

# Sound, Secure News

## Message from Brian

The letter was dated "Thursday" and happened to be written in 1944. It was addressed to my now deceased grandparents in response to the death of my 19 year old Uncle Bob who participated in the Normandy Invasion and later gave his life for his country on June 26<sup>th</sup>, 1944.

It read (in part) *...I was really shocked the other day to get the telegram...that Bob had been killed. Bob and I were so close, in fact I almost felt like he and I were brothers....It seems like only yesterday that Bob and I were beginning high school and now we're in this awful business of life and death. I know it is hard for you all to think of Bob being gone but he has been called to heaven and the Lord before the rest of us, and we know that someday we will all be together in the world to come.*

*I am really proud of Bob and if I can do the same thing I will feel that I have done my part to make this a better world...That is what I am fighting for, so that the peoples of this earth, especially the younger generation, can have all the things that Bob and I missed because of this war. One thing is definite; he died that free men can stay free and that they may live, speak, and worship, as they please.*

So, what does this letter from Uncle Bob's friend have to do with financial matters?

Perhaps more than you might think. Uncle Bob and his friends, along with the other men of their generation, gave my generation the opportunity to "live the good life".

They did indeed leave a legacy for the world! I never met my Uncle Bob, but I am named after him, and I will never forget him!

Leaving a financial legacy for those you care about does not require that you make the emotional and physical sacrifices of these men from "the greatest generation". Guess what? You don't have to be rich either! Fifty to one hundred dollars a month, invested over time into the proper financial instrument, can result in a \$1 million bucket of tax free retirement money for your grandchild or someone you love.

Planning to leave a legacy can be easier than you think – and priceless! We can show you how.

Brian

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### Special points of interest:

- Shifts in Retirement
- Financial Literacy
- Avoiding Credit Card Traps

## April is Financial Literacy Month

National Financial Literacy Month is recognized in the United States in April in an effort to highlight the importance of financial literacy and teach Americans how to establish and maintain healthy financial habits. The non-profit group Money Management International has setup a website to help Americans educate themselves on Financial Health. There are some great tips and information out there. You can check out the website at [www.financialliteracymonth.com](http://www.financialliteracymonth.com). Below I've listed the 30 steps that they give you.

- #1 Make a commitment to change
- #2 Assess your financial situation
- #3 Clearing out financial clutter
- #4 Set yourself up for success
- #5 Get copies of your credit report
- #6 Clean up your credit report!
- #7 Make your money count!
- #8 Identify your starting point
- #9 Do you pass the debt test?
- #10 Set your priorities
- #11 Set SMART financial goals
- #12 Set short-, mid-, and long-term goals
- #13 Paying down debt is a smart financial move
- #14 Expect the unexpected
- #15 Secure your financial future
- #16 Make a commitment
- #17 Save for your goals
- #18 Where does all the money go?
- #19 Identify and document your fixed monthly expenses
- #20 Identify and plan for periodics
- #21 Document your spending
- #22 Identify ways to reduce spending
- #23 Save money on groceries
- #24 Share a tip for change
- #25 Document your desired spending
- #26 Protect yourself by performing financial check-ups
- #27 Understand the cost of credit
- #28 Assemble a financial team
- #29 Appreciate the benefits
- #30 Moving forward!

If you feel you need to improve your financial literacy, give us a call at 317-852-9153 to see how we can help!

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## Keeping Yourself Away from Hidden Credit Card Fees

Credit card companies are in the business of making money, and they are very good at it. They know how to lure you into the agreement with flowery offers of low interest rates and teasers, and then they hit you with all the little hidden charges that can quickly add up into a major expense.

Interest rate is the primary consideration for most people when they choose a credit card. But the truth is that a few percentage points of interest can be much less expensive than the various charges that you might experience. At 5% APR, a \$1000 balance will cost you about \$50 a year, one late fee of \$49 can match that in one day.

Credit card companies certainly don't list all of their fees in bold print on the front page of the offer. They like to hide them with the smallest font possible deep in the bowels of financial legalese on the back of the offer. You must get out your magnifying glass and strain your eyes looking for them. That's why they're called hidden fees. They of course can't be hidden and must be divulged as per the law, but it can be like looking for Easter eggs to find them.

Among the hidden rules that can seriously affect your finances are late fees, ATM fees, foreign transaction fees, interest rate hikes and cancellation conditions. You may think that none of these things will ever apply to you, but there's a good chance they will. The credit card companies know this and that's how they make the big bucks.

Everyone should at least familiarize themselves with all the terms of the card. Once your statement arrives and the charge is there it will be too late to claim ignorance. Occasionally credit card companies will reverse a charge, but it's extremely rare and even if they do, it will be expensive in terms of your time. Know what to expect before it arrives.

If you ever find yourself unable to make a payment, do not hesitate to call the company and negotiate a deal. Credit card companies do not want your finances to get to the point that you can't pay them at all. They are often willing to work with you if they think it will increase their chances of getting paid. If you wait, the chance of this happening drops.

Credit card charges are here to stay and there's no way to totally avoid them. As money tightens in the lending markets, banks are looking for ways to squeeze every dollar possible out of credit card users. It would be nice to simply cut the cards into pieces and give the credit card leeches a nice, big wave goodbye. Unfortunately that is neither practical nor convenient in the modern world. What you can do is ensure that you only use the credit card for convenience and never for a quick loan. By doing this you can keep your finances under control and avoid many of the fees waiting for you.

## The Shifting Responsibility of Retirement

Have you figured out the exact day that you cease to need an income? Is it 5 years from now? 10 years from now? 20 years from now? None of us know for sure when that date is, do we? The end of our life is not something we really like to think about, but living out the days we do have to the fullest, and being able to make that happen financially is something we should all do as financially responsible adults. And it looks like something we are going to have to start thinking about even more.

Research has found that aging populations and the growing strain on government programs is going to force individuals to take more responsibility for saving for their retirement. For some people, this could mean the purchase of an annuity. A recent Financial Times article stated "buying an annuity is a rational decision for someone faced with uncertainty about how long they will live." The guaranteed income that an annuity provides can help individuals meet their income needs and plan for retirement, even when the end of retirement has an uncertain date. The same article later goes on to state "I am not aware of any [financial products] so far that work as well as annuities at delivering lifelong income." In the UK, individuals who participate in defined contribution pension plans are required to purchase an annuity by the age of 75. Now, I'm not suggesting purchasing an annuity should become compulsory, but perhaps the UK's requirement speaks to the planning power of an annuity.

So, what does your retirement plan look like? Are you taking responsibility for your own retirement, or are you counting on someone else to provide for your retirement?

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## Does a Big Name Really Mean Security?

**By Jim Bergstrom, CFA**

Last week, the SEC charged Goldman Sachs with fraud related to its dealings in the subprime mortgage market back in 2006/2007. Goldman is accused, essentially, of misleading its valued “customers” and “clients” into purchasing toxic investments. Apparently, Wall Street firms don’t always have their clients’ best interests at heart. And in a related story, grass is green, the sun is hot, and Peyton Manning is a pretty good quarterback.

I’ll avoid weighing in on the specific merits of the case against Goldman – this is still America, after all, and “innocent until proven guilty” is a hallmark of our democracy. I’ll stick with the bigger picture. Any investment professional worth his or her salt learns very early on [usually about three days into the job!] that Wall Street firms, by and large, are not trusted advisers looking out for anyone’s best interest other than their own. Salespeople exchange high-fives after a customer is talked into a transaction with especially high fees. The somewhat gruesome phrase used by some Wall Street traders who talk their “clients” into especially stupid investments is to have “ripped his eyeballs out.” The client’s loss is the broker’s gain, as impossible as it may be for many of those outside of Wall Street to grasp.

On Wall Street, multi-million dollar bonuses hinge on bringing money into the firm. Since high finance is often a zero sum game – for every winner, there is a loser – that means if the Wall Street firm is winning, someone else is losing. All too often, it’s the client. There is an age-old parable of a visitor to New York City admiring all of the yachts in the harbor that belonged to bankers and stockbrokers, and then naively asking, “So, where are the customers’ yachts?” His companion laughed, and informed the visitor that there were no customer yachts.

Are all Wall Street firms, advisors, and transactions rigging the game against the client? Of course not. There are reputable players out there. Unfortunately, they don’t wear white hats to make them easily identifiable.

Before I began my current job helping to manage endowed funds for a university, I worked for a financial advisory firm. One thing that always amazed me was how prospective clients would compare our small, boutique firm against many of the larger firms with recognizable Wall Street brand names backing them, and derive a feeling of *comfort* from the Wall Street affiliation. Never mind that there were often significant conflicts of interest involved, whether you’re talking about recommending proprietary products, misaligned or confusing fees, or broker incentives that were not properly disclosed to investors. Apparently, sponsoring golf tournaments and running spiffy TV ads makes a firm more trustworthy and likelier to help an investor achieve his or her dreams.

In my view, finding the right smaller, boutique firm represents the individual investor’s best chance of receiving unbiased, personalized strategies that align the advisor’s success with that of his clients. In fact, many of the most reputable advisors within the large Wall Street firms apparently agree, and have formed their own independent boutiques over the past few years after tiring of “the game” on Wall Street. This only serves to further confirm that the model that independent advisors such as Brian have been using for many years optimizes a client’s chance for a profitable, safe, and happy outcome in the end.

Written by Jim Bergstrom, CFA. Jim currently works on a three-person investment team responsible for over \$1 billion of assets, and is selectively available for meetings with SFG clients or prospective clients.

### **SINGER FINANCIAL GROUP**

475 E. Northfield Drive #B

Brownsburg, IN 46112

Phone: (317) 852-9153

Fax: (317) 852-9505

E-Mail:

[bsinger@singerfinancialgroup.com](mailto:bsinger@singerfinancialgroup.com)

We’re on the Web!

*See us at:*

[www.singerfinancialgroup.com](http://www.singerfinancialgroup.com)