

Investing
Is On You



For
Educators





Jump\$Tart Coalition®

for Personal Financial Literacy



Christopher M. Lee, CFP®

CT Jump\$Tart

79 Main Street

Meriden, CT 06451

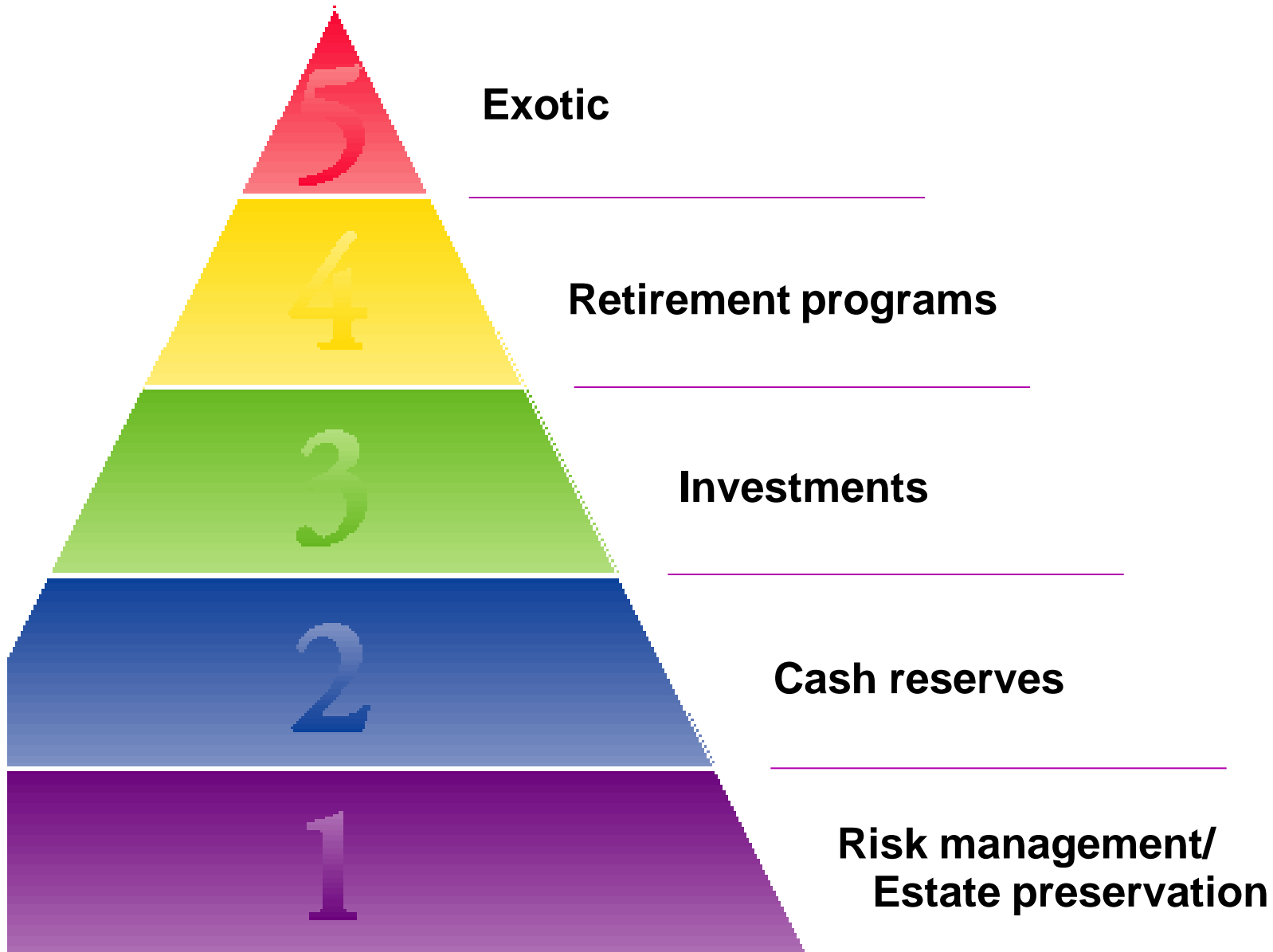
(203) 935-0265

chrilee@newenglandcapital.com

Reasons People Fail Financially

1. Procrastination
2. Failure to establish goals
3. Ignorance of what money can do to accomplish their goals
4. Failure to understand and apply tax laws
5. Failure to properly prepare for the unexpected
6. Failure to develop a winning financial attitude

The Success Triangle™

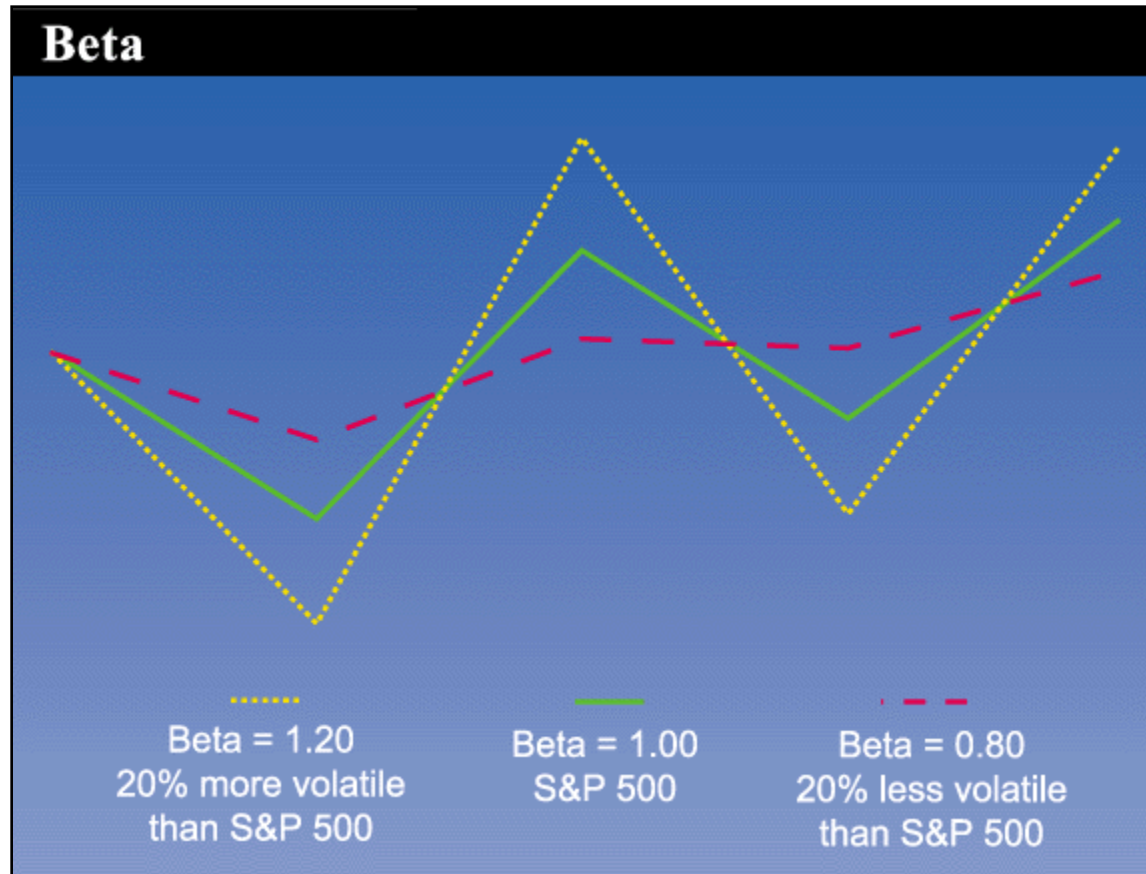


Financial Tools in the Success Triangle™



| | | |
|----------|---|---|
| 5 | Collectibles Commodities Tangible assets — metals, rare coins, gems | Futures Options |
| 4 | Variable annuities Traditional IRAs Roth IRAs | 401(k)s 403(b)s Other retirement plans |
| 3 | Corporate bonds Corporate stocks Limited partnerships | Municipal bonds Mutual funds Treasury bonds |
| 2 | Certificates of deposit Money market funds Fixed annuities | Passbook savings Treasury bills |
| 1 | Disability income insurance Long-term care insurance | Estate planning Life insurance |

Measuring Volatility



Fixed-Income Securities

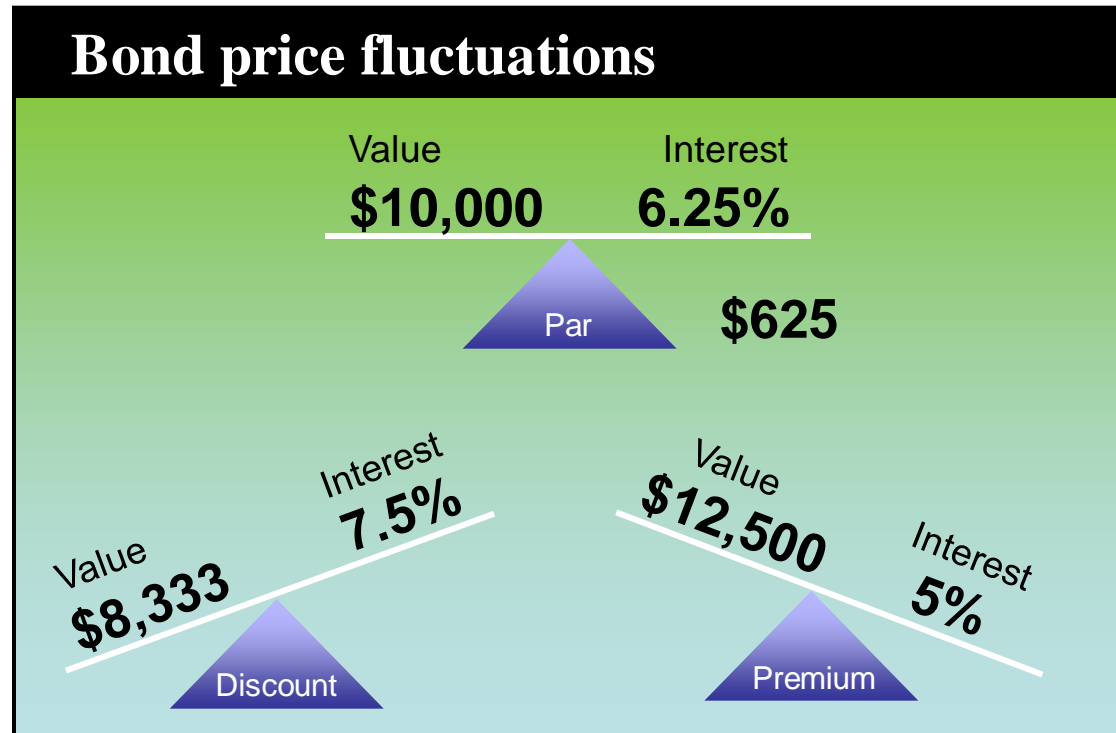
Bond Prices

Bond values may fluctuate daily based on the following factors:

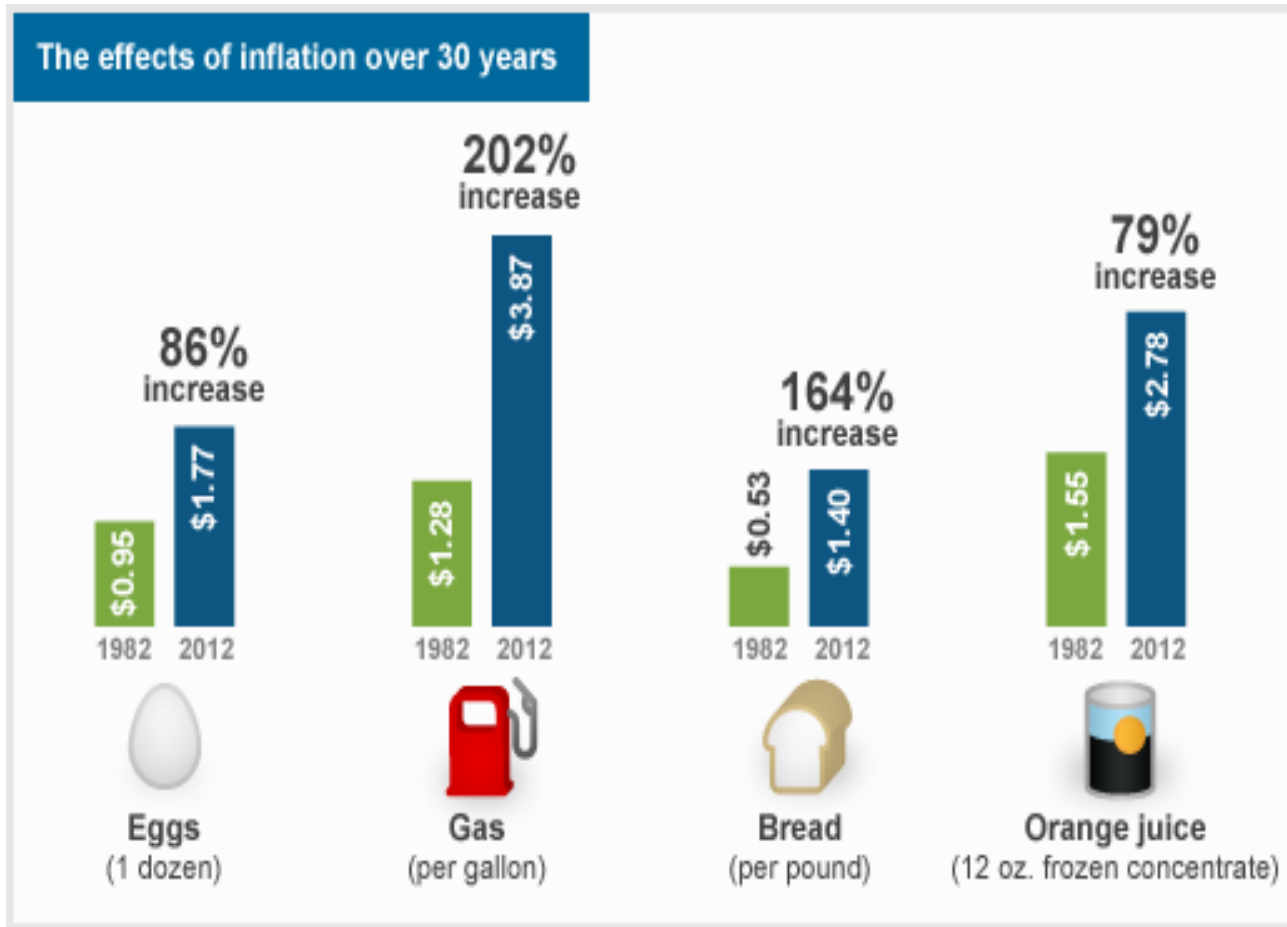
- Creditworthiness of the issuer
- Current interest rates
- Time remaining until maturity

$$\begin{aligned} \$625 \div 7.5 \text{ percent} \\ = \$8,333 \end{aligned}$$

$$\begin{aligned} \$625 \div 5 \text{ percent} \\ = \$12,500 \end{aligned}$$



Future Impact of Inflation



Source: U.S. Bureau of Labor Statistics, Consumer Price Index — Average Price Data, March 1982 and March 2012

Mutual Fund Types

Mutual funds

Bond funds

U.S. government securities funds
Municipal bond funds²
Corporate bond funds
High-yield corporate bond funds³
Global bond funds⁴

Money market funds¹

Stock funds

Balanced funds
Equity income funds
Growth and income funds
Growth funds⁵
Aggressive growth funds⁵
International equity funds⁴
Index funds
Sector funds⁶

¹ An investment in the fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

² Investors may be subject to state taxes and federal alternative minimum tax.

³ The high-yield fund's yield is high, in part, because of the volatility and risk of the high-yield securities market. See a description of such risk in the "Investment Risk" section of the high-yield fund prospectus.

⁴ International investing involves some risks not present with U.S. investments, such as currency fluctuation and political volatility.

⁵ The potential for a greater reward comes with a greater degree of investment risk.

⁶ Investing in a single market sector poses a greater risk than investing in diversified funds.

Variable Annuities

- Exchanges between variable investment options are free from current income tax.
- One statement is provided for all variable investment options.
- They are designed as long-term investments to supplement retirement income.⁴
- Systematic withdrawals may be available.



⁴ Early withdrawals may be subject to a surrender charge. In addition, distributions prior to age 59½ may be subject to a 10 percent tax penalty.

Asset Allocation Process

| | |
|----|--|
| 1. | Determine your risk tolerance. |
| 2. | Develop a portfolio consisting of a blend of asset classes that potentially will provide the highest return for the degree of expected risk. |

Hypothetical portfolio-mix options¹



Risk A (Low)



Risk B (Medium)



Risk C (High)

¹ The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

The Importance of Diversification ... 25 Years Later¹

Jan invests \$100,000 in a single investment

\$100,000

7%

\$ 572,542

Dean invests \$20,000 in five different investments

\$20,000 No value

\$ 0

\$20,000

0%

\$ 20,000

\$20,000

5%

\$ 69,626

\$20,000

10%

\$ 241,139

\$20,000

12%

\$ 395,769

Dean's total

\$ 726,534

**A \$153,992
difference**

¹ The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product. Calculations assume monthly compounding from the beginning of the period.

How does my state pension effect my Social Security income?

Who is affected?

There 14 presently states with independent retirement systems (and do not pay into the Social Security system) for teachers which are: Alaska, California, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Nevada, Ohio, and Texas.

Windfall Elimination Provision (WEP)

WEP affects teachers who worked enough in employment covered by Social Security to receive SSA benefits under their own Social Security number. SSA figures their benefit using the WEP formula, which results in a smaller benefit.

Government Pension Offset

GPO affects recipients of teacher's pensions who become eligible for Social Security benefits as the current or former spouse or survivor of a worker who paid into Social Security. SSA deducts two-thirds of their pension from the Social Security dependent's benefit

Exception to WEP

When the teacher paid into Social Security through other employment substantially for over 20 years, the amount of WEP decreases 5 percent each year of substantial earnings above 20. No WEP offset applies if he worked substantially under Social Security for 30 years or more.

Exception to GPO

If the teacher's pension plan covered employees under Social Security during the last 60 months of employment before retiring, the GPO does not apply.

Retirement Plans

- What plan will give you the most at retirement?
- Which has the best tax advantages?
- Will your contribution be deductible?
- How do you make withdrawals from your plan?
- How are your withdrawals taxed?
- Which plan is best for your situation?
- Can you contribute to more than one retirement plan?
- How much do you need to contribute?
- How much does your employer contribute?

Value of a 403(b) or TSA Retirement Plan

- Contributing to your account with before-tax dollars will reduce your current taxable income. A \$3,000 before-tax contribution looks more like \$2,190 after tax.¹
- 403(b) plans have minimal paperwork and expense, minimal tax filing, and no requirement to make ongoing contributions.
- For plan participants, 403(b) plans provide creditor protection at both the federal and state levels.
- In general, you can contribute as much as \$18,000 in 2015. Those age 50 or older may be eligible for a [catch-up contribution](#), which would increase the limit by \$6,000.

¹ Assuming a 27 percent federal tax bracket.

“How much can I withdraw from my portfolio without depleting my savings over a long retirement?”

Unfortunately, there is no simple answer, since it depends on your needs and goals in retirement, as well as the composition of your retirement portfolio. It becomes even more challenging during market downturns. That's why working with a financial adviser is critical in helping you determine the withdrawal rate that is appropriate for you.

Many experts have conducted research on this topic. While the past can't predict the future, and no definitive answers exist, the conventional wisdom is that 4% represents a reasonable rate for a long retirement. As chart 1 shows, a variety of asset mixes that include stocks and bonds survived at the 4% rate over 25-year periods (that is, they didn't run out of money). It also illustrates that a mix of stocks and bonds has produced solid returns.

Estate Planning

Your Estate

Your estate consists of everything you own or control, including:

Tangible assets

- Home and other real estate
- Vehicles
- Jewelry
- Precious metals, coins, and collectibles
- Personal possessions

Planning Your Estate

Dependent Children

Without an estate plan that includes a will, the court will:

- Appoint a guardian to raise your minor children.
- Appoint a conservator to manage the assets for your dependent children.
- Require the conservator to post bond and account for every penny spent.

Minor children may receive their entire inheritances as early as age 18, regardless of their abilities to manage money.



planning for incapacity

Durable power of attorney

This legal document should:

- Name the person you want to manage your affairs.
- Indicate what that person is authorized to do on your behalf.
- Specify the process for determining at what point you are considered unable to manage your own affairs.

Health care advance directive

Living will

Organ donor form



10 Steps to Help you Achieve Financial Success

- 1. Pay yourself first**
- 2. Avoid personal debt**
- 3. Educate yourself about money**
- 4. Educate yourself about investments**
- 5. Protect your family's future**
- 6. Set objectives**
- 7. Develop a financial strategy**
- 8. Maximize your retirement programs**
- 9. Implement your plan**
- 10. Periodically review your plan**

Pursuit of happiness

The Constitution only guarantees the American people the right to pursue happiness. You have to catch it for yourself.

— Benjamin Franklin

