A PUBLICATION OF THE DALLES CHRONICLE

lifeplanning

GUIDE 2014

On the Up and Up

With the economy slowly improving, take these smart financial steps for a healthy recovery

Choose Your Number

The age you retire can affect your retirement plan

This Little Piggy

Getting your kids on the road to financial literacy

Too Good to be True?

Choosing the right financial planner for you

Tips for saving for every life milestone

Life Planning Guide 2014

Table of Contents

Pick Your Number

The time has finally come – you think – to retire. Do you know what your retirement age means for your financial future?

BY DAWN KLINGENSMITH | CTW FEATURES

Roughly one-third (34 percent) of middle-class Americans plan to work until they are at least 80 because they have saved too little for retirement, according to a recent Wells Fargo survey. While there's no ideal retirement age, 80 is beyond the average person's life expectancy.

"Many people who think they have to work until they die have never sat down and worked the numbers," says Stuart Ritter, a senior financial planner with the Baltimore-based investment management firm T. Rowe Price. The FuturePath online retirement calculator on T. Rowe Price's website generates a "confidence score" on how people will fare based on factors including retirement age. To the extent that a person's financial and physical state allows for some flexibility, he or she will want to consider the implications when plugging in various retirement ages. Read on to learn what your retirement age means for you.

62

Early Retirement

This is the earliest that most folks can start collecting Social Security benefits (or 60 for widows or widowers). Social Security benefits continue to increase until age 70; beyond that, if a person continues to work, the amount no longer increases.

Though it is possible to tap into Social Security earlier, the monthly amount will be lower. In addition, "If you claim your benefits early and you die, the check your spouse receives will be lower for the rest of their life," Ritter says.

65

"Target" Retirement Age

For decades, 65 has been a target age for retirement because that's when people are eligible for Medicare. Retiring earlier means giving up employer-sponsored health insurance and paying for coverage until Medicare kicks in. "First and foremost, you have to determine how you're going to take care of medical expenses," says certified financial planner Rick Rodgers, president of Rodgers & Associates in Lancaster, Pa.

The Affordable Care Act "takes a lot of uncertainty out of the equation" for those with preexisting conditions, he adds, "so it comes down to whether insurance is affordable" through the healthcare exchanges.

As a rule of thumb, folks who retire at age 65 should spend no more than 4 percent of their retirement savings that first year to ensure their money will last, Ritter says.

Continued Page 3

PICK YOUR NUMBER

Continued from Page 3

66 67

Modern Retirement

The Social Security Administration previously considered "full retirement age" (or "normal" retirement age) to be 65; however, beginning with folks born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959. Those who work beyond their full retirement age (see the calculator at www.ssa.gov) "will get a higher payout; take it earlier, and you'll get a reduced payout," says Brent Lindell, a financial adviser with Savant Capital Management, headquartered in Rockford, Ill.

70

Postponed Retirement

Working to age 70, a person receives the maximum Social Security benefit. Generally speaking, "You lose out for every month earlier than 70 that you claim benefits," Ritter says.

But maximizing Social Security benefits isn't the only reason to stay in the workforce. "One of the biggest considerations is, are you mentally prepared to retire? Work stimulates you physically and mentally," Lindell says.

Healthy sexagenarians may want to consider transitioning by working part time or giving what Ritter calls "practice retirement" a spin: "When you're close but not quite ready, continue working full time but take the money you would usually set aside for savings and start having some fun." The point isn't to accumulate stuff but to travel and pursue hobbies while still relatively young.

75+

Late Retirement

Folks whose finances aren't in the best of shape don't necessarily need to work for their whole lives; in fact, deteriorating health and mental acuity may necessitate retirement before the end of life. Perhaps, instead, they can work full time until age 70 or so and then scale back to part time work. "Just working a couple of extra years has a huge effect [on financial health]," Ritter says. "It increases your retirement savings balance while reducing the number of years it needs to support you."

BY THE NUMBERS

61: Average age of retirement for current retirees (up from 57 in 1993).

66: Average expected age of retirement for non-retirees (up from 60 in 1995).

Source: Gallup 2013 Economy and Personal Finance Survey

This Little Piggy

Start early and teach your kids the ABCs of money so they'll make smart financial decisions down the road

BY LINDSEY ROMAIN | CTW FEATURES

A piggy bank isn't just a cute way for kids to collect coins. It symbolizes financial ownership and independence, the first lesson in what it means to both have and use money.

But a piggy bank shouldn't be the only concept of money for children. It's important to educate them about personal finances from an early age – though not necessarily too early.

"Children become aware of money at different ages," says Nevin Adams, director of the American Savings Education Program. "The best time to talk to them about saving is the point at which they have money of their own, and enough to warrant setting some aside."

But this doesn't mean that parents should hold off on all money lessons.

Here's a guide to how to talk to your kids about money at every life stage...

BABIES

"Start setting money aside in a savings account for your child the day they are born," says Lori Mackey, author of the popular Money Mama series, like "Money Mama & The Three Little Pigs" (P4K Publishing, 2003), which helped her win the iParenting Media Award for outstanding educational products.

"From birth to age five, any amount of money they get from family and friends on the holidays and birthdays should be set aside in this account," Mackey says.

TODDLERS:

Once children are aware that they own money, Mackey says to never let them spend the whole dollar. Instead, she practices the rule of 10-10-10-70. That means there are 10 cents for giving, 10 for investing, 10 for saving and 70 for spending. "This way they pay themselves first and learn to live within their means," she says.

TEENAGERS:

As children grow into young adults, they're no longer just compiling holiday card money – they're suddenly earning money themselves. Once the summer jobs start, income becomes a regular presence in their lives. It's easy at that age to spend whole paychecks on filling up the gas tank and going shopping, but parents should still encourage setting some of that money aside for later.

"It comes naturally if they are taught the power of saving from a young age," Mackey says.

Mackey says it's important to teach children not just how to save, but how to invest. That way, their money isn't lying dormant in an account, but instead is gaining interest and growing along with them.

"A child spends 18 years living at home – why should they wait until they're older to start saving money?" Mackey asks. "If we taught this to kids from an early age, by the time they graduated high school they would know how to invest and would continue to do so for the rest of their lives.

Continued Page 6

BY THE NUMBERS

96%

Respondents who believe students would make different student loan decisions if they better understood loan terms.

Source: National Financial Educators Council

THIS LITTLE PIGGY

Continued from Page 5

That way, their future days are paid for and they can do what they love to do instead of what they have to do."

© CTW Features

TALKING ABOUT: SAVING FOR COLLEGE

Once your children are old enough to handle their own money, you should tell them about their first big savings goal: college.

College money talk gets kids thinking about what they want out of life, and whether college is even the most pragmatic approach to their goals.

"It's hard to get kids to focus on college savings before they are through high school," says Nevin Adams, director of the American Savings Education Program, "but I think it's worthwhile to have those discussions early on."

If you and your child determine that a typical four-year degree isn't in the cards, you might look into trade schools or apprenticeships.

Either way, when it's the children's own savings that are affected by this choice, they're sure to take it more seriously.

Time to come out of hiding?

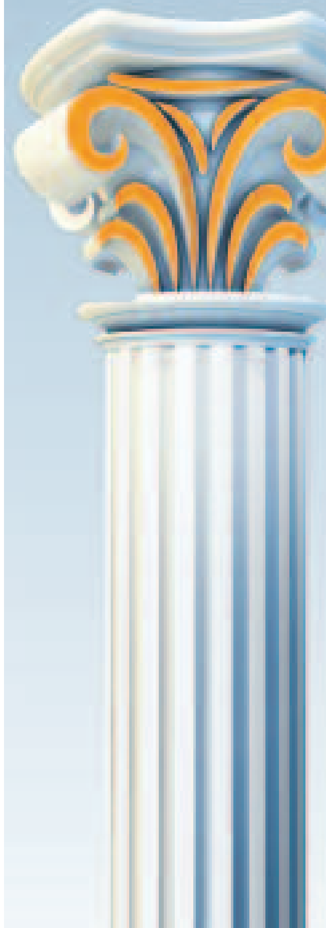
5 Tips to Take the Emotion Out of Investing

Provided By: Doug Kirchhofer, Northwestern Mutual

Concerned about the stock market? If so, you're not alone. In volatile markets, it's common to feel anxious about investing. However, successful investors know that while weathering market moves isn't easy, it can be rewarding. To help you keep your emotions in check during uncertain markets, consider the following five steps.

1. Take advantage of market opportunities. Stock prices fluctuate for a lot of reasons. The good news is that historically they have rebounded from setbacks. In fact, during market lows, you may have the opportunity to add to your portfolio with quality investments at attractive prices.

2. Don't try to time the market. For investors, trying to outguess the market is not only a stressful strategy; it can also be an expensive one. By moving your portfolio to the sidelines, you might miss a market downturn, but you could also miss a rally. That's because most of the market's gains are often clustered into very short time periods. To benefit from the market's long-term performance, you need to make a plan and stick with it through market ups and downs. Please remember that no investment strategy can guarantee a profit or protect against a loss.



3. Don't lose sight of your goals. Some investors believe they can soften the effects of a market decline by selling off their stocks and buying more conservative investments. This could prove a mistake, especially if you're investing for long-term financial goals like retirement. While stock market volatility can be unnerving, stocks historically have outperformed other major asset classes. Of course, past performance does not guarantee future results, and while stocks may have outperformed other asset classes, they also may be more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

4. Maintain your mix. During difficult markets, it is inevitable that some of your investments will perform better than others, shifting your portfolio from its original target allocation. That's why it's important to review your portfolio periodically and rebalance your holdings as needed to bring your asset allocation back in line with your goals, risk tolerance and timeframe.

5. Work with a professional. A successful long-term investment strategy evolves as your needs and goals change over time. An experienced financial professional can help you take an objective, unemotional approach to investing and keep your overall performance and goals in sight regardless of market ups and downs.

Northwestern Mutual
FINANCIAL NETWORK®

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Article prepared by Northwestern Mutual with the cooperation of Doug Kirchhofer. Doug Kirchhofer is a Financial Advisor with Northwestern Mutual, the marketing name for The Northwestern Mutual Life Insurance Company (NM), Milwaukee, Wisconsin, and its subsidiaries. Doug Kirchhofer is a Registered Representative of Northwestern Mutual Investment Services, LLC, a subsidiary of NM, broker-dealer, and member FINRA and SIPC. Doug Kirchhofer is based in The Dalles, OR. To contact Doug Kirchhofer, please call (541) 296-1966, e-mail at douglas.kirchhofer@nm.com, or visit douglaskirchhofer.nm.com.

Tips on choosing a financial adviser:

- Ask about experience and qualifications – understand the different certifications
- Find someone you feel comfortable with and can trust
- Discuss the pay structure: how and when you will pay, and how much
- Ensure the planner has fiduciary responsibility
- Be prepared to answer questions about your life/financial goals

Too Good to be True?

What's the true cost of 'free' financial advice? Here's what to know about finding a planner

BY ALEXANDRA GALLUCCI | CTW FEATURES

Many financial planners offer free sessions to attract potential clients, but when should you consider taking one? We talked with a few experts to find out what to expect from a free consultation and how to make the most of it.

How free is free?

Some financial planners will offer free dinners with investing seminars or free first sessions to get new clients in the door. As long as you check the fine print (do you only get the first free session if you pay for subsequent ones?) these sessions should be safe to attend.

The main question to ask yourself is, what is the other party getting from this transaction? If they only get paid if you buy something, then you need to take the advice with a grain of salt.

A short, one-hour meeting can be enough time for a client to learn more about the financial-planning process and for the planner to learn about the client's situation, says Jeff Dvorak, managing principal at 4D Financial Advisors in Naperville, Ill.

Getting Paid

Before hiring a financial planner, be sure to ask about his or her compensation structure. Some work on a "fee-only" basis, meaning they charge a standard fee for their services. In general, fee-only planners also hold fiduciary responsibility to make financial decisions in your best interest, and are held accountable if they do not.

Some financial planners, especially those affiliated with a certain bank or investment company, are paid a commission based on which products you purchase from them. In this case, be cautious; you want to be sure the advice is in your best monetary interest, not someone else's.

The 2-Fold Interview

Planners have different specialties within the field, says James Daniel, a financial planner in Alpharetta, Ga. Some are only qualified to sell certain financial products or insurance.

Because of this, clients should ensure that they understand the financial planner's capabilities/specialties as much as the planner understands the client's needs.

How You Can Prepare

If you come ready with questions about developing a financial plan, retirement, investing or insurance, the meeting will be a good use of your time, Daniel says.

Consult a financial planning website, such as cfpboard.net, fpanet.org, or napfa.org, which can help you ask the important questions during your meeting. "Even if you're young and you don't have a family or children or a very complex financial situation, it's never a bad idea to just get professional recommendation," Dvorak says.

BY THE NUMBERS

51% **People who have a comprehensive or basic financial plan. Of those, 86 percent say they are confident in managing their finances.**

Source: Consumer Federation of America

Money for your Milestones

Sure, you're supposed to be saving – but for what, and how? Here's a guide to all your biggest life milestones and how to ensure you'll have money in the bank for each of them

BY LINDSEY ROMAIN | CTW FEATURES

Financial planning has a funny way of sneaking up on us – before we know it, college is over and it's time to start saving, really saving, for the long road ahead. That road might contain a wedding, a family, a house, retirement, maybe even a pet. It's overwhelming to think about maintaining the finances to prepare for these milestones, but with some careful planning and smart handling, it can be done.

But where, exactly, should you start? The sooner the better, is the resounding answer from experts. Andrea Woroch, consumer and money-saving expert who has appeared on programs like the "Today" show and "The Dr. Oz Show" says the best practice is to start saving after college. "As soon as you land your first gig, you should start planning for retirement," she says, "especially if your company offers to match any of your IRA or 401K contributions." Starting young means less contributions each month to retire rich – a tempting prospect for any fledgling adult.

Ted George, financial planner at California-based George Financial Advisors, reminds potential savers that circumstance is unique to every individual. "With financial planning, a lot of times the first answer is 'it depends,'" says George, noting that some recent graduates will begin higher-paying careers immediately, while others will struggle with funds for years. But no matter how low the paycheck, any contribution to savings is better than nothing.

"Even if you can only afford

Continued Page 9

MONEY FOR YOUR MILESTONES

Continued from Page 8

$25 or $50 per month, every little bit helps," says Lynnette Khalfani Cox, personal finance expert and founder of AskTheMoney Coach.com.

Once it's time to start saving, what's the best way to do it efficiently and without temptation to dip in and spend? George suggests doing it the old fashioned way: setting up multiple savings accounts, a different one allotted to different needs. He calls this the bucket approach.

"You have these earnings coming in and you have these different things to spend it on, so think of each of those things as a bucket that needs to be filled," he says.

He also suggests setting up an emergency fund that can act as a catch-all if you have a health emergency or lose your job. Cox recommends opening a special account called an IDA, or Individual Development Account. "These are matching savings accounts where companies and non-profits will match your savings dollar for dollar, as long as you agree to save for an agreed-upon time frame, usually at least one or two years," she explains. If you're unsure just what percent of earnings should go where, Woroch has a handy trick: the 50/20/30 rule.

"Fifty percent of your take-home pay should go toward necessary living expenses including rent or mortgage, food and utilities," she explains. "Twenty percent should go toward financial goals like savings and retirement. Thirty percent should go towards lifestyle purchases." But, she says, try to cut back on lifestyle purchases – like salon visits and restaurant meals – to reach savings goals sooner.

If you're afraid of dipping into those special savings accounts, Cox recommends opening a "don't touch" account, one that isn't connected to a debit card and is at a bank that isn't too close to your home or place of business.

Here are some more specific milestones and how you should save for them.

BY THE NUMBERS

76%

People who are currently saving towards any financial goal, including retirement or a general emergency fund.

Source: Consumer Federation of America

CARS

When saving for a car, Cox says to leverage current spending and use credit card rewards to help with the purchase.

"The GM Card from Capital One gives consumers earnings toward a down payment for a new GM vehicle," she says. "What's more, there's no limit on the amount of earnings a person can amass, and the earnings never expire."

COLLEGE

The best way to start saving for your kid's future college fund is to set up a 529 plan, which builds up tax-free earnings, George says.

"Some states offer tax breaks for using the in-state plan," he says. "Looking at the plan's performance and fee is also important in deciding which plan to use."

HOME

Speak with a financial adviser or loan officer at a local bank who can help you get preapproved for a loan and help you select what kind of mortgage is best for your situation, since, as George says, "it really just depends." The three basic types of loans are fixed-interest mortgage, adjustable-rate mortgage and interest-only loan (very rare).

RETIREMENT

"The primary approach [for retirement] for most working people is the employer-sponsored 401K plan," George says. If you're self-employed, an individual 401K plan can be used for tax-deferred savings.

George recommends the Roth approach, known as a Roth 401K, if that's an option. "If a person qualifies, they should also contribute to IRAs or Roth IRA accounts," he says.

If you contribute the maximum allowed to all of these and are able to save more, you should contribute to an individual or joint brokerage account to "help build a retirement nest egg," he adds.

YOUR FINAL MILESTONE

It's hard to think about, but another important element of savings is estate planning. No one wants to concentrate on death, but even worse is leaving nothing behind for an already devastated family.

The first thing you need to have is a will. Without one, your assets will be divvied up according to the laws in your state. "It isn't necessarily what you think or want," warns California-based financial adviser Ted George.

If you have children, the will should also specify guardianship so they don't end up in a foster care program or with an undesired relative.

The next step is securing a retirement account and insurance policy. "And make sure you specify beneficiaries," George says.

The final step is establishing trusts, which state how and when your assets will be distributed after your death.

On the Up and Up

The sun is peaking out from behind the economic clouds. It's time for households to reward themselves for years of belt-tightening – while still making smart financial decisions, of course

BY ALYSSA KARAS | CTW FEATURES

While the economy is on the up and up, the belt-tightening of the last recession isn't completely out of sight just yet.

As the financial outlook for many Americans becomes a little brighter, it's easy to sail off on that postponed tropical trip or race out and buy that new pair of shoes.

"If they have been utilizing good and proper money savings, it's a great reward to go out and spend a little something on you and your family, whether that be a vacation, or it's time for new furniture in the house," says Stan T. Webb, CEO of Dreamcatcher Wealth Management, based in Wichita, Kan., and co-founder of the Minerva Foundation for Financial Literacy.

Still, Webb and other experts agree: Knowing where and how to save money is a key to thriving in any economy. Here are a few tips for cautiously optimistic families and individuals.

MAKE A ROAD MAP

It's tempting to see an improving economy as evidence that your own finances have improved as well. But it's important to examine exactly where you stand, regardless of what pundits are saying or how the markets might be fluctuating.

"Each individual family has their own economy," says Ryan H. Law, director of the University of Missouri Office for Financial Success. "For one family, the economy might have improved dramatically, maybe they got a raise. Maybe the family next door, their economy might have decreased drastically, maybe they lost a job."

To keep an individual family's "economy" in control, create a road map. That includes a monthly budget and short- and long-term goals. Write it down and refer to it regularly.

Webb recommends breaking down the road map into simple

Continued Page 11

ON THE UP AND UP

Continued from Page 10

and attainable goals and steps. Ask yourself: "'Where do I want to be in one year, five years, 10 years, 20 years and at the end of my life? What are things that I need to purchase or to do during those time frames? Like, I need to buy a new car in three years,'" Webb says. "It's about painting that picture for that goal."

BUILD A RAINY-DAY FUND

When it comes to making money work for you, Paul Dolce has three key steps for his clients. The first is saving money, period. The second is putting those savings into what Dolce calls "buckets." Buckets might be anything from retirement savings to auto loans to college savings.

The third step is investing, which Dolce says most people believe is the most important. But in fact, placing savings into the appropriate buckets is what makes the real difference. "They think, 'I just need to invest my money better,'" says Dolce, founder and president of Financial Solutions, based in Dublin, Ohio. "They need to place their money in the right buckets."

Most financial advisors agree that the first "bucket" for every family should be an emergency fund, in case of accidents, job loss, sickness or any other unwelcome surprise. Families should save three to six months' worth of expenses in a safe account.

"If it's an emergency fund, it's an emergency fund," Webb says. "It's not for those shoes that go on sale."

REDUCE DEBT

After shoring up an emergency fund, paying down – and then staying out of – debt is an important next step. "America has a debt crisis in a lot of ways, a lot of credit card debt and student loan debt," Law says. "I'd say that we're getting into a lot of trouble financially in terms of our debt load that we're taking on."

PREPARE FOR RETIREMENT

"Even with things being better, the reality is the Gen X, Gen Y generations, we're not even coming close to saving what we need for retirement," says Jeff Rose, author of "Soldier of Finance" (AMACOM, 2013), and CEO and founder of Alliance Wealth Management in Carbondale, Ill. With the loss of so many pensions and the uncertain future of social security, most households need to ramp up retirement savings. Plus, it's never too early to start.

"They might be putting away 10 percent of their paychecks and think they're doing a good job," Rose says. "I don't want to scoff at that, but it's nowhere near where it needs to be."

Continued Page 12

BY THE NUMBERS

12.5% Median price increase for existing single-family homes from 2012 to 2013. Prices increased in 88 percent of U.S. cities.

Source: National Association of Realtors, Nov. 2013 report

ON THE UP AND UP

Continued from Page 11

PLAN FOR EDUCATION

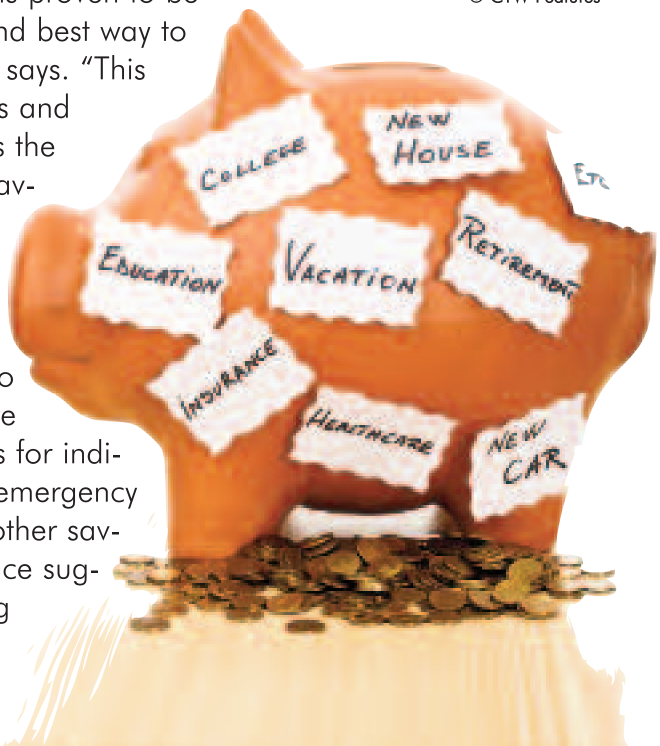
"It's always a great time to save for education because education costs are always going up more than inflation," Webb says. And while how much (or little) parents choose to contribute to a child's education varies from family to family, be sure to have clear priorities. For example, sacrificing retirement funds to pay for college is not a sound long-term strategy.

"If you can afford to pay for college, you pay for it," Dolce says. "I see too many people who pay for their kid's college but can't afford to retire. Retirement is a priority."

Practice good saving habits If your household has benefitted from extra job security or a larger income, it can be nice to treat yourself. But remember, more income brings a chance to save even more.

Cary Siegel, author of the independently published book, "Why Didn't They Teach Me This in School?: 99 Personal Money Management Tips to Live By" (2013), still remembers the rules he learned in business school: "Every time you get a pay increase, take half of it and live a little bit better, and take the other half and save it," says Siegel, a former business executive and speaker who was able to retire at 45 by saving, investing and working hard.

To make saving for goals easier, financial advisers recommend automatically deducting funds from your paycheck or bank account. If you never see the money, you're not as tempted to spend it. This is proven to be the "easiest and best way to invest," Webb says. "This type of savings and investing takes the mind out of having to rethink the savings every paycheck."



You can also set up separate bank accounts for individual goals, emergency funds or any other savings goal. Dolce suggests shopping around for banks for the best deal. Young people especially should look for a bank with no minimum balance, minimal fees and high interest rates.