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First Quarter 2015

Participant Perspectives Newsletter

You're in Charge!

Have you recently assessed your financial situation? If you find yourself spending more than you anticipate each month, carrying a balance on your credit cards, and saving less than you'd like in your retirement plan, then you may need to rein in your expenses.

The good news is that you're in charge of many aspects of your finances. You can take control of your spending and start saving more for retirement. Here's how.

Track Your Spending

As a first step, find out *exactly* where your money is going each month. Track your daily spending for one or two months. Write down everything you spend each day, including coffees to go, meals on the run, and magazines and newspapers you grab at checkout counters. Miscellaneous purchases like these can quickly add up over time.

Next, add up how much you spend each month on food, housing, transportation, health care, etc. Also calculate the monthly amounts for any semiannual and annual expenses, such as insurance and property taxes. Consider using an online budgeting tool to help you track your spending.

Determine Where You Stand

After tracking your monthly spending, compare it to your monthly income. If you're spending more than you're earning, you'll need to make some changes. Look for areas in your budget where you can cut back. If you're carrying a balance on credit cards, make paying them down a priority since income you spend on credit card payments is money you aren't saving. Additionally, the interest payments on that debt may be significant.

Create a spending plan that will help you take charge of your money. While sticking to a spending plan will take a lot of self-discipline, the payoff may be a more financially secure retirement.

Pay It Forward

Once your spending is under control, you can start saving more for your retirement. Simply increase the amount you contribute to your plan. Your plan's payroll deduction feature makes it easier to save since your contributions are automatically withheld before you receive your pay. Think of it as an investment in your future.

Saving Pays

See what might happen if you increase the amount you contribute to your plan account.

If you contribute this much each year—You could accumulate this much more in your account after:

	10 years	20 years	30 years	40 years
$1,200	$17,308	$52,093	$121,997	$262,481
$2,400	$34,617	$104,185	$243,994	$524,963

This is a hypothetical example used for illustrative purposes only. It is not representative of any investment vehicle. It assumes a zero starting balance, monthly contributions, and an average annual return of 7% monthly compounding. Your investment results will be different.

Source: NPI

Shifting from Saving to Spending

When retirement is getting closer, you may want to start thinking about transitioning from saving for retirement to planning how you're going to spend and invest your money during your retirement years. Giving yourself ample time to make this move can help ensure that your retirement years get off to a smooth start.

A Gradual Shift

Unless you're planning to scale back gradually, one day you'll be part of the work force and the next you'll be retired. But any changes you make to your portfolio shouldn't be quite so sudden. For example, it's typically not a good idea to purge all of your stock investments at one time to move into more conservative investments. A gradual shift to a less aggressive portfolio probably makes more sense.

A Cash Cache

Make sure you have an emergency fund of about three to six months' worth of expenses in a cash account you can access quickly, such as a bank savings account. If you use this account to cover any unexpected expenses or emergencies, you won't be forced to sell investment assets at a bad time.

Map Out Your Route

Take a look at all your retirement assets—employer-sponsored retirement plans, IRAs, annuities, Social Security, etc.—and figure out how much you can afford to spend each year. Your calculations should be carefully done since taking out too much will put you at risk of running out of retirement funds down the road.

Keep in mind that, depending on your age at retirement and how healthy you are, you could be retired for more than 30 years. With many retirees living active lives well into their 80s, you may want to prepare for a long retirement. So it's probably not a smart move to splurge when you first retire.

Investing Down the Road

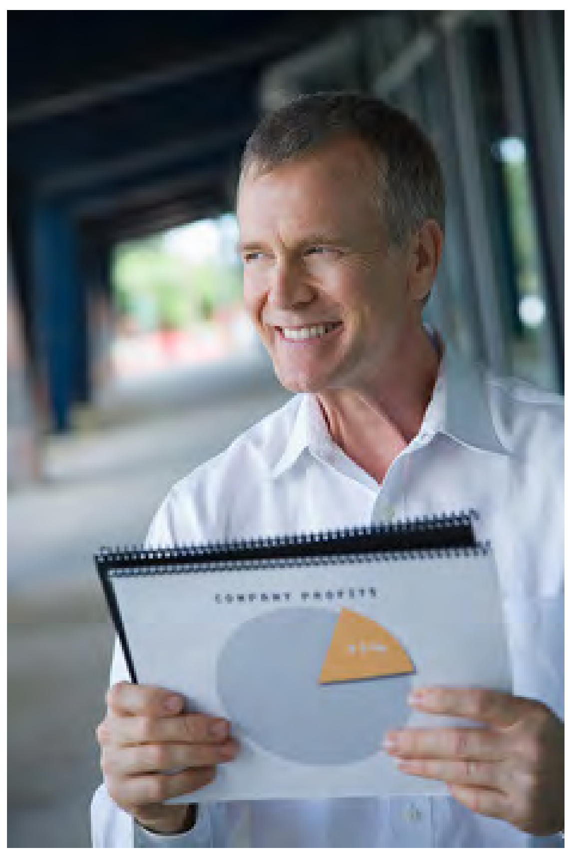
While you'll soon start withdrawing money from your retirement savings, a large portion will stay invested and could keep on growing. Project a conservative investment return you anticipate your savings will generate based on your portfolio's asset allocation. The higher your return, the longer your savings are likely to last. You may have recently shifted more of your portfolio into fixed-income investments to help preserve the value of your assets. However, you may want to keep a portion of your funds in stocks during retirement so that your portfolio will have the potential to produce returns that outpace inflation.

Inflation's Impact

While you were saving for retirement, inflation had an impact on the future buying power of your savings. Inflation will continue to have an impact once you retire, especially if your retirement lasts a long time. Over a 30-year retirement, even a low inflation rate can erode the value of your savings.

Professional Guidance

Your financial professional can help you determine which sources of retirement income you should tap first. He or she also can help you figure out how much to withdraw from your savings so that you can achieve your retirement goals and have enough to last throughout your retirement. Get a head start on your planning and talk to your financial professional well *before* you actually retire.



Where Will You Live?

When you retire, will you stay in your current home or do you plan to move? Where you live may have a big impact on both your financial and emotional well-being during retirement. Here are some factors to consider.

Staying Put

You may want to stay in your current home, especially if you've already paid off the mortgage. The advantages could include already having family, friends, neighbors, and health-care providers in the area. However, you should consider how close your home is located to public transportation, the availability of senior services, and your ability to maintain your home in the future.

Moving Nearby

Many retirees move to a smaller house, condo, or apartment not far from their former home. Considering a community that caters specifically to retirees may be appropriate. But take a close look at your financial situation before deciding to take out a new mortgage.

Relocating

The lure of a warmer climate or a lower cost of living convinces many retirees to relocate. Before making such a big change, however, research the lifestyle and culture of your retirement destination. Spend as much time as possible in the new location before you move. Make sure it's where you want to spend your retirement years.

Know Your Needs

Do you know how much income you're going to need during your retirement? An exact figure is difficult to determine. For planning purposes, you may want to assume you'll need 70% to 90% (or possibly more) of your annual income to fund a year of retirement. Base your calculation on your projected income for the year before you retire, not on your current earnings (see table for an example).

Once you have an idea of how much income you might need during retirement, consider your potential income sources, including Social Security and any additional sources other than your retirement savings plan. This will help you determine how much you should be saving in your plan.

If you're worried you might run short, try to increase the amount you contribute to your plan. Even a little bit more now can add up significantly over time. Also, take a close look at your plan investments. You may want to include investments in your portfolio that have the potential for long-term growth.

Projecting Preretirement Income

Assuming 3% annual pay increases, here's what a $40,000 salary would grow to over different time periods until retirement and what 80% of that amount would be.

	Annual Income	80% of Annual Income
This Year	$40,000	$32,000
In 10 Years	$53,757	$43,006
In 20 Years	$72,244	$57,795
In 30 Years	$97,091	$77,673
In 40 Years	$130,482	$104,386

This is a hypothetical example used for illustrative purposes only. You may need more or less than 80% of your preretirement income to maintain your lifestyle during retirement.

Source: DST

Don't Just Dream About It, Make It Happen

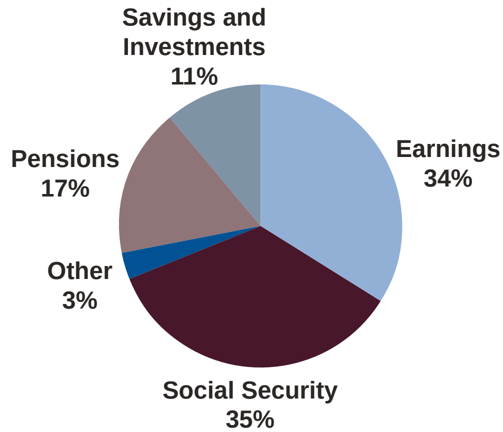
No two dreams are exactly alike. And while that may be especially true of retirement dreams, they do have one common thread. Money. Whether you're dreaming of traveling the world, hiking the Appalachian Trail, or rocking out on the back patio, you're going to need money.

The Income Pie Is Changing

In the past, retirees could generally rely on three sources of retirement income: Social Security, pensions, and their own savings and investments. But times change. Take Social Security, for example. Officials have warned that legislative changes are necessary to make the current system sustainable in the long run.

Even if benefits stay the same, Social Security was never meant to cover all of your retirement expenses. It's only one piece of the income pie. In 2015, the average monthly Social Security retirement benefit is $1,328 ($15,936 per year),* which is not enough to allow most people to live comfortably.

Where Your Money Might Come From



Source: Fast Facts and Figures About Social Security, 2014, Social Security Administration

Pensions Are Disappearing

The income slice represented by pensions has changed significantly. Pensions used to provide eligible retirees with a steady monthly benefit amount. But fewer companies offer pension plans these days. Employers are much more likely to offer retirement savings plans instead, such as 401(k) plans. Retirement benefits under these plans are determined by the amount you have in your account.

It's Up to You

The bottom line is that you will almost certainly have to rely on the balance in your employer's retirement savings plan along with your other savings and investments to provide a significant portion of your retirement income. This is especially true if you won't receive traditional pension benefits.

What can you do to improve your chances of living your dream? Make saving for retirement a top priority and contribute as much as you can to your plan account. Then set a goal based on how much income you think you'll need, choose investments that have the potential to help you meet your goal, and check your progress regularly.

**Fact Sheet, 2015 Social Security Changes*, Social Security Administration

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Financial Concepts Inc.
24 Frank Lloyd Wright Drive, H 3050
PO Box 554
Ann Arbor, MI 48106-0554
734.214.9770
www.finconcepts.com

Patrick J. McNamara, MSFS
Firm Managing Principal
info@finconcepts.com

M Financial Group™