

Financial Briefs

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Deidra Fulton, President

Fulton Financial Planning, Inc.
2301 Ohio Drive, Suite 110
Plano, TX 75093

Phone: 972.312.8181
Fax: 972.312.8183

www.FultonFinancialPlanning.com
df@FultonFinancialPlanning.com

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This newsletter strives to provide factual and up-to-date information on the topics discussed, but it should not be regarded as a complete discussion of these issues. The reader is advised to engage the services of a competent professional before taking action on any subject matter discussed.

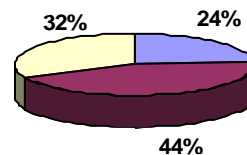
Retirement: Confident, Not Prepared

Americans are confident about their retirement but have unrealistic expectations. That's the general consensus of the just released 2004 Retirement Confidence Survey conducted by the Employee Benefit Research Institute.

Unrealistic expectations and not knowing how much they will need to retire comfortably add to American workers' optimistic sense of confidence that they will be adequately prepared for retirement. This overall optimism seems to remain largely unaffected by economic conditions.

The RCS is a comprehensive study of the attitudes and behaviors of American workers and retirees toward saving, retirement

Financially Prepared for Retirement?



■ Very Confident
■ Somewhat Confident
■ No Savings Yet

planning and long-term financial security.

According to the latest survey's findings: one quarter (24%) of workers are very confident and more than 4 in 10 (44%) are somewhat confident. Yet a sizeable group, 32%, has not yet begun saving for retirement. Almost half (47%) of the workers who have not saved for retirement are at least somewhat confident about having

enough money in retirement with expectations that their retirement money will inevitably come from somewhere.

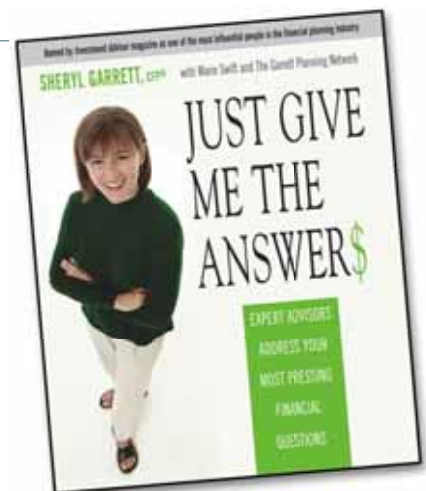
Despite this overall optimism, several factors may prove to be impediments to workers' ability to enjoy their retirement years. These include:

- Expectations about retirement that cannot be achieved. Some workers expect to be able to work until they reach the age they want to retire, and a majority expect to be able to work for pay in retirement. Poor health or job loss may affect these ideal plans.
- Some workers also expect their financial standard of living in retirement to be at least as (cont'd on p.2)

Everyday Answers

I recently contributed to a new book, Just Give Me the Answer\$: Expert Advisors Address Your Most Pressing Financial Questions (Dearborn Trade Press, June 2004). This book, written by Sheryl Garrett with Marie Swift

and the Garrett Planning Network, includes advice from over 100 fee-only financial planners (myself included) on a wide range of topics. (cont'd on p.2)



Retirement Confidence

cont'd from p. 1

good as before retirement and to remain at that level throughout the length of their retirement. However, increasing medical costs, declining savings and inflation will make those expectations unachievable for some workers.

- Counting on employer-provided retirement benefits they might never receive. Many workers expect to receive benefits from a defined benefit pension plan and retiree health insurance. Current trends show, however, employer cutbacks as far as providing those types of benefits. And those workers who do receive some of those benefits may find they are not as liberal as those received by retirees in the past.

- Lack of realistic ideas concerning how much it takes to live comfortably in retirement. Only 4 in 10 workers have taken steps to calculate how much they need to save by the time they retire in order to live comfortably, while one third of workers surveyed say they don't know or can't remember the result of the calculation.

Contributing in large part to the overall optimism are the views of the large group (one third) of surveyed workers who have not saved

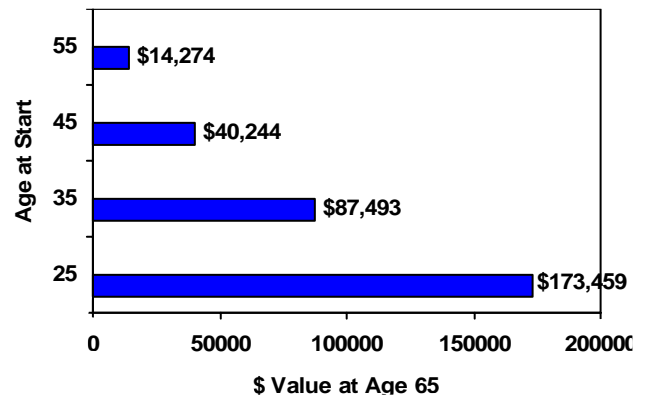
for retirement. Some of these individuals expect an employer to fund their retirement, while others are planning to save later, rely upon Social Security, obtain support from family or friends, work in retirement or manage through some other arrangement.

The survey findings also revealed that retirement education can lead to changes in the savings behavior of many of the group. More than 4 in 10 workers who tried to do a savings need calculation changed their retirement planning as a result. Fifty seven percent of this latter group say they started saving more for retirement; 19% changed the allocation of their money; 13% researched other methods to save for retirement; 2% lowered their debt; and 1% started saving for the first time.

And by their own admission, most say they can do better. More than 7 in 10 of workers who save for retire-

\$20 a Week . . . A latte, a bagel, a movie . . .

Saving \$20 a week can have quite an impact toward supplementing your retirement funds. By investing regularly you realize the benefits of compound growth. Assuming a 6% annual growth rate, this \$20 a week, invested monthly, could grow to the following sums at various ages:



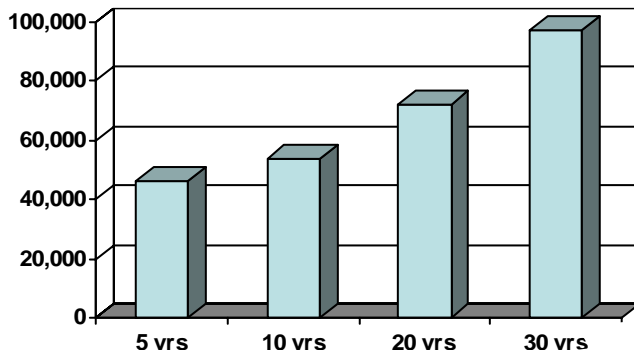
ment say they could save an additional \$20 a week toward their retirement, and more than half of those who do not save indicate they could save \$20 a week for retirement.

How does your retirement confidence compare? Are you confident, prepared and actively saving? Are you confident but not prepared? Or does reality dim your optimism?

Perhaps it's time for a check-up.

By the Number\$. . .

How much is needed to match the purchasing power of \$40,000 today? Inflation, even at the long-term rate of 3%, can seriously impact your retirement savings needs.



Advice (cont'd from p.1)

This essential money guide, set out in an easy-to-read question and answer format, provides straight answers to your most pressing questions.

The Garrett Planning Network, of which I am a member, was founded in 2000 by nationally recognized financial planner, Sheryl Garrett. Sheryl was recently named as "one of the most influential people in financial planning" (Investment Advisor magazine, May 2003).

Look for Just Give Me the Answer\$ wherever books are sold in June 2004!