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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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You Can't Keep Snakes in Your BackYard and Expect That They Will Only Bite The Neighbors

Well, the verdict is in: According to a new survey, Americans ages 60 to 75, after having taken a retirement literacy test, had a failure rate of **80%.**

No. That's not a misprint! The American College of Financial Services conducted online interviews with 1,019 people between the ages of 60-75, and at least $100,000 in assets (excluding their home)...and that was the shocking result.

The survey asked 38 retirement literacy questions on the 'basics': Social Security; Life expectancy; IRA's; Life insurance; Investments and how Bonds work. Only 2 in 10 respondents passed.

Just so you know, this was not a 'one-off' result when it comes to testing financial literacy. In 2011 a report put out by the National Bureau for Economic Research had similar findings.

That report, “Financial Literacy & Retirement Planning in the United States” said 'Americans fail to understand financial concepts, including interest compounding, inflation and risk diversification, and these shortcomings are most acute for women, the less educated and older individuals'.

Among the highlights of the report:

1. Only 1 in 4 have a written financial plan.
2. A significant number (1/3) have never even tried to figure out how much money they'll need in retirement.
3. Only 31% knew that $4000/year is the most they should withdraw from a $100,000 account that's expected to last 30 years.
4. More than half underestimated the life expectancy of a 65 year old male.
5. Half did not know that Social Security benefits increase every year one delays up to age 70.
6. Fewer than one in three knew that Exchange-Traded-Funds have lower fees than actively managed mutual funds.
7. 65% had little, or no, knowledge about annuities.

O.K. Now it's your turn. You can take the quiz by going to

http://perception.theamericancollege.edu/q4/session.dll

Good Luck!

What will the market bring in 2015?

I am pleased to report that I can definitively answer this burning question once for for all.

I don't know... and neither does anyone else.

The TV pundits are full of opinions and no matter what you want to hear – someone is saying it. As the old golf saying goes: Every putt makes someone happy.

When you boil all the investment theories down to the final nut, it's still all about earnings. So in this respect are we paying too much, too little or just about the right amount for company earnings right now?

Many analysts will say that they market is trading slightly above the long term average P/E ratio at 19 times earnings, but that's not entirely true. This number is looking at forward earnings...not the trailing 12 months. As we all know forward earnings can sometimes be a little exaggerated.

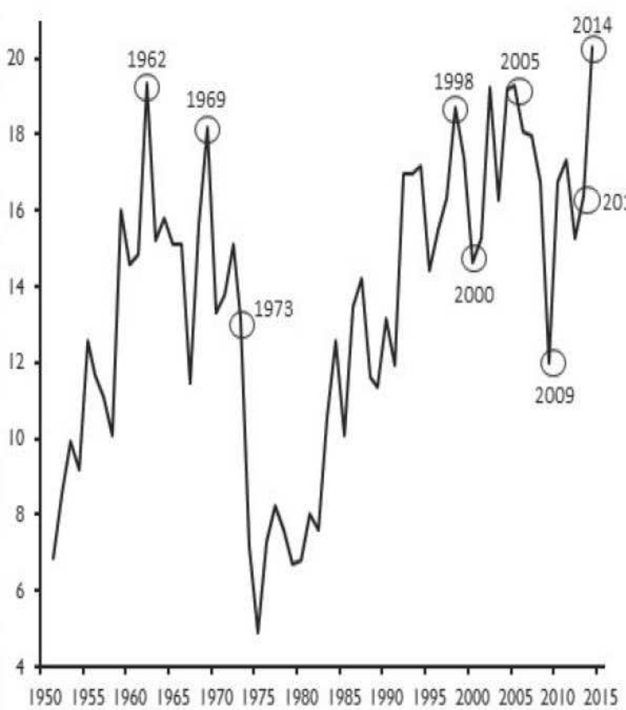
Because the S&P 500 is a cap-weighted index, its biggest stocks have the greatest impact on that P/E number. For example Apple trades at a P/E of 18. Exxon at only 11; Caterpillar at 13. These three giants are not really indicative, however, of the rest of the S&P 500.

Leuthold Group analyst, Doug Ramsey says that the median stock is currently trading at 21 times trailing earnings. That's kind of expensive. He also points out that in the year 2000, the median stock traded at a 35% discount. Interesting!

I've got a chart which may be of further interest:

Chart 2: Median price/earnings multiple for U.S. stocks*

*Based on all NYSE stocks with positive earnings for the last fiscal year calculated in June of each year since 1951 through 2014



This chart comes to us courtesy of Jim Paulsen of Wells Capital Management – one of the few analysts who happens to be right much more often than he's wrong. His chart pretty well corroborates the statement made by Doug Ramsey.

So, the point here is that it's getting harder and harder to find screaming bargains, however; you should not buy something for the sake of making a stock purchase. WAIT for screaming bargains!

I remember when the candle shop in town burned to the ground. Everyone stood around singing 'Happy Birthday!...Steven Wright

Getting ready for retirement has many people both excited and nervous. Many are also looking at making a housing change. ENTER: Continuing Care Retirement Communities (CCRC's). These are campuses which allow you to age in place while providing care for every stage along the way.

They have many advantages, including:

- Assisted Living for people who require a little help with the activities of daily living (in some states this is referred to as "Residential Living" or "Extended Living").
- Independent Living for residents who don't need personal assistance (in some states this is referred to as "Residential Living").
- Memory Care (this is sometimes referred to as "Special Care").
- Skilled Nursing and Rehabilitation (both short- and long-term) in an on-campus Health Care Center.

Having several levels of care available on one campus is an incredible benefit—it provides the resident with the security of knowing that if Assisted Living, Memory Care, or Skilled Nursing Care is needed at some point in the future, they won't have to move to another community or facility.

Couples find this aspect of CCRC living especially important. Should one spouse need the services provided in another part of campus, the other can easily visit any time of day.

This benefit means that couples can regularly spend time together socializing, dining, or engaging in activities. And, they know that their loved ones are receiving the services they need to thrive and maintain as much independence as possible.

But, there is always some fine print that you need to be aware of.

CONTRACTS:

There are usually 4 types of plans (like those listed above) and depending on which one is chosen at the outset, monthly fees will vary ***greatly.***

For the 1st quarter of 2014, the average entrance fee was almost $300,000, which included the cost of the home. However each upgrade to the basic service will substantially increase those monthly fees that you have to factor into the equation.

REFUNDS:

Most CCRC's will give a refund if you move or die in the first two years. The refund gradually diminishes over this period until there is no refund at all.

If you wanted your heirs to have a guaranteed refund no matter how long you lived in the community...that is also a possibility...for a price!

TAXES:

A portion of your fees cover health care – which is a deductible medical expense. If you are 65 years of age, or older, you are able to deduct non-reimbursed medical expenses that exceed 7.5% of your adjusted gross income

FINANCIAL STABILITY:

Get a copy of your prospective CCRC's financial statements. They should be able to cover their expenses out of their operating income. Look at how much debt they are carrying. Make sure their occupancy rate is 90% or greater.

There is far too much money at stake here. Ensure that you have done all your due diligence. If you are unsure, contact a professional to do this for you.

MISCELLANY ☺

☺ If you have a son/daughter or grandson/granddaughter turning 18, there are a few issues that you need to know about:
***they can enter into binding contracts.**
***be sued.**
***they must file individual income tax returns.**
***you will no longer have access to their health records or financial records unless they grant specific permission to you, their guardian(s).**

☺ According to the National Bureau of Economic Research, there are nearly $1 trillion dollars of unfunded health care liabilities in the United States

☺ Many investors have been leery of investing in Exchange Traded funds because of their unknown!?! Not only are they invaluable in any portfolio, they now have almost $2 trillion in assets. Go ahead.

☺ Instead of buying gift cards from a retailer, you can usually find them at a discount at www.GiftCardRescue.com

☺ The federal estate tax exemption for 2015 is now $5,430,000.

6 Secrets to Dividend Investing & 5 Reasons Why You Should Love Them.

Finding the best dividend stocks takes some legwork and careful analysis. But here's how you can find the best long-term winners:

1. **Avoid the Highest Dividend Stocks —** You can't pick stocks by dividend yield alone. Above-normal dividends are often a red flag for a company in distress. Studies have consistently shown that you will earn higher long-term returns by avoiding risky stocks with overly high dividends.

2. **Beware the “Dividend Time Bombs” —** Not all dividends are created equal. Even if a company has a generous dividend, it must be able to maintain it. A "doomed-to-be-cut" dividend can be worse than no dividend at all. Once a dividend is cut, it's likely to make the share price fall also.

3. **Cash Is King —** Free cash flow (FCF) is the true health of the business. Find the companies that generate tons of it. Even in the worst of times, those flush with greenbacks have options. Firms with cash can buy back their shares to raise stock prices, make their debt payments, increase dividends, and buy other profitable businesses. That's why cash flow is the single most important factor that determines value in the marketplace.

4. **Don't Focus on Income without Growth —** Only growing businesses are truly healthy. So cash flow needs to be strong enough to not only pay a healthy dividend but also generate enough cash to grow and stay strong strategically.

5. **Don't Forget Value —** An investment's total yield depends on both the dividend amount and the stock price. Stocks of companies making real products and real profits often don't make the headlines. So dividend stocks can also be a great source of hidden value. Finding value by focusing on dividends first can help you avoid catching the "falling knives" that trap some value investors.

6. **Have a Longer-Term Focus —** Many brokerage houses make investment recommendations based on a very short-term view of the world — often a maximum 12-month time frame. Individual investors should have at least a three- to five-year view when considering investments. More time helps you fully realize the true power of compounding dividends.

The Best Way to Secure Your Financial Dreams

Dividend-paying stocks are absolutely the fastest and most reliable way to achieve financial security and independence. Here are five reasons why you should love dividend stocks right now:

- **They beat the market.** As a group, dividend paying stocks have outperformed the market again this year. Just about every piece of research shows that they generally beat the S&P 500 index year in and year out.
- **They're low risk.** Since the companies pay out cash, investors are more willing to hold dividend stocks through bear markets. Hence, they don't fall as far or as quickly as non-dividend stocks. These stocks become a magnet for investors seeking security.
- **They earn much better yields with lower taxes.** Dividends are taxed at only 15%. Compare that to interest on your savings, CD, or money market account that is taxed as ordinary income — up to 35%! Standard & Poor's estimates this saves investors more than $ 25 billion/year...much of which is re-invested back in dividend stocks.
- **They help you side step corporate financial malfeasance.** Dividends don't lie. Paper profits can fool analysts but hard cash can't be faked.
- **By reinvesting dividends, you “dollar-cost average” and get the power of compounding automatically.** Reinvesting dividends improves your portfolio's long-term returns by buying more shares when the price is low and by helping your profits earn more profits.

Dividends aren't just for retirees. They're for anyone who wants to amass great wealth with low risk. Do you think it's boring to make great returns — and sleep like a baby at night?