



# Retirement

YOUR RETIREMENT PLANNING NEWSLETTER

## Mission:

# POSSIBLE

**Your mission, if you decide to accept, is to boldly go where few have gone before. Along the way, you are to challenge your pre-conceived notions concerning taking on major debt. And by the way, this newsletter will NOT self-destruct in 5 seconds.**

Many of us may feel like it is impossible to live without debt because of the way certain purchase experiences are structured in our society. For big-ticket items like new cars, higher education and homes, financing with loans and mortgages may seem like the only way to make it happen.

Is keeping up with The Joneses really all that important? Okay, maybe it is just a little, but there's just got to be a better way! After all, you really need to find ways to put more money toward funding other important financial goals (such as retirement accounts).

Read on for some common examples of borrowing situations and how you can avoid taking on a crippling amount of debt. Or better yet, no debt at all!

### Get Your Motor Running

Most of us live in cities and towns where the automobile is considered the primary way to get from Point A to Point B. Sure, there may be a bus system, but no one wants to take the bus! And even the cheapest new car can still cost over \$10,000, which is more money than most people can afford to fork over at one time.

One alternative that many people do not consider because of their misconceptions about the experience is buying a used car (with cash) from a private seller. Some people are against this idea because they think that older cars are less reliable and will cost a great deal of money in repairs. They may also be concerned about getting ripped off by the stranger they purchase the vehicle from or worry that they'll unknowingly purchase a stolen vehicle.

However, if you do some research and choose a model known for its reliability (such as a Toyota or Honda) you can have a reliable older car for much less. There are simple precautions anyone can take to avoid getting ripped off, like verifying that the VIN (Vehicle Identification Number) on the dashboard matches the VIN number on each of the front door stickers; you should also take the car to a reputable mechanic for an inspection.

Another thing to consider is that the salesman at the car dealership is no less a stranger to you than the person running



the classified ad. Bottom line: if you choose your car carefully, you'll still come out ahead over the much higher expense of buying a car new and paying 5% or more in annual interest on an auto loan.

### Using a Debit Card: Priceless

There are some purchases for which you are seemingly required to have a credit card, such as staying in a hotel or renting a car. Some businesses, however, will accept a debit card with a major credit card company logo on it instead

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## Mission: **POSSIBLE**

of a credit card. Be aware, however, that to use your debit card in these situations, most companies may place a hold on a portion of your funds in the amount of several hundred dollars so they can collect payment if you damage their property. This means that if your checking account balance hovers near zero, you won't be able to use your debit card in these situations.

Not all rental car companies and hotels will accept debit cards, so you'll need to do some calling around to find a place that will. Keep in mind that some national chains are franchises and payment rules can vary by location, so instead of calling a hotel's national toll free number to inquire about payment, you should call the front desk of the specific location where you want to stay.

### Old School

According to an October 2007 article in U.S. News & World Report, the cost of higher education has been outpacing inflation for several years. In 2007, private universities charged upwards of \$34,000 a year for tuition, room, board, books and transportation. Even state schools can cost more than \$15,000 a year, which is beyond the reach of many working families. Is it actually possible to get a college degree without incurring debt?

While it may sometimes seem like everyone is going straight from high school to college, many students actually don't take this path. Maybe it's not so crazy to think about your teenager working during and after high school to save up money for college, or working part-time while attending college part-time. Or he or she could attend a school in your home town and live at home.

### No Place Like Home

In many areas, prospective tenants must pass a credit check, which usually means that you'll need to have a credit history. Now, how

can you have a credit history if you don't have any credit cards or loans? It seems completely backwards to require a person to prove his or her financial responsibility by forcing that person to incur debt, even temporary. Doesn't having no debt mean you are pretty darn financially responsible?

Okay, maybe some landlords may agree with you on this, but if not, you can always sublet a room from an individual who doesn't care to perform a credit check. You might also have better luck renting in a part of town near a college, because many college students don't yet have credit histories and area landlords will be used to this.

As far as buying a home, is it possible to actually pay in cash? Not impossible, but you will definitely need the right mental attitude—and a lot of patience. You will need to be absolutely obsessed with saving every extra nickel you can.

Obviously most people will never have enough money to pay cash for a two-bedroom starter home in the suburbs of a city like Los Angeles, where most homes can cost well over a half million dollars. If you want to pay all cash, it will likely mean living and working in a less popular (but up-and-coming) neighborhood than you had ever considered before. Or perhaps you can consider a home in a smaller township or suburb within reasonable commuting distance to work.

### Complete Your Mission

There's no question that avoiding debt involves a certain amount of sacrifice, but it is not as difficult as you may think. Although you'll likely have to go way "out of the box" to live a debt-free life, the peace of mind and financial security it can give you may be well worth the extra effort.

## Are You Smarter than a Fifth Grader?

Let's hope so! Unfortunately, the Hollywood writers strike has left us all with a void. A shortened season of "Lost" and cancelled seasons of other popular shows have given way to mass reality TV. If you find that you're getting hooked, it's time to take a break! **Match each investing term with its proper definition.**

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|-------------------------|---|
| 1. <b>Bond</b>          | A. A contract that can provide payment after retirement at regular intervals.   |
| 2. <b>Value Fund</b>    | B. Mutual fund often invested half in stocks, and half in bonds and money market accounts to help moderate investor risk and provide consistent returns.  |
| 3. <b>Mutual Fund</b>   | C. A stock mutual fund that primarily holds stocks that are deemed to be undervalued in price and that are likely to pay dividends.   |
| 4. <b>Growth Fund</b>   | D. Represents "loanership" in an entity such as a company, government or municipality.  |
| 5. <b>Stock</b>         | E. An investment vehicle that pools money from numerous investors and offers diversity by holding many securities.  |
| 6. <b>Annuity</b>       | F. Represents "ownership" in a company.   |
| 7. <b>Balanced Fund</b> | G. A stock mutual fund that has capital appreciation as its primary goal, with little or no dividend payouts. Portfolio companies would mainly consist of companies with above-average growth in earnings that reinvest their earnings into expansion, acquisitions, and/or research and development. |



# Extra Credit

## **Tips on understanding your credit report, and fixing any errors you may find**

Most people are aware that credit reporting agencies such as Experian or Equifax keep tabs on payment histories. Most people are also aware that they can obtain a copy of their credit report (in most cases for free or for a minimal charge). However, most people have no idea what's on their credit report, how to read it, or how to correct any erroneous information.

Here are six of the key items that appear on a credit report, with tips on how to fix any errors you may find:

### **1. Personal Information**

Is your name, Social Security number, address and other personal information accurate? If not, contact the credit reporting agency about the error. A lending company would be skeptical of making a loan to someone whose name and address (as listed in the credit report) are not consistent with the information provided to assess the loan.

### **2. Open Account Information**

The report will detail all of your open credit card accounts. The report will spell out your credit limits, whether you have been paying your bills on time, and if there are any balances on the account. You should pay particular attention to the accuracy of this information because lenders use it to decide whether they'll make a loan. Inaccuracies in this section are a major reason why many loans are rejected.

### **3. Mortgage Information**

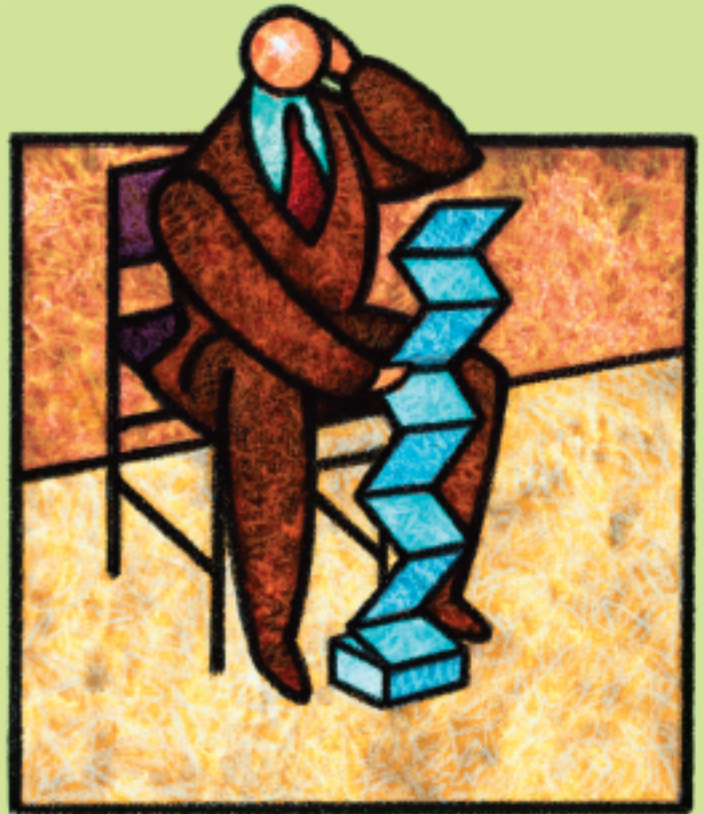
Credit reports also detail information on any mortgages you may have outstanding, any late payments, the account number of the loan and the date of mortgage origination. The same information is available for any other loans that you may have outstanding including personal loans, home-equity loans, credit lines and other financing originated by a financial institution. It is absolutely essential that this information be correct. If a lender feels you have too much debt (even if the information is incorrect) the lender won't approve you for another loan.

### **4. Collections/Negative Account Histories**

Credit reports will identify whether you have any accounts that are in collection and what the status of those cases is. Because this information can adversely impact your overall credit score and affect whether you are able to obtain a loan, it is important that it is correct. Credit reporting agencies often offer services that will help you resolve these issues or provide you with general advice and strategies on how to improve your credit score.

### **5. Judgments/Liens**

If there is a judgment or an award against you in a court of law (stemming from a personal suit, small claims matter, etc.) those terms will be included on the report. More specifically, this section of the credit report will specify the case number. It will



also identify the plaintiff and the defendant by name, give the status of the case (whether it is open or closed), and detail its resolution (meaning the amount that has been awarded). Should an individual or some other entity have a lien on your property, that information will also be made available. Specifically, the case number, the court where the lien was established, the amount of the lien and its resolution (whether the lien has been released) will also be detailed.

### **6. Bankruptcies**

Bankruptcy information is also available and should be checked as well. Specifically, the report will outline whether it is an individual or a joint bankruptcy (with, for example a spouse). It will also include the amount of assets you have and the liabilities you have incurred.

### **Correcting Erroneous Information**

There is a space at the bottom of each section of the credit report where you may add your personal comments. For example, in a lien situation, you might say that the lien was established due to a misunderstanding with a vendor (and/or that it was promptly satisfied). The space may also be used to outline other discrepancies as well. You may also choose to briefly explain why you are behind on a certain debt payment.

### **Checking Out**

Try to obtain your credit report at least once a year and review it for any inaccuracies. If you spot any errors, have them fixed as soon as possible. You'll be glad you did.





# Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

## Boomers on the Brink

*Issues facing participants approaching retirement*

More and more retirees are looking at retirement as a time to pursue new and productive ventures—including continuing to work. Baby boomers will be in a unique position in the years ahead, says Tamara Erickson, an expert on the workforce and organizational behavior, and the author of a new book entitled “*Retire Retirement: Career Strategies for the Boomer Generation.*”

Boomers will live much longer than generations past. They will be able to find work more easily during the so-called “third phase” of their lives as there will be more jobs than workers. They will also likely be able to negotiate the terms of their employment, with flexibility and customization as key themes.

It all sounds pretty promising! Check out the book yourself at your local bookstore or via [amazon.com](http://amazon.com) or other online retailers.

## Q & A

*Common questions asked by retirement plan participants*

**What is an emerging market fund?**

An emerging market fund is a mutual fund that invests the majority of its assets in the financial markets of a single developing country or a grouping of developing

countries. For the most part, these countries are in Eastern Europe, Africa, the Middle East, Latin America, the Far East and Asia. It is important to note that potentially rewarding investment opportunities in this category of funds come with relatively high risk. A developing country is characterized as being vulnerable to political and economic instability, having low average per-capita incomes, and being in the process of building its industrial and commercial base.

## Quarterly Reminders

- Spring cleaning time—maybe it’s time to clean up your financial clutter. If you’re looking for a filing system to organize your papers and records, along with your financial life in general, check out the Homefile Financial Planning Organizer Kit. The kit was developed by two Certified Financial Planners and is available at some home organization stores or online at [www.homefile.net](http://www.homefile.net). The retail cost is approximately \$25 plus any applicable sales tax.
- In the Spring—there will be growth! Now is the time to consider increasing your regular contribution to a retirement account (or an outside savings or investment account). Increasing your savings by \$25 or even \$50 more a month can lead to a brighter financial future.

## Tools & Techniques

*Resources and ideas to guide you in your retirement planning efforts*

Consider using your bank’s online bill-payment service. It’s easy to set up and it makes paying bills a breeze. And, it’s considered much safer than sending payments through the mail. You can even schedule automated payments to avoid late fees. Online checking makes it easy to keep track of income and outgoing expenses and see where you might be able to make some money-saving moves—which could mean more money to contribute to your retirement or other outside savings account!

## Corner on the Market

*Basic financial terms to know*

### Stagflation

Stagflation is a term that recently appeared on the front page of the USA Today business section. Stagflation is a condition of slow economic growth and relatively high unemployment—a time of **stagnation**—accompanied by a rise in prices, or **inflation**. Stagflation occurs when the economy isn’t growing but prices are -- which is not a good situation for a country to be in. This happened to a great extent during the 1970s, when world oil prices rose dramatically, fueling sharp inflation in developed countries. For these countries, including the U.S., stagnation increased the inflationary effects.