

The DILLAGER

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Now we can guarantee dynamic, frustrating change



Submitted by Albert B. Woodward, Jr., CFP

The first decade of the millennium sees us consumed with dynamic, frustrating change. War, geopolitics, continuous instantaneous communication via high definition television, radio and the internet, family relationships, living patterns, natural disaster, terrorism, increasing life spans and health care costs, a zero savings rate, tax reform, reduced investment earnings, and inflation all complicate personal financial management.

The rules continuously change. Change itself will not cause financial disaster. It will be the reaction to change that will determine a life with financial dignity.

As *USA Today's* Evelyn Tan Powers says, "Unless you consider cat food a viable dinner option, it's wise to bullet proof your retirement assets."

Here are some circumstances that affect personal financial planning:

●**War.** The war against terrorism, and more particularly, the war in Iraq, is causing increased political fractionalization in America. The war is also draining vital resources from our economy. The psychological result at home has a tendency to inhibit financial planning.

●**Continuous instantaneous communication.** The volume of information about international, national, regional and local events, economies and investment options is staggering. No sooner is a financial course of action decided when a conflicting opinion is available leading to paralysis by analysis.

●**Family relationships and living patterns.** American women for the first time in 30 years are having enough babies to keep the population current. Because of immigration, much of it illegal, the birth rate is increasing. The divorce rate continues above 50 percent and leaves and increasing number of single parents.

●**Natural Disaster.** The effects of Hurricane Katrina and other natural disasters place a huge financial hardship on individuals and put increased financial pressure on already strapped and overextended municipal, state and federal budgets. Catastrophes increase the cost of maintaining the infrastructure.

●**Terrorism.** Massive death and destruction have a way of interrupting even the best-laid financial plans.

●**Increasing life spans and health care costs.** Males have a life expectancy of 80.3 years. Females can expect to live 83.5 years. Americans are spend-

ing more on medical costs than ever before.

●**Zero savings rate, tax reform, reduced investment earnings, Inflation.** Social Security, which is under long-term financial pressure, was never designed to provide a total retirement supplement. When you combine a diminished Social Security System with a national savings rate that has dropped below zero, consumption, penalty taxation, an estate tax that simply won't go away, inflation and future investment returns that are projected to be lower than the previous decade, there are problems ahead.

Faced with dynamic change, our clients have found the following suggestions to be helpful:

●**Get out and about.** Change that puts your financial future in jeopardy can be daunting. Isolation and inactivity are paralyzing. Get out of the house. Keep your mind and body active.

●**Develop a written measurable retirement plan.** An internet search will unveil many free retirement planning software programs. We recommend "Silver" Financial Planning Software available at www.moneytree.com for \$450. We recommend using conservative assumptions: investment return 6 percent, infla-

tion 4 percent, use the current annual cost of living until age 80, then reduce that cost by 20 percent from age 80 forward. Run the projection to age 100.

●**Update a certified financial planner professional.** Seek out a fee-only, or a fee-based CFP professional who will focus the development of a retirement plan. Consult a CFP professional for advice about financial products and services.

●**Develop a written family disaster recovery plan.** Develop, communicate and annually rehearse a written family disaster plan. Many family disaster recovery templates can be found on the Internet. Start your search with the American Red Cross: <http://www.redcross.org/services/disaster/beprepared/FinRecovery/FinPlan/>.