these accounts are not tax savings accounts at all but tax deferred retirement accounts. That means that you will pay the tax eventually. A way to actually save taxes would be to withdraw the money at a lower tax bracket than you were in at the time of contribution. This is not suggesting that putting money in these accounts is not a good thing. It is important however that you know what they do.

They do two things, they defer the tax and the tax calculation.

6. You May Not Be Saving Taxes In Your 401(K)?

Let's say you wanted to borrow \$10,000. You would ask two questions before you took the money.

1: The first question would be how much interest do you have to pay?

2: The second question would be when do you have to pay it back?

If the lender responded by saying, "We have enough money right now and do not need any payments from you at this time but there will come a time when we will need the money and when we know how much we need we will be able to determine how much interest we have to charge to get the amount we need.

Would you cash that check?

Absolutely not, but query whether this is analogous to what is going on in qualified accounts.

The government is not saying you do not owe the tax.

They are saying you can pay the tax later. At what bracket? That is a good question.

Since the tax bracket at the time of withdrawal is unknown it is impossible for anyone to tell you how much money you will "save" by making a contribution today to a qualified plan. It is not possible because they do not know the tax bracket at the time of withdrawal. Assume you are in a 30% tax bracket and you wish to make a contribution of \$10,000 to your qualified plan. The best one could and should say is that the "apparent tax benefit" of making a \$10,000 contribution today would be the deferral of \$3,000 in taxes.

What many miss is the fact that the \$3,000 you "saved", a better word would be postponed, in taxes today will be due at interest in the future. You wrote the check for \$10,000 to the plan but you only have \$7,000 in the plan. The government has their share (\$3,000) in the plan as well. Had you claimed the \$10,000 in income you would have paid your tax of \$3,000 and received the balance of \$7,000.

The government is allowing you to defer the tax. You did not save any tax you simply postponed it.. You did not get a check back after your contribution, you simply did not have to pay the tax today. The money you think you are saving is actually in your qualified account. The government understands opportunity cost as well. They will want their \$3,000 back one day at interest. Your share earned interest and so did theirs. Should they decide they want more and taxes go up when you start taking the money out, your share goes down.

This is in no way suggesting that putting your money in a qualified plan is not a good thing for you to do. What you do need to understand however is how the game is actually being played. Many are under the false impression that they are receiving something they are not. These are not tax savings plans but rather tax deferred savings plans. Don't hesitate to call us if you have questions, now is the time to gain understanding about this important part of your retirement savings.

7. Maximize Your Deductions

When it comes to paying taxes we all would rather pay less than more. However unfortunately some of the things we do end up making us pay more than we are required to pay. If you are able to put money away for your retirement in a qualified plan at work, for example a 401(k) this is a great way for you to get a tax deduction on your contribution. This makes even more sense if you are getting a match on your contribution. You don't have to pay the tax today and your employer is putting away money for your retirement that you do not have to pay taxes on today either. You will have to pay the tax later but there is a good chance that the money deposited by your company match into the plan may cover your taxes at the end and you get your contributions at interest.

Not everyone qualifies for mortgage interest deductions but if you do you want to make sure you are getting all the deductions available. Mortgage interest is still one of the few interest payments that still qualify for deductibility. If you qualify for interest deductions on your mortgage you want all the deductions possible until you get your home paid off.

Make sure your right pocket knows what your left pocket is doing. Let's say you are putting away money for your retirement in your qualified plan and maximizing your deductions in right pocket and potentially nullifying that benefit because how you are paying your home mortgage in your left pocket.

It is possible that you could have money in taxable accounts in your right pocket that are require you to pay taxes every year that are off setting the very deductions you are seeking from your qualified savings accounts. Give us a call and let's make sure your right pocket knows what is going on in your left.

8. The LUCK Factor

When it comes to our money there is no such thing as luck however this little play on words may provide a good piece of information for your thinking.

L: The L stands for Liquidity. A very important part of your thinking with regards to where you put your money should be is some of it liquid? Certainly not all of our money needs to be in a liquid position but if all our resources are tied up with no access we can find ourselves in a tough situation down the road. It is recommended by many that one should have at least six months of income in a safe, liquid, account. Without liquidity one can find themselves in need of money and be forced to borrow on credit cards or bank loans requiring interest. Any interest paid out is reducing the interest you could be earning.

U: Use of your money also plays an important role. We all have times in our life that we have a need come up and we have a need for money. Do you have access to money that you can use when the situation arises?

C: The C stands for control. Who is in control of your money? The government is in control of our qualified plan dollars, the mortgage company is in control of our home equity, the finance company is in charge of our cars. Do you have money in places where you are in control?

K: The K stands for Knowledge. If you are going to have the LUC we just talked about you will need the knowledge necessary to manage your resources.

Give us a call and let us pass on some LUCK to you.

9. Driving Your Future

You may be surprised to find out that you are driving your future to work every day. The sad truth is that for many American's they will lose more money financing the cars they drive to work than they will accumulate in their lifelong savings accounts.

The price of the car is but one of the costs. The finance cost is another. When shopping for a new car often the driving factor is the monthly payment. As long as the payment fits in our monthly budget we roll merrily down the highway listening to tunes and enjoying that sweet aroma of new car smell.

We are not saying you should not buy cars. What we are saying however is that you need to know the true cost of the car before you drive it off the lot. Everyone knows that the value of the car drops 20 to 30% as you leave the dealership but few have factored in the opportunity cost of driving a new car on their retirement.

Let's assume you bought a \$30,000 car today and financed it at 6% over 60 months. The monthly payment would be \$579.98 and you would end up paying \$34,799 over the five year period with \$4,799 in interest. Had you been able to pay cash for the car and invest the interest at 6% you would have earned \$169,894 over a 40 year period assuming you purchased one car at \$30,000 every 5 years. That is the opportunity cost on just one car over one's lifetime. When you consider many of us have 2 or more the number is even larger.

Give us a call and let's sit down and see if there is an opportunity for you to buy the cars you want and keep the interest you may currently be giving away.

10. How Much Disability Coverage Should I Have?

This is a question that you should have asked yourself and found an answer before now but realizing that this is an area that requires a decision that can easily be put off while you think about it we will give you a few things to think about.

Of the decisions concerning disability coverage “How much coverage” is actually the easiest decision? Disability insurance is designed to protect your income in the event you are unable to work. Since the amount of coverage you are allowed to carry is limited to 60 to 70% it would make sense that you should have all the company will issue. The benefit comes to you tax free in the event of a disability so theoretically if you will not have to pay taxes you should continue close to the same income you enjoyed while working. We believe the answer to “how much coverage”? is all you can get.

The real question is how long can you go without the benefit? They call this the elimination period. They usually run 30, 60, 90, 180, 365, or two years. The longer you extend the time when you receive the benefit the lower the cost. We would recommend you have all the coverage you can get and an elimination period with a premium you can afford rather than a shorter elimination period with less benefit.

Your friends and loved ones may be able to help you for 180 days, However if you will require financial assistance the rest of your life, they may not be willing or able to participate.

Another thing you should pay close attention to is the coverage limits. Not all policies cover the same things so make sure the policy you are looking at has exactly what you want. An example would be “own occupation” definition of disability. In the event you cannot do what you do, you receive the benefit.

Of all the assets you have, there is most likely none more valuable than you and your ability to bring home a paycheck. Give us a call and make sure you have exactly what you want to have in the event of a disability.

11. Avoiding The Losses Can Prove More Valuable Than Picking The Winners

In the financial world the focus tends to move towards finding the best investments that pay the highest rates of return. The last few years have certainly proven that choosing the winners is not as easy as it may sound. There are really only two ways that one can help you financially. The first way is to help you find better investments that can potentially give you higher returns. The second way is to help you become more efficient by avoiding losses. While we help our clients find investments, that can potentially pay higher returns, we believe that focusing on avoiding one's losses is the place to start. We are convinced that avoiding the losses can possibly prove more valuable over time than the gains received from picking the winners.

There are two ways to fill up a bucket with holes. The first is to plug the holes, then the bucket will fill up even if the flow is a trickle. The second is to keep pouring more in. Which of these two strategies have you been employing in your present financial position? If you are like most of us you know that you need to pour more in, you need to be saving more money than you are putting away currently and but you are probably doing all you can possibly do. You have nothing else to pour in.

We specialize in helping you plug the holes, so to speak. If you are interested in finding ways to potentially increase your savings and investment dollars by avoiding the losses and becoming more efficient with what you are currently doing without you having to change your present lifestyle, give me a call.

12. Standing In The Tax Line

Given the option of earning more interest or less ,we are all in favor of earning higher interest rates on our investments. We have all been taught that investing money over a long time is a positive thing because of something known as the magic of compound interest. It is true that compounding your interest over time will cause it to grow however one of the things that is easy to miss is that as the account is growing, so are the taxes. Compounding interest in a taxable investment account creates an increasing tax. As your account gets larger from rolling the interest you earn back into the same account, your taxes grow proportionally.

Perhaps the thing that makes the increasing tax burden go unnoticed is that most people pay the taxes due on taxable accounts from their lifestyle not the investment account. This can give the illusion that the account is growing faster than it actually is. Subtracting the tax due on the growth is known as netting which would give you a truer picture of how the taxable investment account is doing. Our experience is that few people do this in practice. Instead many pay their taxes from another pocket we call lifestyle.

Remember you paid income tax on the money that you invested when you earned it. If you choose a taxable account in which to invest, you first stood in the ordinary income tax line to earn the money you are investing, then instead of finding a tax deferred line or tax fee line to take your money, you went to the back of the ordinary income tax line and got in line again to pay taxes on the growth of your investment.

If you are interested in looking at options that could possibly get you out of the ordinary income tax line on the money you are saving and investing in taxable accounts, give me a call. You should consult your tax advisor concerning your individual tax situation.

13. The Income Game

Let's play a little game together. It is called the income game. I want you to guess the amount of income required for different levels of income in the United States.

How much household income do you think it takes to be in the top 25% of all tax payers? Write down your number.

How much household income do you think it takes to be in the top 10%? Write down your number

How much household income do you think it takes to be in the top 5%?

How about the top 1%?

According to data derived from IRS documents, the answers are: Top 25%= \$66,532 Top 10%= \$113,018 Top 5%= \$160,041 Top 1%= \$410,096 How did you do?

How did you do on guessing your income level? Let's play a little more. This time we are going to guess what % of the taxes paid by individual tax payers in the United States are paid by each of the income groups we just looked at.

Top 1%= Pay 40.42% of all the taxes collected
Top 5%= 60.63% (this includes the taxes paid by the top 1%)
Top 10%= 71.22% (includes the top 1% and 5%)
Top 25%= 86.59% (includes everyone above)

Do you think there are people who pay more tax than they have to pay? The tax law ,tells us what taxes must be paid. We are not required to pay anymore. There is a difference between tax evasion and tax avoidance. It is about 5 years in the federal penitentiary. If you pay a tax that you did not have to pay you not only lost the money, you lost what that money could have earned for you had you not paid it. That economic principal is known as opportunity cost.

It is easy to see that the bulk of taxes paid in the United States are paid by those in the top 25% of wage earners. We do not offer tax advice but if you

would like to discuss alternatives or strategies that could possibly reduce or eliminate taxes you may currently be paying unnecessarily give me a call.

14. Everything You Know You Think Is True

Most of us have an opinion about almost everything, especially those things we believe we know about. Unfortunately what we believe to be true may in fact not be true at all however we live our life believing that the things we know in fact are true. Obviously if you knew something was not true you would make adjustments immediately to your thought process.

When it comes to understanding money and how it works it is quite easy to be persuaded that the things you hear are true may not be true at all. Let me give you an example. You hear on TV that you can buy the car shown and finance it with no interest. If it sounds too good to be true... it probably is. Are they trying to tell you that they are not going to make any money on selling you this car? Certainly not. What are they saying? They are saying that they are not going to charge you interest on your monthly payments. You are going to give them the present value of the interest they would have earned up front they will not charge you interest on your monthly payments.

Don't forget the concept called opportunity cost. If they can receive a lump sum up front they have the opportunity to invest that amount over the time period you will be buying the car and earn the interest they require to make the transaction.

It is easy to think something is true if you do not have all the information. Some things that seem true for others may not be true for you because of your circumstances. Give me a call if you have questions about issues in your financial life where you want to make sure that what you believe to be true, really is true.

15. Calculating Your Income And Wealth Potential

Over your lifetime you will earn a great deal of money. You may be surprised when you look at just how much you will earn over a lifetime. Your wealth and income potential is a combination of not only the amount you will earn over your lifetime, but what you would have if you could save and invest everything you make. Obviously that is not possible, but it does give you a different perspective.

Here is a hypothetical example of what I am talking about:

This individual is currently earning \$50,000 a year and is 35 years old, his income is increasing at 3% and the potential investment rate of return is estimated at 6%. Taxes are not considered. He plans to work until he is 65.

This individual will earn about \$2,378,771 during his working years. This number represents the “income potential”. Had he been able to invest every dollar he made during that time at 6% he would have about \$5,858,671. This number represents the “wealth potential”.

Wealth potential may be one way to calculate damages in wrongful death cases relative to human life value. This calculation simply applies a given rate of return or opportunity cost to the amount that would have been earned had the person survived. While you most likely cannot afford to invest everything you earn it is an interesting way to look at your money. After you determine your income and wealth potential ask yourself if the money you expect to have at retirement makes sense compared to how much will actually go through your hands.

If you would like for me to calculate your income and wealth potential for you please give me a call and I can do it over the phone in less than one minute. Your income potential is simply inflating your current income by the amount your income has been increasing from year to year.

16. Interest You Earn vs. Interest You Lose

Most of us are well aware of the interest we are earning or not earning in the money we have invested. What little time we spend thinking about how our money is doing is usually all spent on what is our rate of return, how much interest am I earning.

There is another type of interest you may want to pay attention to and that is the interest you may be losing. There is interest paid when you finance a car, buy things on your credit card, pay your mortgage, borrow for college student loans, and all kinds of personal loans.

Remember the economic term called opportunity cost. If you pay out a dollar you did not have to pay, you not only lost the dollar, you lost what that dollar could have earned for you had you kept it and not paid it out. The higher your potential rate of return on your investment, the higher the opportunity cost associated with interest lost. If you are earning 6% in an investment, and you are paying interest to someone else, your opportunity cost lost is the interest at 6%, not just the interest. If you are earning 8%, your opportunity cost lost from interest you are paying would be 8%.

It makes little sense if it can be avoided, to be investing which often requires you taking risk, so that you can earn interest in your left pocket while at the same time buying things that require you to pay interest out of your right pocket.

Have you ever heard of the diet soda and jelly donut strategy? It does not work physically or financially. You must pay just as much attention to the interest you are losing as you are to the interest you are earning. If you need help eliminating the areas where you are losing interest, give us a call.

17. The Cost of Procrastination

When it comes to putting money away for our retirement it is easy to believe that you have plenty of time to take care of it. It is an interesting thing about life that it seems to creep along looking forward, but flies when you are looking back. Do you remember when you could not wait to be a teenager and thought that day would never come? Well where did the time go?

Procrastination is something many of us wrestle with in many areas of our life especially our finances. It is so much easier to put it off until tomorrow. Let's take a look at what it could cost you to wait.

Let say you are 40, and you plan on saving \$10,000 a year until you are 65 and you can earn 6% on your money. For this example we will ignore taxes, your account will grow to \$591,564. Past or assumed performance is no guarantee of future performance. If you wait 10 years to get started your account would only grow to \$256,725. Cost of waiting \$334,839. Obviously the sooner you get started the greater the potential.

The other side of the coin is how much you have to save to be at the same place had you started saving earlier.

In this example if you waited 10 years to start saving you would have to save \$23,571 each year till 65 and average 6% return. You would have to contribute \$353,570 to get to \$581,564 instead of \$250,000 had you started at age 40.

If you have been thinking about getting started towards your retirement sooner rather than later would be a good time to give us a call.

18. Average ROR vs. Real ROR

The following is for illustrative purposes only, the returns used are not possible and are only used to illustrate a concept.

Average does not mean the exact same thing as real. I have a friend that says that he and his wife average about 50 miles a week riding their bikes. When you first hear this you would think that they both ride together about 50 miles. The real story is that she rides about 100 miles a week and he lays on the couch but between the two of them they average 50 miles a week.

Funny story but the same problem can arise when talking about average rates of return over time versus real rates of return over time. Would you like to make an investment that averaged 25% return over two years? Sure, who wouldn't. Suppose you invested \$100,000 and earned a 100% return in year one. You would now have \$200,000. In year two let's say you lost 50%. Now you only have \$100,000. You averaged 25% a year but your real return was zero.

Suppose you started with a \$100,000 and earned 100% the first year. Now you have \$200,000. In year two you lost 60%. Now you only have \$80,000. Your average rate of return was 20% but your real return was -20%. Don't get fooled with averages, focus on the real or actual rate of return potential.

Club vs. Swing Series

1. Club vs. Swing

For those of us who play, there is nothing better than the game of golf. We watch it on TV, read about it in books and magazines, and hope to learn that new tip that can take our game to the next level.

Statistics show there are over 60 million golfers in the world today. Of those:

- less than half ever break 100,
- only 33% break 90, and
- less than 5% will ever break 80.

It is amazing how many similarities there are between the game of golf and our money. Let's take a look at a few.

Whether you have been playing for a short time or all your life you understand the frustration of the fact that just when you get one part of your game working something else falls apart. You finally start hitting the driver and you can't hit an iron in the ocean from the pier. It never fails, you start draining every putt and now you can't get off the tee.

Financially speaking, just when you get a little money put away something comes along that eats it up. You finally start investing for your future and the market drops 30%. Sound familiar?

2. Practice. Who Has Time For That?

If you are like most golfers you can't wait to play. The anticipation of the next round dominates our thinking. We live such busy lives with work, kids, chores and trying to keep up that when we have any time we want to play not practice.

We may hit a few balls on the range before starting our round but seldom take the time for serious practice. We hurry to the first tee and are off for yet another mediocre round with the same bad habits we had the week before and the month before that and the year before that. Reports on a professional golfers practice schedule say they can hit as many as a thousand balls a day. There must be something to practice.

Financially, we spend most of our time making money but little to no time learning how to master the use of it. Many golfers spend more time planning their next three day golf weekend than they do planning their financial future. Sad but true.

We know our game would improve if we spent some time at the sand trap practice facility but we want to play. When we hit in a sand trap on the course and we will, we struggle sometimes taking several shots to get out when a few hours on the practice range would have made a huge difference.

It is easy to find ourselves doing the same thing with our money. Because we have not done our homework we find ourselves making poor financial decisions, like bad shots, hoping our next shot will make up for our previous mistake. If your financial future depends on your next decision being a career shot...you had better rethink your position.

3. You Drive For Show And Putt For Dough

There is no doubt that hitting your driver on the screws 300 yards down the middle of the fairway is exhilarating. We love the feel of the club head speed and the sound the driver makes as it makes contact with the ball. How much time do you spend working on your putting vs hitting your driver? On the tour the slogan is “putt for dough”. Ask any professional and they will quickly tell you that the most valuable club in their bag is their putter. A six foot putt counts just as much as your longest drive.

Like in golf when we think about our money the financial products that captivate our attention are usually the “drivers”. They are the products that promise to pay the highest rates of return. But what about the putter? The products that are valuable but not designed to hit it a long way? The putter would never come up in a conversation about distance. In financial terms, the putter would represent a product low on the return scale...but a place where your money could do one or more of these:

- · grow income tax deferred
- · come out estate tax free
- · earn a competitive rate of return with limited risk
- · Guarantee a return. Note that, with insurance products, guarantees are based upon claims paying ability of the issuer.
- · be safe from creditors
- · have no limits on how much money you can put in
- · have no restrictions on how you can use the money
- · be used as collateral
- · provide you with liquidity, use, and control, and
- · have an account value that never goes down.

We have all lost balls using our driver (maybe that is why golf balls come in packs of 12) but never with a putter. A lost ball on the course means a penalty. A lost ball financially can spell disaster. In golf, a putt counts just as much as the drive. Financially, avoiding losses can make all the difference in your final score.

Remember that a great putt can help you recover from a bad drive. So don't ignore the value of having a solid financial putter because the product that pays the highest returns may not be the best club in your bag.

4. Risk And Reward

Golf course design is a thing of beauty and the variety of holes is what keeps us wanting to play every course on the planet. There are some par 5's that are long with little trouble and are often birdied while others are almost impossible to reach in three. There are short par 4's that are reachable with a great drive but offer no consolation for a ball miss hit.

Like a downhill, dogleg left, 279 yard par 4, with a steep drop off left of the narrow fairway and nothing but bunkers on the right. You can play a 5 iron off the tee to the middle of the fairway and a wedge to the green and par it almost every time. Or, you can try to drive the green and risk going "out of bounds" and getting the dreaded "double par" 8 on a par 4 hole. Not fun.

Financially we must weigh risk and reward as well. Taking unnecessary risk can lead to disappointment which can affect future shots. Many investors would tell you that looking back they would have more money today if they could get back just their principal.

The return of your money is often more valuable than the return on your money. Taking risk that does not pay off puts even more pressure on the shots we have left to play. No one knows this better than Jean van de Velde, when at the 1999 Open he blew a three shot lead hitting an errant drive and then played a risky shot rather than the sure thing and lost in a playoff. How many holes have you played thinking to yourself "I could have done better using a pitching wedge on every shot?"

5. Avoiding The Hazards

In 2005, Tiger Woods won his eleventh major, the British Open, and only used his driver once in the entire four rounds. While others were trying to capitalize on the roll they would get bombing it off the tee, Tiger was orchestrating a controlled trip around the course purposed on missing the bunkers. He knew that avoiding the hazards offered the best chance to win.

Our financial course is covered with hazards, some you can't even see from the tee box. Increasing taxes, interest on debt, credit cards, and car payments, mortgage decisions, stock market corrections and more. It is tempting to take unnecessary risk hoping to clear the hazard only to find ourselves in the middle of a bunker, out of bounds or in the water with no chance to advance the ball. Pay attention to the financial bunkers in your path and avoid them. In golf, risk takers do win on occasion but those who win consistently have learned to avoid trouble.

6. Cart or Caddie

There is a very unique relationship between a player and their caddie. Unfortunately the caddie for most of us non tour playing fanatics has been replaced with GPS systems that can only tell you how far you are from the pin. It can't tell you which club would be best to hit given the elevation of the green and the direction of the wind.

Have you ever noticed that not one professional on the tour carries their own bag? While the player must still hit the shot, the caddie provides a great sounding board for the decision ahead and is often the voice of reason in tense situations.

Financially trying to carry your own bag (by making your own investments) may not be the best of ideas either. The "financial caddie" brings with them a special knowledge of the course, the dangers, the layup spots, the sucker pin placements. They can help you to decide when to go for it and when to lay back. They are also there to help you with the rules to avoid unnecessary penalties or disqualification.

Having a "financial caddie" to help you with the rules and encourage you along the way brings great value. You have to play the shot but the caddie is always there for verification and support. Having someone standing beside you that understands your game and knows how to help you get around the course by maximizing your strengths when you are playing the most important round of your life can be just what you need to finish on top.

7. Your Favorite Club

Every golfer has their favorite club. That one club you hit better than any other. From time to time we hit every club well but there is that one club we hit well consistently. When a golfer learns which club they hit best, it makes sense that they try to leave themselves in position to use it whenever possible.

It is much the same way with financial products as well. Some people like real estate, others mutual funds, others stocks and bonds. Regardless which club is your favorite the important thing to remember is that you need to go with the one that you feel most comfortable. Don't let someone talk you into something that may be working for them but makes you feel uncomfortable. Find what works best for you.

We have all played a round with a player who used a 3 wood on a par 3 when everyone else was using 5 irons. We missed and they are putting for birdie. Makes no difference how you get there. There is no place on the score card for which club you used.

8. The Club vs. The Swing

Let's assume that we are going to send you to play in the Masters, every golfer's ultimate fantasy. There are two things you can choose from, you can pick only one. You can have the clubs of any player who has ever played the game of golf or you can have their ability, which would you choose?

Certainly, you would choose their ability. The swing is more valuable than the clubs. Financially, what do the financial institutions deliver? They have products that we are going to call the clubs. You have to have clubs to play the game and you want the best clubs available, custom fit and designed specifically for you, yet most golfers buy their clubs off the discount rack. How many times have we purchased a new club thinking that it will improve our game? Certainly better technology can't hurt but the fundamental issue is with our swing.

When it comes to our money the right swing means we have learned to avoid the potential for loss, minimize our risk, and maximize our earning potential. The best clubs and a poor swing will keep you in amateur status. Fitted clubs and a great swing might fill a trophy case. You need both. I would love to get together with you and share some ideas that could possibly improve your financial swing and who knows, it may give you more time to perfect your golf swing.

Give me a call and let's schedule a tee time soon.

9. Don't Forget Your Short Game

If you are going to increase your chances for par you are going to have to develop a good short game. Getting on in regulation on every hole for most of us is a dream and if you think about it the pros understand that they are not going to get on every time. Developing a touch around the green can increase your percentages like few other golf shots can do.

Over the years I mastered the little bump and run for those shots that landed close but just off the green. Sometimes that shot even works well from 50 yards out depending on what it is front of you because you know how the shot will perform. The bump and run seems to give me more control which also eases my mind which is a good thing.

There are those times however when you can't bump and run because there is a trap in front of you or the slope of the green is such that you have to get the ball up and stop it in a hurry. This shot has always been tough for me until I heard Gary Player say that the secret was to follow through and finish the shot. Now I am no Phil Mickelson mind you but I am getting much closer than before which is giving me a six to ten foot putt for a chance at par when before I was putting for bogie.

Financially a short game is just as important as it is in golf. Like in golf many people give the most attention to their long game, focusing mainly on investment opportunities that pay off over time, such as retirement accounts. While long term savings and investment accounts are extremely important to your financial future developing a "short game" or emergency cash account can play a valuable role in your overall success.

Do you have six months of income set aside in a emergency fund? Do you have access to capital that keeps you from having to pay interest to other financial institutions? Don't forget that if you have to pay out loan interest because you can't get to the long term money you have invested, the interest you are paying out to others is reducing the effectiveness of your long term account.

Let me give you an example of what I mean. You are playing a 360 yard par 4 dogleg right hole which suits your game perfectly. You like fading the ball and you step up to the tee and hit a 300 yard drive to the center of the fairway. You are now only 60 yards out. If your do not have the short game

to take advantage of your long drive, a bad shot here will erase the benefit of hitting a perfect tee shot.

Make sure that financially your “short game” is not taking away from the good things you are doing in your long term savings and investment accounts.

10. Play From The Right Set Of Tees

There is nothing more frustrating than playing behind a foursome that is playing from the wrong set of tees. It is obvious to everyone on the course but them. They are playing from the black tees with a 30 handicap and a slim chance to ever see a par. The tips are designed with the most talented and skilled player in mind while the blue, white, and gold tees are less demanding. Playing from the wrong set of tees can ruin a round of golf and leave you frustrated for days.

While conquering the course from the most difficult layout definitely brings a rewarding sense of accomplishment one should not forget that the enjoyment of the round is also important. Someone just getting started in the game should not begin playing from the tees that are designed for the most seasoned professional. Playing from the right set of tees with your current skill level will not only enhance your enjoyment of the game today but will help to build your confidence level to one day be able to step up to the tee box that offers an even greater challenge.

How does this idea have anything to do with your finances? Think about this. Just as a golfer playing from the wrong set of tees can experience a round of golf that has them thinking about taking up bowling, trying to do things with your money that are outside your ability can bring heartache and disappointment.

It is important that you not try to play from the “tips” if you are not ready to do so. For example, it makes little sense for one to take investment risk while at the same time paying interest on credit cards and car payments. It would not be prudent for someone to take a chance on a long shot investment opportunity that might pay off with little to no emergency savings in place in the event it does not.

Your money and your golf game have a great deal in common. We all remember those rounds when everything came together. Those days come because of all the time on the driving range and the rounds we played previously. It takes time to build the skill set and confidence level to turn in a solid round day after day. It is going to take effort and time to turn in a solid round financially as well.

Improving your golf game is not always about hitting a perfect shot, but rather avoiding hitting the bad ones, the slice, the chili dip, the duff, the skull or even worse the shank. The same is true in the world of finance. Picking the best investment, the one that pays the highest returns is difficult at best if not impossible. Avoiding the areas of your financial life where you could be losing money unknowingly and unnecessarily can have a tremendous effect on your financial future.

Make sure you are playing from the right set of tees financially, concentrate on avoiding the losses, and don't forget to enjoy the round.

11. Improving Your Short Game

For most golfers, spending time on the driving range working on hitting our driver longer or straighter is time well spent and practice we tend to enjoy. There is just something about hitting the long ball over and over and the exhilaration of seeing the ball in flight. Spending a few hours working on our short game from the sand and rough can have a dramatic impact on our game. There is no question that getting off the tee is an important part of the game, but if you are serious about bringing your score down you can not overlook the value of developing your skills around the green.

Getting on in regulation is a feat even the professionals struggle with and rarely do they play an entire round without having to rely on a delicate pitch or chip from just off the green or from a sand trap. Getting up and down from off the green is part of the design of the game and the ability to do so, separates good golfers from scratch golfers.

Financially, it is easy to spend what little time we do spend looking at our money focused solely on the “long ball” or dollars we are saving and investing for our future ignoring expenses along the way. Having a solid savings and investment plan for your retirement is very important, but do not overlook the little things along the way that can impact your overall results. A simple example would be the interest lost on credit cards and financing cars. We tend to focus on the interest we are earning on our investments without considering the impact that interest we are losing in other areas is making us less effective. Improving your golf score is all about cutting out the small mistakes. Improving your financial score is all about avoiding interest you could potentially be losing unknowingly and unnecessarily.

We have all experienced the agony of hitting a great drive, looking at a possible birdie opportunity or an easy par, only to hit a poor second shot or chili dip a shot and come away with a bogie or even worse. Unnecessary losses in your financial life can produce that same agonizing feeling and have a dramatic impact on your financial future.

There is more opportunity to improve your game by avoiding the losses in your financial life than helping you pick the winners. Give us a call if you would like to spend some time improving your short game.

12. Scorecard

There are lots of golfers that play the game and have a wonderful time and never keep score. This is usually a sign of someone who is just starting out learning how to play. We all remember how much fun it was just to be on the course and enjoying the beautiful surroundings. Everything changed when we made our first real par. Now we had a goal, we wanted to do it again, again and again. No longer were we content to simply hit the ball, we wanted to make a par. We started keeping score: Boggie, boggie, double boggie, par. Ah, what a wonderful game.

The scorecard became a method for us to track our improvement. Unlike the pros who circle every birdie on their card, we would proudly circle a par. At the end of the round, we would boast of the number of pars, paying no mind to any of the other numbers on the card.

Some golfers keep score but the score on the card does not represent their true golf prowess. When they hit a bad shot they simply pull another ball out of their pocket and play as if the first shot never happened. We call them "mulligans." For some strange reason, we all do better on our second try at the same shot. I have heard it called "same player, more experience." It is almost impossible to know what kind of golfer you are if you do not keep score and if you do not count every shot.

The same is true financially. It is easy to think we are doing much better than we are if we are not really keeping score. Do you know where you are financially? Do you have an idea of where you should be? Do you know what you need to be doing to get you where you want to be by retirement? I have a tool called Retirement: Ready or Not which will allow me to give you some insight into your financial scorecard, so to speak. In less than 10 minutes either online or in person, I can help you take a look at your present financial picture.

You will see where you are today, where you need to be by the time you retire to live like you are living today, what rate of return you will have to earn for your current plan to work doing nothing more than you are doing today, how much you will be able to spend and live like you are living today and have your money last until your life expectancy.

Give us a call and let's take a look at your scorecard to see if there are areas we can help you improve your financial score without impacting your present lifestyle.

13. Black, Blue, White Or Gold?

What set of tees are you playing from? Playing from the tips brings a whole new meaning to the game of golf. For most of us weekend golfers, playing from the back tees would only lead to another round of frustration rather than a wonderful day on the links. Unless you are planning to go on tour or trying to win your club championship, you should wisely consider playing from the tees that best reflect your skill level.

Having a beginner play from the wrong set of tees will only create frustration and disappointment. Don't lose sight that golf is a game. It is designed for your enjoyment and pleasure from the experience. My golf coach told me that once I could shoot a par round from the white tees, I could move back to the blues and then the black.

It makes sense to begin playing from a position that suits our present skill level and move to the back tees once our game is to a level that can support the shots required.

Financially, it is possible for us to find ourselves in a similar position with our money as we do with our golf game. Investing in things we know little or nothing about can set us up for a financial round of frustration and disappointment. Struggling to do things financially that are outside our ability can produce the same levels of anxiety as trying to hit golf shots we are not skilled enough to hit.

I am sure you have been invited to play in a foursome where you are the weakest player in the group and they are playing from tees you normally do not play from, which made you feel uncomfortable. Golf is just a game. However, for you to try to keep up with others financially by investing in things they are investing in that make you uncomfortable may be a huge mistake. Don't be afraid to play your own game. Your friends that tells you they shot an 88 over the weekend and hearing their score makes you feel like your game is lacking. They probably forgot to mention that they played from the white tees and took three mulligans. It is just as easy for you to get the impression that everything your friends are doing financially is working great and you are the only one struggling. That false impression can encourage you to take risks you should not or need not take.

Take a step back and examine your present financial position and determine if the tees you are playing from today are the ones you should be playing from or are you playing from the wrong set of tees. Now is good time to reassess your game, give us a call.

14. Course Management

Course management, what is that? For many of us the closest we come to course management is trying to decide which course to play? The professionals walk the course with their caddie and play every shot in their mind before they even get out their clubs. They have determined which holes favor their game and which have the potential to cause them trouble. They know where the best opportunities on the course lie for them to be aggressive and which holes they need to respect. They have reviewed each green taking notes as to the slope and sucker pin placements. They know which holes provide a reasonable reward for the level of risk that must be taken and which holes tempt you to go for it only to punish you in the end.

Needless to say there is a great deal to know. In addition to all the things just mentioned, it is rare that the ball actually ends up where the player intended the shot to go so every shot changes how the hole needs to be played given this less than desirable position. Golf is a game of constant change and adaptation. No two rounds are the same and with the changing of pin placements no two holes are ever the same.

Sounds a lot like our financial life doesn't it? It makes perfect sense to plan the course of attack before one ever begins to play; however, very few have a well thought out financial picture of where they want to be and more importantly what it is going to take to get there.

Just as in golf our financial life has so many things that can affect the outcome of the game: stock market gains and declines, real-estate market fluctuations, education costs, expenses and lifestyle costs, just to mention a few.

The caddie walks with the player step by step, seeing the same things the player sees, feeling the same wind conditions, and with an intimate knowledge of the game and the players ability, stands ready to offer a qualified opinion when called upon.

Managing your financial future is even more complicated than managing your trip around the course, and how well you do will impact your life today and during retirement as well as the legacy you leave for your children and grandchildren.

Think about giving us a call and let's talk about course management.

15. Hook Or Slice \ Fade Or Draw

Every golfer understands these terms. The Fade or Draw are both good shots and shots that every golfer would like to have the ability to hit upon command. Usually, our natural shot is either one or the other and few can master the ability to hit either. The difference between a Fade or Draw and a Hook or Slice is control. The Hook and Slice are both out of control shots. The hook is an out of control draw and the slice an out of control fade. Perhaps you have heard them called the “duck hook” or the “power fade.” Either of these shots usually robs us of distance, if we can even keep it in play, and most often result in out of bounds penalties or even a lost ball.

When we begin playing golf, we are rarely blessed with the ability to hit the ball straight but are usually cursed with either the hook or the slice. We spend the rest of our golf career trying to tame the beast. It is amazing, but few golfers ever take a lesson except through trial and error (mostly error). They develop a swing that allows them to play. (Play being a relative term) After a few rounds, we have developed habits that with proper instruction will take an enormous amount of practice and will power to break.

The key word is Control. Developing a controlled swing will most often produce the desired result of keeping the ball in the middle of the fairway. It is when we over swing or try to hit it too hard that we lose control of our swing, which produces an out of control ball flight path.

Financially, control is just as important as it is in golf. Imagine if you will, someone who is trying to improve their financial position by swinging harder and harder, so to speak, by taking on more and more risk. Without proper instruction, it is possible to continue doing the same things one has been doing expecting different results simply by swinging harder.

Financially, it is easy to believe that purchasing a new club is the answer to the problem. The solution to correcting a hook or a slice is in the swing, not the club.

Don't be fooled into believing that a new product will put you on the road to financial success. If you feel you are not hitting the ball down the middle financially, give us a call and let's see if together we can improve your swing.

16. Fair Weather Golfer

Bob Hope once said when asked about his golf ability that he shoots in the low 70's. He said he does not like to play if it gets any hotter than that. A temperature of 70 and no wind sounds perfect, but those days are rare unless you are fortunate to live in San Diego. For the rest of us, we are forced to play in all different kinds of weather. Perhaps you have been known to tee it up in the spring, when temperatures finally got to 40.

If you have been playing golf for any length of time at all, you understand that the weather plays a major roll in the outcome of your golf round. The temperature can have an impact on concentration, either too cold or too hot, but wind seems to give amateurs fits. I remember going to Hawaii and telling my wife I was going to play golf every day. I played the first day and the winds were blowing over 30 miles an hour; I did not get my clubs out again the rest of the trip.

Professionals do not have the choice to only play when the weather suits them. We have all watched tournaments where the players going off on the morning rounds got perfect weather with no wind and soft greens and those in the afternoon were treated to high winds and rain. The weather is part of the game.

Financially speaking, we have to be ready for change and expect it. It seems that the financial markets can fluctuate much like the winds with the potential for severe weather that can potentially do a lot of damage. Perhaps you have even experienced some of the recent storms in your own finances.

Make sure you are protected in the areas where there is protection available and don't forget that storms do not last forever. Your financial future will not be a path without ups and downs and you can rest assured you will run into some rough weather along the way. Call us if you have concerns about any area where you do not feel prepared for the financial storms that will come your way.

17. New Grips

Golf technology is changing almost faster than one can keep up and if you are serious about your game then you may need to get rid of the persimmon head driver your father left you and look into what is available today.

For us weekenders, keeping up with the newest equipment and buying new clubs is probably not going to have that big of an impact on our game. Remember it is not the club but the swing which is most important. Perhaps you should consider getting new grips. Sometimes our grips can become hard and slick over time, which can affect your shot. The club is not the problem it is just that the club is turning in your hand rather than giving you that firm feeling of confidence when you swing. You might be amazed to discover just how good your set of sticks will feel and how good you will play with a new set of grips.

Getting your swing back financially may not be as serious as getting out of the products you have and looking for new ones. Obviously, a club manufacturer's rep would prefer to sell you a new set of clubs rather than a new set of grips. Before you throw out everything you have been doing in the past looking for something new, try something as simple as changing the grips.

Perhaps that could mean rebalancing your portfolio more often than you have been doing in the past. It could mean taking a more active roll in the management of what your money is doing, getting a firmer grip on where you are today and where you are wanting to go in the future. New grips could mean increasing your current level of understanding about how to enhance the performance of the financial products you currently own and strategies that can help them perform at their maximum potential.

Give us a call if you want to talk about how a new set of grips might be just the answer you are looking for to put your game back on track.

18. Getting On In Regulation

For many of us, just getting on is an accomplishment and getting on in regulation is a dream come true. Getting on in regulation gives us a great chance to make par and from time to time even a birdie. Finding ourselves on the putting surface tends to reduce the pressure of getting the ball up and down for a par. Unfortunately, there are times when we three putt, but hopefully those are few and far between.

There are many ways to get to the green. Sometimes we hit a great drive and are left with a short iron into the green. At other times, we did not get the distance off the tee we wanted, then we find ourselves with a tough but makeable long iron shot into the green. Keeping the ball in play is often the key factor in giving us the opportunity to get to the green. Even a long shot to the green beats having to hit from out of the woods or even worse take a drop from a shot hit out of bounds.

Financially keeping the ball in play can make all the difference in success or failure. Hitting the ball long and straight is a sweet feeling, but long and out is a killer. Financially, everyone is looking for the magic product that will give them the highest potential returns, much like a golfer is looking for the longest hitting driver on the market. When it comes to our money liquidity, use, and control can be just as valuable, if not more valuable, than the rate of return.

At retirement, they are not going to ask you what kind of income you want. Your financial scorecard will dictate how much you will be able to spend and how long what you have accumulated will last.

In golf, they don't ask you how, just how many. We have all witnessed those boring players that hit the ball straight down the middle every time, then on the green and in the hole with regularity. Most of us have more exciting games where we have to create spectacular shots to even have a chance to get on the green. It does keep things interesting, but when it comes to your financial future down the middle, on in regulation, and a two putt is a great way to play.

College Funding Series

1. How Will I Pay For College?

If you have asked yourself the question “How will I pay for College?” the answer starts with your submission of the FAFSA. The Free Application for Federal Student Aid is the foundation for all Federal Aid for Higher Education. And, contrary to popular belief, almost everyone who completes the FAFSA form will be eligible for some form of financial aid.

Unfortunately, millions of parents send their children off to college and never explore the opportunities they may have had to receive financial aid.

There are some assets that can unknowingly and unnecessarily cause you to qualify for less aid than you might otherwise receive, yet few parents bother taking the time necessary to understand how to maximize their aid eligibility. Just like tax planning, financial aid planning can help you avoid paying more than is actually required for you to pay.

The FAFSA form and instructions can be found at: www.fafsa.ed.gov. From there, you'll be able to begin the process of forecasting how much aid eligibility you may have available. This will be important during the application process for the admissions office and financial aid office of the colleges and universities your student may be evaluating.

Next, you'll need to know how and when to submit the FAFSA form. Beginning January 1 st of your student's senior year in high school, you may begin completing and submitting the FAFSA. As with most things, the sooner you submit this form, the better. You will also want to make sure you complete a FAFSA form for each student in each year they attend college.

If you have any questions at all, please feel free to give us a call.

2. EFC. Expected Family Contribution

There are three letters that strike fear and concern in the hearts of every parent planning for the college expense: E F C.

The EFC, or Expected Family Contribution, is the amount of money that Uncle Sam believes you can afford to pay for college each year. Contrary to popular belief, the EFC is not based solely on income.

In fact, there are a number of misconceptions and myths concerning the EFC. First, income is only one of the SEVEN factors used to determine your EFC. The others include parental assets, the ages of the parents, the income and assets of the students, the number of people in the family, and the number of people in the family attending college in any given year.

The EFC is compared to another three letter financial aid acronym, COA or Cost of Attendance, in order to determine how much NEED a family may have. NEED, in financial aid terms, is the amount of money a college or university MAY offer to attract your student to their institution. Cost of Attendance includes Tuition, Room and Board, Books, Fees, Transportation costs and miscellaneous expenses.

Regardless of the college or university being considered, the EFC will not change from school to school. Like a tax bracket, the EFC is assigned based on the financial information submitted on the FAFSA form. There are, however, strategies that may help a family reduce their EFC in order to ensure maximum aid eligibility.

Give us a call to learn more about what you will be expected to pay.

3. Sticker Price

Although you won't see the "Sticker Price" of college on the dormitory window as you might when shopping for a new car, the reality is that parents are often lulled into believing that the "sticker price" of college is actually the real cost to attend.

It is true that most public colleges and universities have a lower "sticker price" perhaps than many private schools and many parents fail to recognize the true "out of pocket" expense for that undergraduate degree. Consider the following: Based on information from the National Center for Education Statistics (U.S. Department of Education, Institute of Education Sciences) the cost of tuition at public institutions nationwide is rising at a faster pace than tuition at private schools. Additionally, it often takes up to a year longer to attain an undergraduate degree from a public institution than it does from a private one.

A review of individual college websites and general information websites like CollegeBoard.com consistently show that financial aid opportunities in the form of GIFT AID (money that does not need to be repaid) are more frequently available at private colleges, while most public institutions offer SELF HELP AID, generally in the form of loans which must be repaid either during the college years or immediately after graduation.

Unfortunately, without the proper information, one may wind up sacrificing the quality of education based on a financial assumption that was completely erroneous. Only when a family evaluates all aspects of the true cost of an undergraduate degree, can they choose a college wisely and adequately prepare for the total out of pocket expense.

Taking into consideration how long it will take to complete the undergraduate program as well as the type of financial aid an institution is likely to award, are the keys to avoiding overpaying for the college degree unknowingly and unnecessarily.

Give us a call and let us help you compare your alternatives.

4. The Importance Of Planning

Thirty years ago, according to a 2007 New Statesman article, the average cost of attending college, including tuition, room & board, fees, was under \$2000. With a part time job or working through the summer, it was possible to pay for the entirety of the college expense with little to no reliance on outside funding resources. In fact, paying for college was not an event that called for years of savings and planning, rather it was a relatively modestly priced event, compared to today, which many students took on themselves. When parents were called on to help with the expense, it was often something they could afford to do by simply adding the cost to their monthly budget.

Fast forward to 2010: Across our nation, the COA or Cost of Attendance which includes tuition, room & board, books, fees and miscellaneous expenses, has risen to more than \$16,000 on average at state institutions, with some private schools reporting COA of more than \$40,000 per year. Costs continue to increase at rates well above that of normal inflation. Although many parents wish to do as their parents may have done, which was to fund all or a part of their children's education, the economic realities of today have made that desire an often unreachable and largely unrealistic goal for many parents. The economics of day to day survival have caused many to give up on having any plan at all.

With the complexities of the financial aid process, the wild variations in the types and amounts of financial help a student can expect from any particular institution, , without proper planning , one is almost certain to make mistakes. It is possible that you can spend far more than you should have, miss out on aid opportunities, choose the "wrong" college, or worse, your children miss out on a college education due to the lack of proper planning.

Planning Pays Off. Give us a call and let us help you plan ahead.

5. Private Or Public

We all learned in grade school science that the part of an iceberg visible from the surface is but a minor glimpse of the entire mass. The same is often the case when it comes to college. On the surface it would appear to most parents and students that Public or State Institutions represent the least costly path toward a college education.

Unfortunately, without being aware of the entirety of the situation, it is easy to make decisions only on what you can “see” on the surface...the “visible part of the iceberg”. There are two costs to consider when evaluating a particular college or university: the “Sticker Price”, and the “Out of Pocket Expense”.

Sticker Price can be referred to as the asking price before discounts. Out of Pocket Expense is the amount a student and family will have to pay, and is calculated AFTER financial aid awards, merit based financial awards and other scholarship funds.

What lies below the surface in terms of financial aid available from any particular school, is that Private institutions often direct greater sums of money to offset the out of pocket expense, than do Public or State institutions. Further, the amount of time it takes to earn an undergraduate degree is a significant factor affecting the total out of pocket expense that is often overlooked.

To make sure you’re not underestimating the rest of the iceberg....give us a call and let us answer your questions about which college opportunity is right for you and your student and make sure you avoid a Titanic college experience.

6. The Unrecognized Cost Of College

It is reported by the Department of Education that the average cost for 1 year when attending a 4 year undergraduate institution is approximately \$18,000. The actual cost can vary wildly, with some states averaging more than \$20,000 per year for public institutions and private schools pushing \$35,000 per year and higher.

The time it takes to earn an undergraduate degree is another factor that must be considered. Although we often refer to an undergraduate degree as a four-year degree, the statistics suggest that it is becoming less and less likely that a student will earn an undergraduate degree in less than 5 years.

A recent study reported by the Department of Education entitled Postsecondary Persistence and Progress, shows that about half of the student population attending a so-called 4-year institution will graduate in 4 years. At private schools, that number is nearly 70%.

Now that we have the facts, let's consider parents in their late 40's or early 50's sending their two college-bound students off to college at \$18,000 per year over the course of 8 years. Total out of pocket would be \$144,000 or $\$18,000 \times 8$.

Alternatively however, if the parents were to deposit that same \$18,000 into a retirement fund earning just 5% per year until retirement at age 65, the total amount of their accumulated contributions and interest would have reached more than \$241,000! At a 7% return, the impact would be almost \$300,000. Would your retirement be different with an extra \$300,000? When you factor in the opportunity cost of a college education for your children and what it is going to take from your retirement resources it is imperative that you take this expense seriously.

Given a choice to put money away for their child's education or their own retirement many parents choose to help their children with college. What if you did not have to choose between two? Give us a call and let us help you do both.

7. The Head, Heart And Hand Approach To College Selection

The process of college selection is all too often made based on faulty assumptions and limited information. Sometimes students determine the college they will attend based on proximity to home or which school has the best football team. Sometimes where a girlfriend or boyfriend is going is the primary criteria for college selection.

Another common assumption is to choose a school based solely on academic strength, or on the other end of the scale, how easy it might be to be accepted.

With the expense of college, including tuition, room & board, fees, books, transportation and miscellaneous expenses escalating at a rate twice that of inflation and the reality that an undergraduate degree often takes longer than 4 years, a family with 2 or 3 students could be looking at college costs exceeding what they paid for their home.

Implementing a head (quality: where will I get the degree that is needed in order to secure the career I would like to pursue), heart (emotion: where are my friends going, which ivied halls are the most impressive and who has the best football team) and hand (cost: how much will my out of pocket expense be), is the most logical approach to college selection.

It is an unfair assumption to believe that every student and parent will apply equal priority to factors of cost, emotion, and quality to their selection process. However, it is also imperative to recognize and think through the impact of all three areas. Don't forget to make sure you discuss these three areas openly with your student as well.

If a decision is made using only one of the three criteria, the result could be a college experience that fails to measure up to expectation financially, academically, and emotionally.

Our desire is to help our clients manage the college experience so that it is a positive one in every area. Give us a call and let us share some insights that can help you in the decision making process.

8. Borrowing For College – Simple?

According to the public service website FINAID.ORG, the cost of college has increased faster than inflation for the better part of a decade. Unless a family has managed to save and invest well beyond the averages, borrowing will be at least part of the college funding reality for most families.

Now the question becomes one of which sources of borrowing represent the most advantages. Unfortunately, the answer is not the same for everyone. Two of the most obvious sources for borrowing, other than funds available through the FAFSA process, have traditionally been from home equity and retirement funds.

On the one hand, home equity seemed to have kept pace with inflation at the same time equity was being created from monthly mortgage payments. Borrowing rules were relatively accommodating and parents often found themselves in a situation where additional and often deductible debt on the home represented a good alternative.

Times have changed dramatically and home equity, even when available may not be the best choice.

Another alternative for many parents, was borrowing from retirement. While the IRS has provided for some ability to escape penalties for withdrawals from retirement when used for paying the college expense, the reality is that most retirement funds have not fared well over the last several years and parents can ill-afford putting retirement into peril simply to address a near term funding dilemma.

One of the most important elements in creating a plan for paying for college, is to first understand the timeline and current state of all other funding needs; in particular retirement savings. Unless you have taken a close look at how your current funding and retirement accounts will support your future expectations, you may inadvertently cause avoidable consequences in the future by overextending your college funding budget.

9. Timing Is Everything

The Department of Education statistics suggest that a traditional college education may cost an average family upwards of \$18,000 per year per child. With an undergraduate degree often taking more than 4 years to complete and many families having more than one child who will attend college, proper funding and a proper planning are critical to financial survival.

When and where to start are key questions on the minds of most parents preparing for the college funding years. In fact, the birth of a child is the best time to start saving for college and proper funding assumes that one accounts for factors of both inflation and price increases; which have presented staggering challenges in both the recent past and the foreseeable future.

The uncomfortable reality is that most parents recognize the shortfall of their college funding plans, years in advance, but do not begin adequate planning until their children reach high school. For those, the correct time to begin a plan is now. It is never too late to recognize the needs and resources available to make decisions about funding college.

It is also undeniable that failure to begin planning will likely subject a family to avoidable stress, financial obligations beyond their capacity, and perhaps even the unfortunate reality that college may not be attainable for their children. Starting a plan today will provide the best opportunity for creating a solution that addresses both the academic goals as well as the financial realities and constraints a family may have.

10. Will A Scholarship Be The Solution?

A “full-ride” scholarship is the college funding panacea for most families. Whether it is through academic or athletic prowess, it sounds like the perfect solution for the college funding dilemma. But understanding the statistical likelihood of a “full ride” is one thing most parents can do for themselves, in order to create a realistic college funding plan.

For example, according to widely accepted statistics, less than 3% of all high school athletes actually continue playing a varsity sport in college. And of that number, less than 1% receives ANY money for playing the sport, let alone enough to cover tuition, room and board, books, fees, or any spending allowance. Most will receive a partial sum that would amount to a few hundred or at best a few thousand dollars. And most student athletes must re-qualify to get those awards each and every year they participate in a sport.

Academically, there are often awards made by individual institutions called merit-based awards. Again, the likelihood that any one of these awards will cover the full Cost of Attendance (which includes room and board, books, fees, transportation and miscellaneous expenses) is highly unlikely. In order to adequately prepare for the expense of a college education, it is critical for families to understand the types and amounts of financial awards as well as which institutions might offer the best financial solution. Every college and university is responsible for their own finances, and as such, college selection should take into consideration the award histories and actual out of pocket expenses anticipated at each college or university being considered.

Once a family understands the realities of financial awards, they can begin formulating a plan to cover the “gap” or those college expenses beyond what the college is likely to help cover.

11. Some Non-Traditional College Planning Solutions

Recent economic realities have forced many parents and students to investigate alternatives to the traditional pursuit of an undergraduate degree. In fact, without considering widely available alternatives, a family may wind up spending far more on a college education than was necessary.

Several money-saving approaches have been successfully used recently, which have dramatically reduced the out-of-pocket expense for college many families will incur.

One such approach is to consider delaying college until at least two or more students from the same family can attend during the same 4 or 5 years. Based on formulas used to determine federal financial aid eligibility, it can be a tremendous economic advantage to group the college years. When an “expected family contribution” or EFC is split between two students going to college simultaneously, the offers of financial aid for each student can be much higher than if either of those students was in college without a sibling also in college.

Living at home is an option for many. The obvious requirement for this option to work, however, is that the desired college or university is within practical driving distance from home.

Another approach worth considering for many would be to attend a community or two year college for the first two years, subsequently transferring to a four-year institution for completion of the undergraduate degree. The key factor to ensure, however, is transferability of credits from one school to another. Upon completion of the degree program, there is no reduction of value of the diploma a student might receive at a college or university based on the number of years attended.

Of course, each of these alternatives has advantages and disadvantages which should be considered. For example, living at home, while potentially cost effective, may not result in the same degree of self sufficiency created when a student moves off on their own. Likewise, delaying college may lessen a student’s motivation or weaken their academic skills putting into doubt attending or succeeding in college. These are clearly not easy decisions, but it is important to understand that alternatives exist.

To fully understand the options that may be available to you, as well as to formulate a college funding plan that doesn't threaten your other financial goals, please contact us.

12. The 1 Year College Degree?

Arguably no parent sends their son or daughter off to college with an expectation that they will complete their degree pursuit in just one year. However, many parents will find themselves making financial decisions with respect to college funding with a focus only on the first year or the immediate financial impact.

In a fast paced society, long term planning often suffers as a result of a sharp focus on the here and now. Without proper consideration of ones financial future, parents will often make college funding decisions that have considerable and negative long term consequences. When college savings plans have fallen well short of the needed funds to pay for all of school, many parents resort to making decisions that may not be best. While this may address the immediate problem of funding the first year, the reality of years two, three, four, or even five or more, can be financially devastating.

The Cost of Attendance or COA as it is referred to in educational circles, includes all components of one year of education at a particular institution. This number includes Tuition, Room and Board, Books, Fees, Transportation and miscellaneous expenses. Although the COA for a particular school can be as much as \$50,000 or more, many institutions are in the range of \$12,000 to \$25,000. A common mistake by many is to relate the COA to something they have successfully integrated into their budget; like an automobile.

A common misconception is that if we managed our car payment, the college payment won't be any more difficult. The problem is that while loans on education may be similar to an automobile loan, instead of buying one new car every 5 or 6 years, a family will find themselves buying the equivalent of a new car every year their child or children are in college.

Looking beyond the first year and incorporating all anticipated expenses for all children for all years, is a critical component of successful college funding.

13. The Most Expensive Year Of College

How much will you and your child pay for their college education? Although the question should be one that has an obvious answer, the unfortunate reality is that it is difficult to pinpoint an exact amount. In fact, it is a near certainty that every year of college will have a different price tag. Factors of inflation, cost of living increases and the unpredictability of pricing fluctuations at any particular college are all issues impacting the variability of the year to year cost of college.

One of the easiest, yet often unmanaged opportunities to save on the cost of college is to identify and eliminate the most expensive year of your child's education. In fact, the savings could amount to 20% or more of the overall expenditure. To accomplish this feat one need only consider the basics of economics: because of price inflation everything we purchase today will likely be more expensive in the future.

The translation to near instant savings on college funding, is to shorten the timeline of a college education, as every subsequent year will most likely be more expensive than the prior year. Often an unmanaged element to a degree pursuit is the entire timeline. While most degree programs require 4 years to complete, there are factors which can extend that timeline unnecessarily. Completion of a degree program in a shorter timeframe by attending school in the summer months may also be a financial option worth considering.

Career identification prior to starting college, establishing a course schedule for all years at the inception of a child's college education, and proper college selection are some of the keys to avoiding the most expensive year of college.

14. How to Eat an Elephant

The common response to the question, “How does one eat an elephant?” is, “One bite at a time”. Similar advice is routinely offered to anyone setting off on an unfamiliar trek, “A successful journey starts with the first step.” When it comes to developing a funding plan for college, the same daunting question arises, “Where do we start?” Just like developing a plan for vacation, some simple initial steps are required.

First, before committing to a particular vacation destination, one should consider several economic realities. What is the budget? What are the competing financial objectives? Subsequent steps would include the consideration of reasonable alternatives and methods of attaining the goal. If an exotic destination is the desire, there may be financial sacrifices or tradeoffs. In considering college, a family may determine that in order to pay for the target school, it requires a temporary delay in another financial objective like accelerating a mortgage payoff or aggressive retirement funding. Conversely, by approaching college funding this way, a family may determine that an overemphasis on funding college has made them aware that a competing priority is in fact more important.

In order to develop a college funding plan that is right for you, it is imperative that you consider financial resources as well as overall priority and timing. Because college expenses most often come before retirement, does not necessarily mean that funding college is a higher priority. Proper college funding is a combination of determining available resources, identifying competing financial objectives, and the development of overall prioritization.

15. How Much Is Too Much To Pay For College?

There is no doubt that the cost of a college education can be a challenge for most families. The question that often arises is “How much should we pay”? Obviously, the answer will be different for everyone, but the question should be given appropriate consideration.

Whenever we make a purchase decision, whether on a home, a car, or furniture, it is natural to assign a value to the object in order to determine if the purchase price is in line with the perceived value. Taking this approach to a college selection decision would require that we predetermine a value to a college education.

While some parents may suggest that the experience is part of the value, the financial cost should not outweigh the cost of that experience. The real objective is more commonly to position the student in the working world in pursuit of a desired career. It is logical, then, to consider the projected income in comparison to the required outlay for the college expense. Consider the money you spend as an investment which you would naturally expect a profitable return.

Although college selection should not be strictly a financial decision, swinging the decision pendulum too far to the emotional side of the equation is also a risky proposition. Determining the appropriate amount to pay for a college degree will be a different process for every family, but factors of financial value as well as emotional considerations should be weighed. Taking a structured approach to college planning and identifying the true value of the education will help to make the college selection decision a less daunting one.

16. The Importance Of Staying Connected

The end of the college selection process is commonly during the spring of the student's senior year in high school. Award Letters will begin showing up in mailboxes across the country. An Award letter is designed to communicate the amount and type of financial assistance that would be forthcoming from that particular school.

The award letter will typically indicate a date by which a student must make a decision on accepting or rejecting the offer of aid. Unfortunately, there are several problems inherent to this process. First, not all schools a student may be considering have the same deadline. Secondly not all Award Letters are issued at the same time. Furthermore, there is not a clearly distinguished process by which award letters can be measured side by side to calculate the most financially beneficial opportunity.

When a family enters this final stage of college selection, communication with the schools is of paramount importance, especially if a deadline cannot be comfortably met. Usually, asking for additional time to evaluate the award is met with a reasonable extension by the school. Failing to meet the deadline may result in retraction of the award and considerably change the financial impact a particular college may have on a families resources.

Additionally, if there is a reasonable mitigating or extenuating circumstance that was not adequately documented prior to the award letter, it may be advantageous to communicate directly with the financial aid officer of the schools involved.

Having a reasonable expectation of what an award letter should look like before it finally arrives, is a step towards effectively managing your college funding plan. To fully understand the Award Letter process and implications, as well as to formulate a college funding plan that doesn't threaten your other financial goals, contact someone knowledgeable about college planning and the how to get the most from your Award offers.

17. 4000 Colleges – Will Your Dart Land On The Right One?

College selection is probably the most critical factor affecting the total cost of a college education. According to the *Department of Education's Database of Accredited Postsecondary Institutions and Programs, there are nearly 4000 accredited institutions from which to choose. How will you know that your selection process will result in the best choice for you and your student? Will you use a dartboard or a structured approach? Certainly not.

The typical approach to finding the right college is all too often simplistic and based more on emotional factors and assumptions, than on a structured evaluation of predetermined criteria and facts. Does the school have a good football team? I like the school colors? But what criteria will provide you with the best results, and who will identify those criteria and their priority?

Discovering the answers to these questions ultimately provides you with the greatest opportunity of identifying those institutions where your student will achieve the greatest degree of educational, developmental and social satisfaction within your budget. The key to successful college selection is simple. Identify and prioritize all key evaluation criteria. Include in those criteria, elements directly impacting the end goal of achieving employment in a specific field. Also important to varying degrees will be student to instructor ratios, financial aid eligibility, merit award potential, dorm room availability, and even the food.

Development of a structured approach to both college selection and college funding is the key to achieving success in your college planning. In order to find that one out of 4000 that is right for you, getting started now improves your odds dramatically.

· <http://ope.ed.gov/accreditation/GetDownloadFile.aspx>

18. College Then Career Or Career Then College?

Attending college after high school has almost gained the status of a right of passage more than a preparatory step towards specific career pursuits. It is not unusual to hear that a student enters college with an “undecided” major. But how much does it cost to ultimately make that decision?

Many years ago it was routine for a young man or woman to first determine their career objective in life and only then engage in a course of study that would culminate in a position in that desired field. Today, there seems to be complacency and general acceptance of the fact that for some it takes longer to determine a career path than for others. The question one should be asking is “How long can I afford to go without making a decision”?

The cost of attendance, including tuition, room and board, books, fees and other miscellaneous expenses can range from several thousands of dollars per year to more than \$50,000 per year at some premium institutions. The translation is that every year it takes to convert from an UNDECIDED degree to a firm DECISION will cost thousands of dollars. The exception is if there is certainty that every class that was taken during the undecided years will successfully transfer to the ultimate degree program.

Unfortunately this is rarely the case.

Recognizing the financial consequence of being undecided on the ultimate course of study can and should dramatically accelerate the decision making process. The best way to reduce the ultimate expense for securing an undergraduate degree is to shorten the time period within which attaining that degree will take. If you have questions on how to develop a structured approach to college funding now is the time to get the answers. An uneducated approach to every aspect of college selection and college funding will certainly cost you time, money and frustration.

Wealth And Wisdom Series

1. The Money Matrix

Your financial health is centered on much more than simply trying to pick a winning stock or mutual fund. There is no one product that you can purchase that will solve all your financial problems. The solution comes when you understand that everything you own has financial value. When you discover that everything has value, then you can start to understand how to use these assets as financial tools. These steps will help you create more options and opportunities in your life. Many people are mistaken that the only future dollars they have are their retirement plans and government programs. This is a very narrow approach to the problems they will be facing.

By discovering the Money Matrix you will develop a thought process that will not only aid you in your everyday financial life, but that will also become the foundation for the major decisions that you will need to make in planning your financial future. Traditional thinking has put limits on what your thought process can be, so in turn, your outcome may also be limited. The solution we offer to this challenge is understanding the Money Matrix and discovering that everything in your life has value and future value. When you learn how money works in your life you hopefully will have a clearer view and be able to make better life decisions. The result of understanding the Money Matrix will give you a better opportunity to live and enjoy your life – right now.

How can you say yes or no to ideas you don't even know exist?

2. The Transfers Of Wealth

Did you ever spend money you didn't want to? Did you ever spend money you didn't have to?

Traditional thinking will have you believe that the only way to increase your wealth is to get higher rates of returns on your investments. When someone tells you that they can get you a higher rate of return, who is the one at risk, you or the person making the recommendations?

It is possible that many of the answers for a successful financial life may be lying right in front of you and you simply cannot see them. Many people give away much of their wealth unknowingly and unnecessarily. These are called transfers of your wealth. It is very important to discover the transfers of wealth in your life. Once you recognize your transfers, you will have an opportunity to recapture the money that you are giving away. Learning this process will eliminate some of the unintended consequences of traditional financial thinking.

Applying the knowledge of the Transfers Of Wealth in your everyday life will become the center point of your financial future.

3. The Demographics – The Next 3000 Days

Today you need to discover some of the challenges that you will have to confront in the very near future. The changing demographics in our country will impact your financial life tremendously. If you know certain events are going to occur you can prepare for them now.

In the next 3000 days the challenges are real. Our country currently faces a declining workforce, an aging population, increased government spending, and government debt. One solution to these problems, and perhaps the most obvious, is increase taxes. Having this information may require you to change your financial focus. Taxes in the future may well represent your greatest transfer of wealth.

It may be time to enlist a new thought process, a thought process that is not focused on low rates of return and traditional thinking, but rather on a process that eliminates and reduces your exposure to potentially a large transfer of your wealth – taxes.

It is time to understand that your economic situation is a matter of choice, not a matter of chance. How can you say yes or no to ideas you don't even know exist? The next 3000 days will change your life. Be prepared.

4. An Uneasy Awareness

Your economic situation is a matter of choice, not a matter of chance. Misguided and self inflicted, many decisions are made with a lack of knowledge. Driven by fear and cautious of change, many financial decisions are made by default, without knowledge and unaware of any unintended consequences.

Today, many people are troubled and confused about the economy. They have been bombarded by the media, bullied by sales people and bewildered by the thing they feel they need to know. Over the past several years they have seen all the financial lessons they learned in the past fail them. They know they cannot live on four and five percent rates of return, yet they are scared and hesitant to make the crucial decisions necessary to survive in today's economy. To make things worse, many Americans are faced with the most critical financial challenges of their lives.

We would like to shed some light on this darkness. We will break down this problem and analyze it carefully. Then, you will have a clearer view of the choices available to you and you will feel more confident and prepared to make better life decisions.

The decisions you make today... Can determine where you will be 5 to 10 years from now

5. Qualified Plans

Qualified retirement plans are often misunderstood. If something you thought to be true wasn't true, when would you want to know about it? For the sake of your financial future an honest discussion is needed about qualified plans and how they will impact your future. Are qualified plans meant for everyone? No, not necessarily. If you participate in a qualified plan you need to know the answers to these questions:

1. Is a qualified plan a tax savings event?
2. Are taxes going to be higher or lower in the future?
3. What two elements will impact your qualified plan?
4. When do you want to take money out of a qualified plan?
5. What are the positive aspects that the government receives from your qualified plan?
6. Are you penalized and taxed for early withdrawal?

You may be surprised by some of the answers to these questions. Would you rather know the answers now or later? If something you thought to be true wasn't true, when would you want to know about it?

6. The Defining Moment

What you know today will determine where you will be five to ten years from now. Understanding the challenges you face in the next 3,000 days is critical. Some of the bad experiences you have had in the past were the result of the information, or lack of it, that you had at that time. With more information and more knowledge you will be able to make better life decisions. Products can be purchased and sold, but the products you buy are not the source of your knowledge, they should be the result of your knowledge.

If you know that specific events are going to occur in your future, you then have an opportunity to prepare for them. Failure to recognize these events could be a very costly lesson for you in the future.

There are defining moments in your life that you need to learn and experience. Once you understand the defining moments you will be able to apply this knowledge to your everyday life and that is wisdom.

The first defining moment in your financial life is: MONEY WILL NEVER BE WORTH MORE THAN IT IS TODAY, assuming there is no change in the inflationary trend.

Due to inflation and assuming no net gain or loss from earnings, \$1,000.00 today will have the buying power of \$412.00 in 30 years at 3% inflation.

The second defining moment in your financial life is: THE CURRENT TAX BRACKET MAY BE THE LOWEST TAX BRACKET YOU WILL BE IN FOR THE REST OF YOUR LIFE

Due to increasing government spending, a declining workforce and an aging population – taxes may go up.

So why is...traditional thinking telling you to take as many of today's dollars as you can and to throw those dollars as far into the future as you can, where those dollars could have less buying power and be taxed the most? How long do you want to keep doing that? There may be legitimate reasons in your own circumstances, but you should at least know and understand all the factors at play.

7. The Business Of Learning

Many professionals in the financial services business have the luxury of not knowing what they should know. You see, they cannot be aware of something they are not aware of. Some professionals in this industry have it all wrong. It is about the people, not the company's product of the month or their ranking in a sales contest. Many times the public can become confused between what is good sound advice, and someone's desire to be recognized by a company for their sales activity. From a distance, you can see the dilemma that the public must deal with. In every aspect of their lives, from the media, left and right wing politics and even some religions, people often times are being told what to think, not how and why to think.

This has a paralyzing effect on the average person's ability to make necessary life decisions. Information and a decision-making thought process are required to make such decisions. Knowledge does not become wisdom simply because it is repeated over and over again until it is accepted as "the only truth." Knowledge can be memorized, but wisdom is the art of applying knowledge to one's life. Without a process or a guide in your decision making, recognizing the difference between opportunity and a company's sales goals could be difficult.

Wealth and Wisdom EDU is in the business of educating, discovery and understanding. What you know today will determine where you will be five to ten years from now. Discover how to change your life and your financial future without spending one more dime than you are spending today. For a free enrollment overview to EDU contact us today.

8. Owning A Home

Representing one of the largest transfers of wealth in your life is your home. Owning a home is part of the traditional American dream. Purchasing a home can turn into a nightmare with sleepless nights and difficult decisions. From the down payment to the type of mortgage you should have, it is complex and confusing. In all the uncertainty of purchasing a home there are secrets that very few are aware of. We have been told that owning a home is one of the largest and best investments that we will ever make. If that is not true, when would you want to know about it? There are important questions that need to be discussed, like is a home a good place to keep your money? What's the rate of return of the equity in your home? Should you pay your house off as fast as you can? What can we learn from the financial upheaval of the residential market over the past couple of years. Discover answers that may surprise you. With more information you will be able to make better life decisions. Learn more. What you learn may help you to start living the best life you can today.

9. Taxes

The definition of the word tax is: A contribution for the support of a government, required of persons, groups, or businesses within the domain of that government. You must understand that one of the powers an elected official has is their ability to spend money, our money. The one thing the government does very well is collect taxes. The problem is, they can spend more than the money they collect.

The government now spends a majority of its time trying to increase their revenues through taxes to support their uncontrolled spending. Forty percent of the average American's income now goes to some form of tax, which is more than the average family spends on food, clothing and housing combined.

According to the Family Research Council, since 1948 for a family of four, taxes have increased 1250%.¹With a declining workforce and an aging population, the governments own Accountability Office admits taxes in the future will have to double in order for government programs to survive.

¹Michael Hodges, Tax Report – A chapter of the Grandfather Economic Reports, April, 2002, at <http://mwhodges.home.att.net/tax.htm>.

Understanding this dilemma, now is the time to discover how to create as many tax free dollars in your future. Discover your opportunities today.

After all, how can you say yes or no to ideas you don't even know exist?

the foot note is.....The Heritage Foundation.....Reducing The Crushing Tax Burdens On Families.....#981....The Thomas Roe Institute For Economic Policy Studies 2) The Heritage Foundation.....Washington Should Turn Bipartisan Talk Of Family Tax Cuts Into Action.....by Scott Hodge

10. The Family Legacy

Imagine all the opportunities in life that have passed you by simply because you weren't aware of them. There may be an opportunity right in front of you that you just don't see. This opportunity could be so critical to your financial future, I believe I have an obligation to give you this information even if it is for you to say no to the idea. You see, how can you say yes or no to ideas you don't even know exist?

For years the rich have understood the process of gaining and controlling wealth and transferring it to the next generation. They understand that the family remains one of the most powerful financial tools. Many of the rich follow three basic rules when preparing for the future. First, use the least amount of money to create the most amount of wealth. Second, guarantee the wealth will occur and the money will transfer tax free. Third, create multiples of wealth immediately.

Discover how The Family Legacy could create opportunities of a lifetime. Everyone should be given a chance to say yes or no to this opportunity. If a family asset is not being used to generate income, then that asset should be used to create family generational wealth.

11. Misguided Wisdom

Many of the financial lessons that the average American uses today are based on “what you have been told to think” not “how to think”. This philosophy has created a dilemma and a crisis for the average American family. Being told “what to think” involves you transferring your wealth away to those who – create the situations – control the outcomes – and profit from you.

Traditional financial thinking is not a science. If it were, no one would ever lose money. It is far more important for you to learn how money works in your life. Unfortunately, much of the marketing done by financial institutions is done to increase their profits - not to teach you how money can work in your life. Much of the information that is being marketed is misguided and misunderstood and many times lacks common sense. For you to live the best life you can today, it will be important to understand how financial companies create the situation, control the outcomes and profit from it. With more information and more knowledge you will be able to make better life decisions.

12. The Thought Process

It is difficult to get the right solution when you're starting out with the wrong premise. If you center your future around a false belief system, your life will be the result of what you believe. Financially, we assume things to be true that may not. Many financial organizations stand to profit from these misconceptions. These companies create a mindset that if you don't use their products and services you will ultimately fail.

Discovering and understanding a new financial thought process is one answer to your financial concerns. In order to make solid financial and life decisions you must learn to recognize the difference between opinion and fact. You must learn to think a layer deeper. Every one of your financial decisions creates an opportunity, either for you or others. Unfortunately, it's usually an opportunity for others. Thinking a layer deeper in your new thought process will create a defining moment in your financial future. After all, what you know today will determine where you will be five to ten years from now.

13. Insurance

A wise man once said “if something has no value then don’t insure it.” Having a discussion about life insurance is typically not the most exciting conversation that the average person wants to have. Very few people, including some agents in the life insurance industry, understand the many ways that a life insurance product can be used as a financial tool.

Unfortunately, many believe that to receive benefits from a life insurance policy someone must die. This is not always true.

As a financial tool, permanent life insurance is the key to unlocking and creating value in everything you own. Life insurance in the appropriate circumstances is a financial tool you can use to help manage your debt. It is one financial tool that, if appropriate in your circumstances, can help to allow you to live the best life you can – today. It does require a commitment to a long term discipline of saving and patience. Life insurance is one of the very few opportunities you have to create estate tax free wealth in your future. The rich understand how to use this tool as a strategy in their life. So should you.

14. The Charitable Legacy

Too many Americans, there is an uneasy feeling that the social fabric of our nation is unraveling. The morals and ethics that were the foundation of our society seem to be disappearing by the minute. But what can you do?

You may have an opportunity that could change lives now and that of future generations. For years the wealthy have understood the process of gaining and controlling wealth and transferring it to charitable organizations. The problem is – not everyone is wealthy.

Many people have the goodness in their hearts and feel the “need and want” to be involved with their charities, but believe they couldn’t afford to give financially.

If it were possible to do the things in life you wanted to do – without spending one more dime than you are already spending – would you do them? You too can discover how to deliver “gifts of a lifetime”. You can make a difference and change the world one gift at a time.

Video Vignettes for PEM (updated 10-6-2013)

1. You Finance Everything You Buy!

When you read this you may have said to yourself, “I don’t finance anything, I pay cash”. Paying cash is financing, it is self-financing if the dollars you are spending were previously set aside for your future retirement lifestyle needs. Let me explain, assume you have money in your future savings or investment accounts. You put money in those accounts so that you will have money available for your future when you need it.

Now you need it. What do you have to do to make your purchase? You have to drain your tank. You have to withdraw money from your tank which could have been earning compound interest for you and give away not only the interest you would have earned but control of the principal.

In order for you to get back to the same financial position you were in before you drained the tank to make the purchase you must earn additional income, pay taxes on the money you earn, and put an equal amount of money back into the tank from which you took it originally. You financed your purchase. You “self-financed”.

The issue is not do you finance because you do if you are using dollars that have been set aside for your future lifestyle to make your purchase. The question we should be asking is “what is the most efficient way to finance without having to give up control of my money?” How you choose to finance, especially your major capital purchases, can have a huge impact on your financial future by maximizing your future earnings potential and minimizing the losses along the way.

If you are interested in learning more about how to improve your efficiency when financing, and maintain control of your money we have some ideas to share with you.

2. Human Nature And Your Financial Future

If you look at this picture we call the Personal Economic Model you will notice the tube going up called “Future Lifestyle”. It is going up to represent the fact that putting money away in your “savings” or “investment” tanks takes effort. This is not the natural flow for your money. The natural flow is we earn income from our job, it flows through the tax filter and the government takes their share, and the rest flows straight through to our “Current Lifestyle” and gone forever.

We talked last time about the fact that we finance everything we buy and paying cash is financing, it is self-financing. In addition to putting away enough money for our retirement we have major capital purchases required by our current lifestyle that can cause damage to our future lifestyle.

From time to time it is easy to yield to the temptation to buy something we want for our current lifestyle robbing from the money we have put away for our future. This purchasing strategy can be very dangerous because of what is known as “Human Nature”. There are a few, not many, who borrow from their future and actually put the money they drained from their tank back. There are even less who put the money they spent back for their future and also put back the interest they lost while they had the money out of their future savings or investment account.

Is your Human Nature getting in the way of your financial future?

3. Recoup vs. Recover

When it comes to money, there are times when you may buy or invest in something and then later sell it at a much lower price. If you buy a car and sell it for pennies on the dollar years later, the financial loss is real but at least it provided you with a ride. If you invest in something and sell it for pennies on the dollar years later, the financial loss is just as real but it provided no benefit what so ever.

To Recoup from a loss means you get back to the equivalent position before the loss. In other words, you replace the money dollar for dollar. To Recover from a loss means you get back to a position where you would have been had the loss never occurred. These are two very different positions.

Let's look at the Personal Economic Model to explain. Assume you have money in your Safe tank (money in this tank compounds interest and should never experience a loss). You decide to move money from your Safe tank into your Investment tank to pursue an investment with the possibility of a higher return.

If the new opportunity does not pay off and you lose money, how much do you lose? You lose your original capital plus all the interest you could have earned had you not suffered the loss. The term we use to describe the lost interest is called Opportunity Cost. If you lose a dollar you did not have to lose, you not only lost the dollar, but all that the dollar could have earned.

So once again, to Recoup from a loss means replacing the actual loss, and to Recover from a loss means replacing the actual loss plus all the interest it could have earned. The sad truth is that most families will not be able to Recoup from any significant loss, and even fewer will ever Recover.

Don't be fooled by those who would tell you they will be able to help you Recover or Recapture your major purchases or investment losses, it's impossible for most. What you should do is minimize, avoid, or eliminate losses before they happen. A solid financial future depends on steady savings and growth, and most of all, the avoidance of any significant losses.

4. Before You Buy Consider All Costs

Suppose you want to buy a new car. I am sure you have spent some time crunching the numbers to see if you can make the payments work in your budget. Hopefully you have also considered the increased cost of the insurance on the new car as well as the fuel costs.

These are all costs that most likely everyone factors into the equation before buying however there is one more cost which is likely to be greater than all of the other costs combined.

That cost is the Opportunity Cost. This is the cost of what those dollars you spent could have been worth in the future had you kept them and invested them. When you look at the price of a new car this way you may want to sit down. The truth is you should look at every major capital purchase this way.

Let's say you have \$50,000 saved in your investment tank and it is earning 5% annually. You want to buy a \$30,000 car. What will it cost? \$30,000? No you must also consider the time value of the money. If you pay cash you will have to drain the tank to make the purchase. You have decided to self-finance meaning you paid cash and now have payments to yourself to put the money back that you took out of your account to get back to even.

Don't forget you should also put into your account the amount of interest you would have earned had you left the money in your account to earn interest.

Buying cars will be just one of the major expenses throughout your life. Make sure you have calculated all the costs including the opportunity cost.

5. Pay Cash or Finance. What's The Difference?

Would it surprise to learn that paying cash for a car or any other major capital purchase may not always be the most efficient way to purchase? We have all grown up in America with the dream to be debt free which is a good financial position to be in. There may be some confusion on what debt is and what it is not.

Debt is a financial obligation to pay for something that you have no collateral or no possible way to pay for except with future income you have yet to earn. If something happens to your job or your ability to work you are in trouble.

If you have money in your savings and investment accounts greater than the value of your loan you could pay it off at a moment's notice, you could have even paid cash. If the cost was exactly the same to finance the purchase or pay cash which is the most efficient purchasing strategy?

Assume you have \$30,000 in an investment account earning 5%. You could drain the tank and pay cash. Had you left the money in your account earning 5% your account would be worth \$38,501 at the end of 5 years. So what did the car cost you over the 5 years if you paid cash? That's right. \$38,501.

What if you kept your \$30,000 in your investment account earning 5% and financed the car at 5% with the dealer. At the end of the 5 years how much did it cost you? \$38,501. It costs the same whether you pay cash or finance it assuming the same interest rate. Obviously if you could pay less interest than you are earning that would be even more desirable.

If it costs the same to paying cash for borrowing from another institution why not pay cash? The difference is if you pay cash you have a \$30,000 car in the driveway and your account is down \$30,000. If you financed it you would still have \$30,000 earning interest and access to your \$30,000 and a \$30,000 car in the driveway.

The difference is control.

6. The War Between Your Current Lifestyle and Your Future Lifestyle

While you may not always be aware of the fighting going on around you, never the less, you are involved in a fierce battle and you are the supreme commander. All decisions to act must come through you and the outcome of every decision is on your shoulders. Your mission is to handle the financial affairs of your current lifestyle and its stressful demands while also preparing for your retirement years saving and investing for your “Future Lifestyle”. The difficulty is you are in a war between two opposing sides and you are the leader of both.

“Current Lifestyle” for most of us seems to get the bulk of our attention on a day to day basis and in order to stay on top of things requires most of our time and money. There always seems to be something that our “Current Lifestyle” needs or wants that adds pressure to every financial decision we face. If one is not careful it is easy to allocate too much spending to the concerns of today that we can get caught putting our “Future Lifestyle” at risk down the road.

WARNING: It is easy to get lulled into thinking that you have time on your side to put your “Future Lifestyle” concerns in order.

There are so many “Current Lifestyle” distractions that can divert your focus from your primary mission which is to balance the two opposing positions. Things like finding a solid job, buying a house, buying cars, raising children, sending your kids to college, not to mention the countless casualties that are a result of living. With all we face with our current lifestyle it is quite easy to lose focus on the fact that one day our “Future Lifestyle” resources will run dry if we did not put enough money aside along the way.

How are you doing managing both sides? Give us a call, we can help.

7. Financial Warning Signs

1: Do you have enough cash flow to support your monthly payments from your “Current Lifestyle” without reducing your “Future Lifestyle savings?”

Warning: If you have to borrow from your Future Lifestyle for a Current Lifestyle expense you could be heading for trouble.

2: Will you have to reduce the flow to savings and investments to make the purchase?

Warning: If you have to reduce the flow to your future savings and investment accounts you are moving in the wrong direction.

3: Will you need to drain money from your investment or savings tanks to make the purchase?

Warning: You are effectively spending your future when you drain these tanks unless you put all the money back as well as the interest you would have earned had you left the money in the account.

4: If you must drain your savings or investment tank to make your purchase will you be able to put back not only what you withdraw but the interest you would have earned had the money stayed in the account?

Warning: Spending money that is earning interest costs you interest which can never be recaptured.

5: Do you have the protection in place so that the cost of the purchase is covered in the event you lose your job, get sued, become disabled or die prematurely?

Warning: If someone or something can take it from you it is not really yours. To arrive safely at your desired future financial destination make sure you obey all the warning signs.

8. Three Different Purchasing Strategies. Three Different Results

The Debtor is someone who works to spend. They basically spend everything they make and it takes everything they make to live. They have little to no savings, they do not have money in accounts that are earning interest, and when they buy big ticket items they borrow and pay non-negotiable interest rates.

The Saver is someone who pays cash for their purchases to avoid paying interest. They understand that if they pay interest their purchase will cost them even more and they are willing to postpone gratification long enough to save for their purchase. They save, they earn some interest in the account while they are saving, and when they have enough, they drain the tank, paying cash and begin saving for their next purchase.

The Wealth Creator has a balanced cash flow position meaning their current lifestyle is not out of balance with the savings required to support their future lifestyle. They are savings enough for their future for them to be able to retire at the same standard of living they are enjoying today. When they need to make a major capital purchase they collateralize their purchase. They borrow against their accumulated funds not from them. They never interrupt compounding on their money in the Future Lifestyle accounts. They make principal and interest payments from their current lifestyle cash flow preferably at lower rates than their money is earning.

How you pay for things along the way can have a big impact on how much money you have down the road.

9. The Zero Financial Line

The Zero Financial Line represents a position where one owes nothing and has nothing. Perhaps you can remember those days getting started on your own.

So let's assume you are a young person who just graduated from college. Perhaps you are one of the lucky few who graduated at the Zero Line. In 2013 the debt on student loans exceeded all credit card debt owed in America. Unfortunately many young people today are entering the workplace far below the Zero Line saddled with student loans with no understanding of how or what it is going to take to get above the line. You get out of school and get a job. You have a steady paycheck and you need a car so the first thing you do is go to the showroom and pick one out. With your job and the car as collateral you are given a loan and you drop below the Zero Line. You now start working your way back to becoming a Zero financially speaking.

Then you get married and rent an apartment and eventually buy a house. Now there are two in debt working their way back to zero. Then children come along and the odds of being able to put away enough money to pay off all your loans at interest and live on the top side of the Zero Line are becoming a forgotten dream. Unfortunately the bulk of the American's live in this position with little or no chance of ever living debt free.

A smaller amount of the population called Savers have learned to do without until they have the money but when something comes along that requires their savings they must drain the tank to avoid paying interest and start saving for their next expense.

There is another segment of people called Wealth Creators who and save and invests some of their current cash flow for their Future Lifestyle. The money they have accumulated is compounding interest giving them uninterrupted growth. Having access to capital allows them to negotiate more favorable loans by collateralizing against their accounts rather than draining them. They make payments to the lending institution with dollars from their current cash flow protecting the growth of the money they have saved and invested for their future.

10. The Problems with Consumer Debt

You may be saying to yourself the problem with debt is no money. You would be correct but the problems are not only limited to those who do not have any money.

Before we go too far let's clear up any confusion about what debt really is. Debt is not as simple as you owe someone money. Debt occurs when you owe someone money and you have no collateral to be able to pay the obligation.

If I finance a car for \$30,000 and I do not have \$30,000 I am in debt until I have them paid off. If I have \$30,000 earning interest and I choose to borrow \$30,000 from a lender I am not in debt because I can repay the obligation any time I wish.

It is difficult to borrow money from any lending institution without some form of collateral. Even getting a credit card or financing a car requires you to have a job. No lender wants to loan money to those who intentionally do not want to pay them back.

This brings up the issue of credit history. Do you have a good history in paying back those to whom you owe money? Your credit history is a way for institutions to know if you are a suitable borrower. Late or missed payments will destroy your credit and your good name.

Debt is an obligation on future earnings. When you borrow you are obligating yourself to pay using money you have yet to earn. If you do not have money to pay it is going to cause lots of problems for you financially. The second thing you need to remember is that you spent money you do not have which you now owe at interest costing you even more.

You become a debtor to the lender or creditor. You must adhere to the lenders rules and regulations which come with even more pressure. Perhaps the most devastating problem with debt is that you are no longer in control of your money. You have spent money you do not have and must pay back the principal and interest with money you have not yet earned.

If debt is keeping you from moving forward give us a call.

11. The Problems with Paying Cash

OK, we all know debt is a problem but how can paying cash be a problem? In order to be able to pay cash one must be a saver which is a problem for many. Using our tank picture you must first fill the tank. As you fill the tank you must report any interest gained on the account to the IRS and pay taxes on the gain which makes it even more difficult to fill the tank. (Use screen 9 in the PRS but do not show the Circle of Wealth Logo)

Once the tank is full, meaning you have enough money in the tank to make your purchase you must now drain the tank. When you drain the tank you now have lost the money you took out of the tank plus the interest the money would have earned had you not taken it out.

Each time you drain the tank you reset compounding. By that we mean you have forfeited the growth the money in the tank would have earned and must start the compounding process all over.

Suppose you were going to enter a 10K race. You get your number and line up at the starting line and when you hear the gun you start running along with all the others. While you may not be in the lead you are doing pretty well compared to the rest of the runners.

About two miles into the race you begin to get thirsty. As you plod along you remember that they had bottles of water on the tables at the starting line so you run back to the start and get a drink and then return to the race. What are the chances you will ever catch up to where you were? Not good. Have you been resetting compounding? Give us a call and learn how you can avoid this crippling financial decision.

12. Do You Know Your Collateral Capacity?

I am sure you are familiar with the term net worth but do you know your collateral capacity? Some people can tell you exactly what their net worth is today while others are satisfied with just knowing about where they stand. For years net worth has been a number that told a story of one's wealth and financial stability and still does today.

There is another financial barometer that you need to know about that can help you measure your financial health and stability called "Collateral Capacity". This term refers to the amount of money that you can access through collateralizing a loan against your money allowing your money to continue earning interest and working for you. It's one thing to look good on paper but when times get tough assets that you can't touch or can't convert easily to cash can cause serious financial pressure.

There are three things that impact your "Collateral Capacity". The first is contributions into savings and investment accounts that you can access. Often the lure of higher return potential also brings with it lack of liquidity. Make sure you maintain a good balance between long term accounts and accounts that provide immediate liquidity and access.

Second is the growth on the money from interest earned on the money you have in your account. Some assets earn compound interest and grow every year. Others either appreciate or depreciate. Some accounts could be worth a great deal but must be sold to access the money. Having enough capacity to make it through down times is an important factor in sustaining long term growth.

Third is the reduction of any liens you may have against these accounts. As you pay off liens against your collateral positions your collateral capacity will increase allowing you access to more capital in the future.

Do you know your net worth? Knowing your Collateral Capacity could be just as valuable.

13. The Four Toughest Financial Questions You Need To Know

If you are serious about your financial future you need to know the answers to these four questions

1: What rate of return do you have to earn on your savings and investment dollars to be able to retire at your current standard of living adjusted for inflation and have your money last through your life expectancy?

2: How much do you need to save on a monthly or annual basis to be able to retire at your current standard of living and your money last till life expectancy?

3: Saving what you are currently doing, how long will you have to work to be able to retire and live just like you live today through life expectancy?

4: If you don't do anything different than you are doing now, how much will you have to reduce your standard of living at retirement for your money to last to your life expectancy?

In about 10 minutes we can give you a good idea of where you are and what you have to do to get where you want to be. When do you want to know?

14. A Balanced Financial Approach

Like many things in life our financial position works best when it is in balance. Understanding what balance looks like can go a long way in helping you achieve that balance.

A balanced position is one in which you are putting enough money away in your savings and investment tanks today so that you will be able to draw from these accounts during your retirement years and have enough money to live like you are living now adjusted for inflation. The power of compound interest on your savings and investment dollars over time can help you achieve the dollars you will need to offset the increased cash flow that will be required to maintain your present standard of living at retirement.

The sooner you get started putting money away for your future the easier it is to maintain the required balance. Unfortunately the reverse is also true. The longer one waits the more difficult it will be to obtain that balance and at some point we will pass the point where a balanced financial position between your current lifestyle and future lifestyle requirements is unachievable due to the shortage of time and the amount of risk that would be required.

In an ever changing financial world it is wise to keep a close eye on where you are today and where you want to be and rebalance often to stay on course.

Like a front tire on your car that is out of balance you may not know what is causing the problem but you do know something is not right. If you have that same feeling about your current financial position give us a call and let us see if we can help you achieve identify the areas that may be keeping you from finding the financial balance you desire.

15. Your Income And Wealth Potential

Your income potential represents the amount of money you can expect to flow through your hands over your lifetime. To calculate you take the amount of income you make today, adjust that amount for inflation over the remainder time period of your working years.

Your wealth potential is an interesting guestimate of about how much your earnings over your lifetime would be worth if you could invest every dollar you ever earn which you obviously can't do.

Looking at your income potential you will see that over your lifetime you are going to have a lot of money go through your fingers and those dollars represent a huge financial opportunity.

Your wealth potential takes the amount you will earn over your lifetime and applies a rate of return to every dollar you make. This is a huge number and unattainable since you can't invest every dollar you earn but there is something to learn from this exercise. Suppose your employer were to pay you with a lump sum check equal to all the money you are going to earn over your lifetime on your first day of work. If they did you may not come to work anymore but would you look at that lump sum check different than you do the check you get every week?

The thing to remember is that each weekly check add up to your total income potential. Would you look at your weekly check differently than you would the same amount in a lump sum? What you do with the money you earn every week or month can have a dramatic impact on your financial future.

16. What Is Your Human Life Value?

Perhaps this is a term you have never heard before. It is most often used in a conversation between lawyers trying to settle a claim in a legal battle in a wrongful death suit. Human Life Value is an attempt to determine the value of one's life from an economic perspective.

Had you lived, you would have earned X amount of dollars during your remaining working years until retirement and your heirs will now be deprived of that economic benefit.

Your human life value takes into consideration the time frame between your age at the time of death and your expected retirement age or life expectancy. It factors into the equation your income at the time of death and your future potential earnings adjusted for inflation. In addition it factors in any fringe benefits and the value of services your family will now be required to spend because the loss of your income. It subtracts from your income the money needed for your personal consumption and applies an after tax return to determine how much money it would take in a lump sum to generate and replace the income your family or heirs lost due to your untimely death.

An interesting thought would be to consider the difference between what you would wish your heirs to sue for in a wrongful death suit and the amount of life insurance you now have in force. Why would one be able to sue for more money than the deceased thought their own life was worth? What if you could only sue for the amount of insurance you have on your own life? Something to think about.

How much would you want your family to have should you die from natural causes or in an accident where you are at fault? Your human life value is also close to the maximum amount of insurance coverage any company will allow you to purchase to avoid people being able to buy more insurance than they are worth.

How much insurance should you have? Knowing your human life value is the first place to start.

17. The Tax Filter

As you look at the center of the picture of the Personal Economic Model you will notice that the Tax Filter takes center stage. Every dollar you earn must flow through the tax filter. Some dollars flow through the tax filter from your current cash flow and taxes are paid today leaving you after tax dollars to save, invest, or spend. While other dollars have averted taxes today through qualified plan contributions but must one day pass through the tax filter upon withdrawal.

The significance of this is that it is important to understand the history of taxes and how taxes in the future may impact your decisions today. Since the government is control of the tax brackets and rates at which different income levels are taxed it is the government that decides how much they get and how much you are able to keep.

Suppose you wanted to borrow \$10,000 and the person wrote you a check. You would immediately ask them how much interest will you charge and when do I have to pay it back. Suppose the person then said they don't need any of the money now but in the future they will need the money and when they know how much they need they will calculate the interest they need to charge you to get what they need. Would you cash that check? There is more to think about than just tax rates, there is also the impact of tax thresholds. The threshold represents the level of income necessary to trigger the tax bracket. In 1981 the top tax bracket was 69% if you made over \$215,000. In 1982 the government lowered the top tax bracket to 50% and lowered the threshold to \$85,600.

The government controls not only the rate at which your earning will be taxed but the threshold as well. The law says you must pay all the taxes required, but no more. Are you efficiently managing the flow of your income through the tax filter to maximize your potential both today and in the future? Give us a call, we have some ideas that could help.

18. Lifestyle Regulator

The Lifestyle regulator plays a very important role in your financial future. As you look at the personal economic model you will notice that it sits right behind the tax filter and regulates the flow between your future lifestyle and current lifestyle. It is important to notice that every dollar not saved or invested continues to flow through the regulator and on to your current lifestyle and is lost forever.

The lifestyle regulator regulates how much money you pump up the future retirement tube into your savings and investment accounts and how much you allow to flow into your current lifestyle.

It is also important to know that your financial model is under pressure. The pressure is coming from two directions. Perhaps the strongest pressure today is coming from the constant and ever increasing money demands from our current lifestyle. At the same time there is the pressure of having enough money set aside for our future to be able to retire and still enjoy our present standard of living. The Lifestyle regulator is designed to monitor both the flow into your savings and investment tanks and provide the flow for you to have a solid financial future and have enough money today to enjoy the journey along the way. You control this valve.

That little valve sitting on top of the lifestyle regulator is a pressure release valve which can warn you when the amount you need to save for your future and the amount you are currently spending is out of balance. Finding balance between these two positions will help to equalize the pressure. If you are feeling financial pressure perhaps it would be good for us to spend some time together and see if we can help relieve some of that pressure without you having to change your present lifestyle. Give us a call, we can help.

19. Major Capital Purchase

Let's look at the Personal Economic model to illustrate the definition of a major capital purchase. It is anything that you need to buy or want to buy that you can't afford to pay for in FULL with monthly cash flow. The key word is Full.

For most of us our monthly cash flow is somewhat regular meaning we know about if not exactly how much money we will have coming in each month. We adjust our standard of living to that amount and everything seems to run pretty smoothly until something major comes along. Some examples of these type of purchases would be a new car, medical costs, education expenses, vacation, or a wedding. The money we need to cover these items exceeds our monthly cash flow so we must figure out another way to cover the cost.

One way would be to drain a savings or investment tank but this would kill compounding on the amount of money withdrawn and we would lose control of that resource. While it would relieve the pressure for the current lifestyle expense it does put pressure on my future earnings to make sure I put back the money I take out. Don't forget you should also put back the interest you lost on that money while you had it out so you are not spending your future.

Unfortunately we can't always plan ahead for these major capital purchases. Knowing the most efficient way to pay for them when they come can not only save you money but relieve the pressure these expenses bring with them.

20. Qualified Plan Contributions And Withdrawals

Every dollar you earn must flow through the tax filter which takes a huge bite out of what is left over today for you to spend in your current lifestyle or save for your future. Depending on your savings habits making contributions to your Qualified Plan to defer taxes today may be a smart choice a choice that requires some thought.

You do have a choice of whether you pay your taxes today or postpone your taxes till later. If you choose to make a contribution from earned income to your qualified plan you bypass the tax filter with your contribution and avoid paying the tax on your contribution today. (click on the QP button on bottom of model)

The money then grows tax deferred in your qualified plan which is in the investment tank until you decide to take withdrawals during retirement. Should you take a withdrawal from these accounts prior to age 59 ½ you will pay the tax on the withdrawal as well as a 10% penalty for early withdrawal.

Since the money has yet to be taxed as it flows out of the investment tank it must now pass through the Tax Filter where the government will take their share before it can pass to you have full control of these dollars. If you are in a lower tax bracket when you take the money than when you put it in you made a wise decision. If however you are in a higher tax bracket at the time of withdrawal than you were in during the years of contribution the government will come out on top.

Remember these are not tax savings accounts. The government did not say you don't owe us the money. They said you can pay us later. At what bracket? Now that is a great question.

As you plan for your retirement make sure you understand the impact that taking money from an account that must flow through the tax filter as ordinary income will have on your future lifestyle income requirements. Remember not all the money on your statement is yours, you have a partner, the federal government.

21. Reverse Your Thinking With A Reverse Mortgage

When you purchased your home you either paid cash and your money went to the builder or you financed it over time and sent monthly payments to a mortgage company that financed your purchase.

A reverse mortgage is nothing more than the “Reverse” of how you bought your home. With a Reverse mortgage, a lender is going to send you a lump sum check, monthly payments, or set up an equity line of credit that will give you tax free access to your home equity. The money you receive is charged interest to your account just like the interest you were charged if you financed your home when you bought it. The only amount you will be charged is the amount you take.

With a “Reverse” mortgage you are simply reversing the process you once used to buy your home. Regardless of the option you choose you will always own your home. You can sell your house anytime you wish or you can leave your home to your heirs and they can sell it. At the time of the sale you simply pay the reverse lender the amount you have taken at interest and the rest is yours.

You can never owe more than your home is worth even if your property decreases in value.

If an increase in cash flow could help your current financial position maybe you should “reverse” your thinking about a reverse mortgage and give us a call today.