



STRATEGIC RETIREMENT PLAN SERVICES

1st Quarter 2015

Term of the Quarter

Purchasing Power:

The value of a currency expressed in terms of the amount of goods or services that one unit of money can buy. Purchasing power is important because, all else being equal, inflation decreases the amount of goods or services you'd be able to purchase.

Inflation:

In economics, inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy.

QUESTIONS ABOUT YOUR 401(K)?

Contact Strategic Retirement Plan Services:
401(k)[@sfgweb.com](mailto:401k@sfgweb.com)
(866) 467-6412

QUESTIONS ABOUT YOUR OTHER INVESTMENTS?

Contact Strategic Financial Group:
(219)736-8902

Debunking a Few Popular Retirement Myths

Certain misconceptions ignore the realities of retirement.

Provided by Todd Francisco

Generalizations about money & retirement linger. Some have been around for decades, and some new clichés have recently joined their ranks. Let's examine a few.

“When I’m retired, I won’t really have to invest anymore.” Many people see retirement as an end instead of a beginning – a finish line for a career. In reality, retirement can be the start of a new and promising phase of life that could last a few decades. If you stop investing entirely, you can risk losing purchasing power; even moderate inflation can devalue the dollars you’ve saved.¹

“My taxes will be lower when I retire.” You may earn less, and that could put you in a lower tax bracket. On the other hand, you may end up waving goodbye to some of the deductions and exemptions you enjoyed while working, and state and local taxes will almost certainly rise with time. So while your earned income may decrease, you may end up losing a comparatively larger percentage of it to taxes after you retire.¹

“I started saving too late, I have no hope of retiring – I’ll have to work until I’m 85.” If your nest egg is less than six figures, working longer may be the best thing you can do. You will have X fewer years of retirement to plan for, so you can keep earning a salary, and your savings can compound longer. Don’t lose hope: remember that you can make larger, catch-up contributions to IRAs after 50. If you are 50 or older this year, you can put as much as \$23,000 into a 401(k) plan. Some participants in 403(b) or 457(b) plans are also allowed that privilege. You can downsize and reduce debts and expenses to effectively give you more retirement money. You can also stay invested (see above).^{1,2}

“I should help my kids with college costs before I retire.” That’s a nice thought, but you don’t have to follow through on it. Remember, there is no retiree “financial aid.” Your student can work, save or borrow to pay for the cost of college, with decades ahead to pay back any loans. You can’t go to the bank and get a “retirement loan.” Moreover, if you outlive your money your kids may end up taking you in and you will be a financial burden to them. So putting your financial needs above theirs is fair and smart as you approach retirement.

“I’ll live on less when I’m retired.” We all have the cliché in our minds of a retired couple in their seventies or eighties living modestly, hardly eating out and asking about senior discounts. In the later phase of retirement, couples often choose to live on less, sometimes out of necessity. The initial phase of retirement may be a different story. For many, the first few years of retirement mean traveling, new adventures, and “living it up” a little – all of which may mean new retirees may actually “live on more” out of the retirement gate.

“No one really retires anymore.” Well, it is true that many baby boomers will probably keep working to some degree. Some people love to work and want to work as long as they can. What if



you can't, though? What if your employer shocks you and suddenly lets you go? What if your health won't let you work 40 hours or even 10 hours a week? You could retire more abruptly than you believe you will. This is why even workaholics need a solid retirement plan.

There is no "generic" retirement experience, and therefore, there is no one-size-fits-all retirement plan. Each individual, couple or family needs a strategy tailored to their particular money situation and life and financial objectives.

Todd Francisco may be reached at 219-736-8902 ext 204 or tfrancisco@sfgweb.com

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Citations.

1 - tiaa-cref.org/public/advice-guidance/education/financial-ed/empowering_women/retirement-myths [8/29/14]

STOCK AND BOND MARKET RETURNS THROUGH MARCH 31, 2015

	1 MONTH	3 MONTHS	YTD	1 YEAR	ANNUALIZED		
					3 YEARS	5 YEARS	10 YEARS
Citigroup 3 Month T-Bill	0.00%	0.00%	0.01%	0.03%	0.05%	0.07%	1.41%
Barclays U.S. Agg. Bond Index	0.46%	1.61%	1.61%	5.72%	3.10%	4.41%	4.93%
Dow Jones Ind. Avg.	-1.85%	0.33%	0.33%	10.57%	13.18%	13.23%	8.17%
S&P 500	-1.58%	0.95%	0.95%	12.73%	12.73%	14.47%	8.01%
Russell 2000	1.74%	4.32%	4.32%	8.21%	16.27%	14.57%	8.82%
MSCI EAFE	-1.43%	5%	5%	-0.48%	9.52%	6.64%	5.43%

Questions?

Source: Morningstar

Contact:
Strategic Retirement Plan Services
Toll-Free: (866) 467-6412
[401\(k\)@sfgweb.com](mailto:401(k)@sfgweb.com)

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