REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
1st QUARTER 2009

Money Matters: Let's Talk

Managing money well begins with good communication among family members. This newsletter issue looks at best practices for communicating about money. Creating "har-money" can help the financial fortunes of three generations—you and your spouse, your children and your parents. Consider the following tips as you and your family lay a strong foundation for managing money.

Money and Your Mate

Couples may have differing attitudes about money, divergent spending habits and varied values that are merely reflected by how they each manage money. How do you resolve these potential issues? Communicate.

Begin with values. Before you can begin to discuss monetary matters, you have to make a number of key values-related decisions. For instance, do you want to have children? If so, how many? Will you rent or own a home? Live in the city, suburbs, or away from the city? Will you both work? How many vehicles do you need? How will you spend vacations? Generally, does saving or spending come first for you? Can you or will you follow a budget? Opposites often are attracted to one another. That's not always a bad thing, but it can be challenging when each partner has firmly entrenched and opposing money habits.

How to talk about money. Talking about money can be made easier by setting and respecting a few ground rules. Arrange regular times to discuss money issues. Find a place where you won't be interrupted. Agree that whoever earns the greater amount of money doesn't solely get to decide how it should be spent. Make decisions as a team. That means listening to and respecting each other's views. Stick to the issue at hand; don't get sidetracked on other matters. Invite your children to participate in money discussions if they are old enough, and then give everyone a say. When discussing sensitive topics, remember to use "I" statements, such as: "I think... (or) I feel that..." That is less threatening or provocative than highly charged "you" accusations, such as: "You always… (or) you never…" Listen carefully to one another; be willing to negotiate and compromise.

Create a system. Work together to create a financial framework of some kind. Review your monthly expenses and income, and understand where the money goes. Consider and implement a mutually agreeable system to manage money. For some, a joint bank account works. Others carve up monthly expenses and one-time expenses, establishing who is responsible for what items. One approach is to try to live off one income and to save the other, if you can. Although this could be challenging, consider how rewarding it could be. Another idea is to create an emergency fund together. That way, an unforeseen event wouldn't strain your finances or your relationship.

Whatever you do, approach family money discussions with an open mind, and listen well to one another.

Teach Your Children Well:

Ten Steps to a Financial Education

Teaching your children to be financially responsible is one of life's critical lessons. As your children mature, you face many opportunities to teach them about good financial management, from kindergarten all the way to adulthood.

Early years

STEP 1 Shop with your young children and show them how to compare items for price and value. Look at the cost of every-day groceries, such as milk, eggs, bread or macaroni and cheese, or compare the cost of two or more toys.

STEP 2 Give an allowance. Giving children an allowance can provide an important first step towards financial responsibility. Consider it budgeting on training wheels. But when should you begin giving an allowance? And should there be any strings attached? Good points have been made on both sides of the question of whether to tie an allowance to performing chores. It's an individual decision. As for when to begin giving an allowance, it's generally recommended once children are in school.

Middle years

STEP 3 Matching contributions. Just as some retirement plan sponsors make matching contributions to encourage their employees to save, you can give your children an incentive to save by matching what they save and maintain in their savings accounts. For example, in addition to giving them their allowance, at the end of the year, match the amount they've accrued throughout the year.

STEP 4 As your children begin to understand more about money and decision-making, take them through your monthly budget to show them where the money goes and to demonstrate responsible decision-making.

STEP 5 Tell stories (real anecdotes) about good and bad money management to convey your monetary values. For example, you could share with them the worst financial mistake you ever made and how you learned from that experience. Or tell them of famous athletes or other celebrities who spent everything they made and then were left with nothing.

Teenagers

STEP 6 Teach teenagers how to invest. Discuss the basics with them and consider opening a mutual fund account for them.

STEP 7 Open a college savings account for your child and contribute to it. Periodically, check the balance with the child, who can watch the money grow. Similarly, once children start working in their late teens, provide a kick-start to their retirement savings by opening up and making an initial contribution to a Roth IRA.

STEP 8 Work with your older teenagers to start off on a good foot as adults by helping establish a good credit score. List them as a joint account holder on your credit card. Then when they are issued a card on their own, encourage them to always charge a small amount and pay it off each month.

In general

STEP 9 Be a role model of responsible money management. Actions speak louder than words. Paying off all your bills on time and staying out of financial trouble could set the right tone for the next generation.

STEP 10 Teach your children the value of a good education. Talk to them about—and show them how—education pays off over the long term. Did you know that a college graduate earns an average of $25,717 more annually than a high school graduate, or $1 million over a 40-year career? The gap doubles for those with an advanced degree.

Education	Average Income	Increase
Drop-out	$20,873	—
High school	$31,071	48.9%
College	$56,788	82.8%
Advanced	$82,320	45.0%

Source: http://www.census.gov/Press-Release/www/releases/archives/education/011196.html

Generational Change:

Talking With Your Parents About Their Finances

As your parents age, your relationship with them surely will evolve. As they go through their 70s, 80s and 90s, you may be called on to help them with financial matters, especially if they begin to find it too challenging to manage their money on their own.

Here are some signs that may indicate your parents need a helping hand, along with some tips on how to reach out to them.

Warning signs

Although you may intuitively sense that your parents need some help managing their finances, sometimes you need to have these suspicions confirmed before you feel comfortable acting on your parents' behalf.

With their permission, review your parents' bank statements, checkbook and credit card statements. These red flags might make it clear that it's time for you to be more involved:

- depleted bank accounts
- past-due notices from utility companies
- correspondence from collection agents
- numerous payments to home shopping television networks
- unusually large charitable donations

Ready to talk?

Money can be a sensitive area, especially for aging parents, who may fear losing control of an important part of their lives.

Act now. If you're concerned about your parents' mental or physical well-being, the best time to make sure their finances are managed well is *before* anything major occurs, such as a stroke, heart attack, or advanced stages of Alzheimer's disease.

Be tactful, respectful and responsive to your parents' feelings. Involve them as much as you can and keep them informed.

Use anecdotes. If it is difficult to confront your parents directly, open the door by sharing a money-related anecdote involving another elderly relative or friend.

Reassure them. Tell your parents that you are looking out for their interests, and in order to help, you need to know the details of their finances. This may mean reviewing their banking, investment and insurance records.

Get organized

Of course, assistance involves more than talk. Here are some tips on information gathering and helping your parents manage their money:

Locate key financial information. This includes information such as account statements, insurance documents, and a will.

Help your parents budget. Match their income and expenses, and monitor their cash flow.

Keep it simple. Automating bill payments and deposits can ease their money management tasks considerably.

Share responsibility. Consider a joint bank account with your parents. Telephone or Internet access can make it easy to monitor the status of bank accounts.

Set up a power of attorney, if appropriate. This would give you or a designated person responsibility to act on your parents' behalf in managing their finances.

As the saying goes, information is power. Even if your parents don't need assistance to manage their money, merely sharing important information can lead to better decision-making. For example, your parents might be unaware of their net worth, or you may not know of certain estate planning strategies they have and how those plans could affect you and your children.

Whatever actions you take to discuss money with your parents, remember the importance of clear and timely communication.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

Longevity risk grows

The risk of outliving your money (longevity risk) is a growing concern, especially for retirees and pre-retirees in good health. Here are some ways to potentially address this: Save more for retirement; delay your retirement; buy guaranteed annuities that will pay regular income as long as you live; include some equity mutual funds in your investment mix for their long-term growth potential; withdraw money from your retirement accounts at a conservative rate of 4% to 5% of your balance in your first year of retirement; and keep close tabs on your investment balances.

Q & A

Common questions asked by retirement plan participants

I know it's best not to sell stock funds when the market is down, but I'm no longer comfortable with the level of risk that stocks face. What should I do?

Generally, a bear market is not a good time to sell shares, but it's important to recognize your risk tolerance. One approach could be to sell shares using dollar cost averaging in reverse. If you want to transfer a certain amount from stock funds to bond or money market funds, you could do so in several transactions over a number of months. That would lower the risk of selling at the worst time.

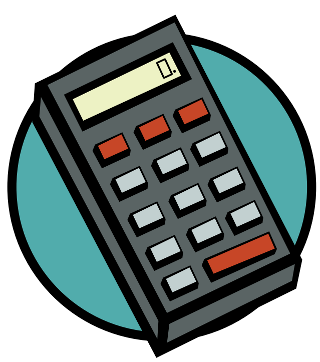
Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

Dollar-cost averaging

As the stock market goes through some sharp ups and downs, it's reassuring to know there's a silver lining to the dark clouds. It's dollar-cost averaging, a method of investing the same dollar amount at regular intervals—for instance, monthly. When stock or stock fund prices fall, the same dollar amount will buy additional shares, and when prices rise, you'll buy fewer shares. This is something that automatically benefits retirement plan participants, who make and/or receive regular account contributions. There are no guarantees, but this technique could lower the average price per share. It also can spare you from self-doubt, second-guessing and inertia while turning market downturns into a mixed blessing.

Automatic investment plans do not assure a profit nor protect against losses in declining markets. Dollar cost averaging involves continuous investments regardless of price levels of fund shares, and you should consider your financial ability to continue purchases through periods of low price levels.



Quarterly Reminder

Do you budget?

Following a budget could help you manage your money better. It can help you make sure you don't overspend and enable you to make more thoughtful or careful decisions about your money. List your fixed monthly expenses and other expenses that you encounter annually or several times a year. Then, track your variable or incidental expenses for a month or two. Finally, compare all your expenses with your income. You should spend less than you earn and regularly save the remaining money. Once you are comfortable doing so, automatically set that money aside first, so you won't be tempted to spend it.

Corner on the Market

Basic financial terms to know

Power of attorney

A power of attorney gives someone else—a family member or close friend—the authority to make decisions for you in the event that you are no longer able to do so yourself. The power of attorney could be permanent or temporary, and it could govern legal and financial matters or health care decisions. In the event of chronic illness, such as Alzheimer's disease, be sure to set up any powers of attorney in a timely manner, before your capacity declines.

Kmotion, Inc., P.O. Box 1456, Tualatin, OR 97062; www.kmotion.com