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Safe Money News and Facts You Should Know!

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Hank's Thoughts – Retirement Economics for 2015

A recent article in the Sarasota newspaper called *"Americans need a crash course in retirement economics"* depicted the coming retirement crisis. This article was based on a random survey of people aged 60 to 75 with assets exceeding $100,000. Eighty percent failed a retirement literacy test; 29% of men received a passing grade, while only 11% of women did.

Many people are surprised by these results. Even people with advanced degrees have not received basic education about investing in stocks, bonds, preparing for retirement, or managing assets in retirement. Successful people work hard to be the best at their profession. This leaves little time to plan for a successful retirement, or the next stage in life's journey for those who don't want to retire.

Personally, I'm not surprised. Many people plan their vacation with more intensity and detail than they plan their finances. Most have outsourced the management of their financial future to their company 401(k), government 403(b) and financial advisors they think are looking out for their best interests. No wonder there are so many horror stories about those who are caught short at a time in life they need their money the most.

For many people their education comes from the media (driven by government interests), opinions of friends and financial advisors who make money whether you win or lose money.

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Bank's Blueprint for Buying Equity

"Banks don't lend their money. They lend the money somebody else left there." **--Adam Smith**

"After 30 years of banking it's time America knew what the big banks have been doing. Life Settlements have leveled the playing field for the little guy." **--Peter Viater**, former Community Bank President of M&I Bank Ashland, Wisconsin

Big banks have a blueprint for safely and securely growing their wealth. It is a blueprint which is used to buy safe assets that inherently grow and provide returns regardless of the stock market, the housing market or the economy. Ironically, banks have tapped into one of their competitor's business models, to ensure their company dollars grow. Banks have tapped into the wealth building power of the life insurance business.

Banks don't invest. They save! If you look at the way banks have grown their money for the past 100 years, it has not been through Wall Street. It has been through arbitrage and buying safe assets which have grown and returned money for hundreds of years.

So what do I mean by arbitrage? I mean that banks are earning a marginal spread off someone else's money. Banks pay their customers 0.03% on savings accounts and then charge 4-7% on car loans.

Banks do this all day long with other people's money to safely-make a high return. Are they investing the money they hold for others? Nope! The bank turns around and lends the money to other clients who have high credit scores or high probability for returning the money with a profit.

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More Interesting Facts *you* Should Know!

Hank's Thoughts (Continued from page 1)

There are a number of safe alternative strategies available today, which have averaged more than stocks, bonds, mutual funds and real estate in our "New Normal" economy since the start of this new millennium … without risk to losing your money.

Wall Street, your banker, the media and many financial advisors will not tell you about these strategies, or disparage them if you ask. ***Why should they give away their secrets and lose the fees you pay them on a daily basis?***

Here are some other things the survey found relating to key aspects of a prosperous retirement:

- Only 25 percent of respondents had a written financial plan. Without such a plan, it is unlikely that a person will know how much they need to have accumulated as a financial base to supplement Social Security and pensions to ensure a prosperous retirement.

- Fewer than one in three knew what percentage of their capital base they could withdraw without running out of capital during retirement. Generally, when retirees consistently withdraw more than 4 percent from their asset base, starting at age 65, there is a significant risk of depleting their assets before death. More than half of survey respondents underestimated their life expectancy, which results in withdrawing too high a percentage of their assets each year.

- Only 35 percent knew this basic fact about structuring a portfolio: Over a 30-year retirement, an allocation of 50-60 percent of portfolio assets in equities (common stock) will maximize the chances that an asset base will last throughout retirement.

- Only 54 percent knew that they could postpone Social Security benefits until age 70, which would increase them by 8 percent per year after reaching full retirement age.

- Fewer than one in three knew that exchange-traded funds generally have lower annual fees than actively managed mutual funds. Only 39 percent understood that when interest rates increase significantly, bond funds (except for short-term funds) decrease significantly in value.

- Most participants had very limited knowledge about long-term care coverage. For example, only 35 percent realized that family members end up paying most long-term care costs.

- Sixty-five percent had very little knowledge regarding annuities. Only 26 percent knew that an immediate annuity is more expensive for a younger person than an older one. Most participants did not know that an immediate annuity would provide income for life.

- Sixty-eight percent indicated they use a financial advisor on a regular basis. I was surprised that such a large percent of respondents use a financial advisor regularly. I would have expected that, as a result, much more than 25 percent would have had a written financial plan.

David Littell, director of this American College of Financial Services study, indicated that the respondents had a high level of false confidence overall regarding effective retirement planning. It seems likely that many families will not have a prosperous retirement if they do not become better educated regarding planning for retirement, understanding financial products (including annuities), using a diversified, low-cost asset base and developing a withdrawal strategy that will ensure sufficient income for the rest of their lives.

I wish I knew where the economy will be heading in the next couple years. If I did, I might become rich. But I don't … and even if we don't always acknowledge it, the economists don't know either … much less the TV pundits and financial advisors.

Too much uncertainty clouds the crystal ball to be confident that any particular course of events will play out in the real world.

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New Year Quiz

(Answers found on page 4)

1. Who first recognized January 1st as the beginning of the New Year?

2. To ring in the New Year in Spain, it is traditional to do what on each chime of the clock?

3. One of the most popular New Year's traditions is the toast at midnight to ring in the New Year. Why is it called Toasting?

Thoughts for the Month

"The problem in America isn't so much what people don't know; the problem is what people think they know that just ain't so." – ***Will Rodgers***

"All truth goes through three stages: It is ridiculed; then it is radically opposed; and only much later will it be accepted as self-evident."
-- ***Arthur Shopenhauer***

"Two roads diverged in a wood, and I took the one less traveled by. And that has made all the difference" – ***Robert Frost***

Banks Blueprint for Buying Equity (Continued from page 2)

Banks rarely take chances, which is why they stay outside of the Wall Street casino. Wall Street is way too risky, and they know it. So banks stick to their blueprint of lending other people's money to customers with good credit and buying into safe assets that are managed by life insurance companies.

So, what are the safe assets banks will buy? We also know big banks like to buy permanent life insurance with historically good growth rates. Banks purchase truckloads of life insurance because of the safety, liquidity and contractual growth rates. Banks use the business model and actuaries of the life insurance industry to safely increase their money year after year. For over 100 years, this has been a superb way to receive a contractual increase on their money.

Banks use life settlements as a way to get contractual growth on the banks money. A life settlement is buying an older person out of their life insurance contract and collecting the death benefit proceeds. It's a huge win for the seller and a win to the buyer.

They figured out very quickly that they could tap into the life industry by purchasing life insurance contracts from people over the age of 65, who no longer wanted their policy.

Large financial institutions, like Wells Fargo and wealthy individuals, like Warren Buffet have been securing double-digit gains for over a hundred years … while keeping their principal safe and sound. Today, through the use of fractional life settlements within Trust companies, the individual investor can use these same strategies to systematically grow and protect some of their money.

Does it make sense to use some portion of your long term savings to buy an asset at a discount and wait for it to mature?

Would it give you peace of mind to have an upfront contractual agreement on how much your money will increase some time in the future?

Contact my office if you want more information on how you too can invest and make money like the banks.

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Hank's Thoughts (Continued from page 2)

Would your investment stress be reduced if you knew your essential living expenses were covered by a protected source of income?

Since the number one concern today is running out of money during retirement, would it be a good idea for this protected income to be a guaranteed lifetime income, similar to Social Security or a company pension?

If you give me a few hours of your time spread over a few meetings ... I'll give you a hands-off "managed for you" safe money machine with no hidden fees ... assuming it's a good fit for you!

It might sound too good to be true, but it is true! One of these little known strategies gives you the potential of double-digit annual growth while keeping your principal safe and sound.

Please call me and let's schedule a 20 to 30 minute discussion to determine if there is a reason to spend more time together.

Answers to Quiz

1. The Romans
2. Eat a grape
3. Float toast on wine to remove acidity

Thank You for Your Referrals

There's no question I have the BEST customers on the entire planet.

My business is built on word of mouth advertising and I'd like to thank those who were kind enough to recommend my services to their friends.

Although we focus on protecting and optimizing your retirement plan, I want to give a special THANK YOU to those who have recommended me to help your family and friends with their Medicare options.

There are 10,000 Baby Boomers turning 65 every day who are more confused about Medicare than their retirement plan. Because of its importance in your overall retirement picture, we want to help them cut through the smoke and make the right choices to protect the nest egg they have already earned!

Thank you soooo much!

Disclosure - *Information provided in this article does not constitute legal, taxation, or investment advice.*

Please check with a qualified tax advisor when making financial decisions.