LET'S TALK MONEY®

May/June 2014

Make Early Retirement Your Goal

Do you dream of retiring in your 50s? Or maybe you have a traditional 60-something retirement age in mind or can't picture yourself retiring at all. No matter what your vision of the future, taking steps so you *could* retire early without undue financial stress may be a good strategy.

Not by choice

Many people are working longer, either because they want to or because they have to. But, as LIMRA Retirement Research found, you can't depend on being able to work past — or even until — full retirement age.

For 49% of the retirees LIMRA surveyed, factors out of their control determined their date of retirement: health reasons (17%), job loss due to layoff or employer buyout (14%), negative work conditions (7%) and other causes (11%). In fact, only 45% of those surveyed said they retired when they had planned.

Multiple benefits

Making early retirement your goal — whether or not you think you'll actually want to retire early — can help motivate you to make smarter financial decisions. It may:

Get you started earlier. With a potentially shorter time frame before your "retirement date," you may feel compelled to start investing for retirement sooner. The earlier you start investing, the better your chances of having the funds you'll need when you retire.

Keep you focused on finances. Having a shorter time frame in mind may help you make wiser spending decisions and leave room in your budget to invest more.

Give you a greater margin of error. The longer your investments have to grow, the longer they have to recover from any investment mistakes you may make along the way.

Boost your lifestyle when you actually do retire. If you hit your early retirement date and decide to work longer, you may have extra retirement assets available when you do retire — assets that may allow you to improve your retirement lifestyle and pursue more of the activities you'd like to during retirement. Or you may want to hang on to those extra assets to meet unexpected retirement expenses, such as increased health care costs.

Don't wait

If you haven't started investing for retirement or think you could be doing more for your future, talk with your financial professional soon. Steady systematic investing throughout your career can help mitigate the risks of having to retire before you'd like to.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

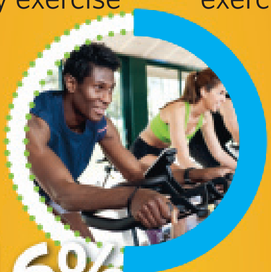
Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.

By the numbers:

FEDERAL PHYSICAL FITNESS GUIDELINES

Aerobic (weekly):

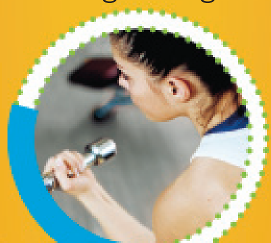
150 minutes of moderate intensity exercise or **75 minutes** of vigorous exercise



51.6% of adults meet aerobic activity guidelines

Muscle-strengthening (weekly):

2 muscle-strengthening activities



29.3% of adults meet muscle-strengthening guidelines

ONLY **20.6%** of adults meet *both* guidelines

Source: *MMWR* Highlight, Centers for Disease Control and Prevention, May 3, 2013

Focus on Fitness for Summer

Our national focus on fitness is nothing new. It's been on the radar in the U.S. since the President's Council on Youth Fitness was formed in 1956.[1] In 1983, May was named National Physical Fitness and Sports Month.

Pump it up

Some people thrive on physical activity. In the American Time Use Study (ATUS),[2] active people in two different age groups were asked what activity they engaged in on an average day. Seventy-one percent of those in the 25 to 54 age bracket said they did yoga and 60% said they used cardiovascular equipment. Cycling and aerobics were tied for third place (59%) followed by weightlifting (57%).

For the other group, those in the 55 and older age bracket, the top five activities were walking (48%), golfing (39%), using cardiovascular equipment (29%), aerobics (29%) and dancing (28%).

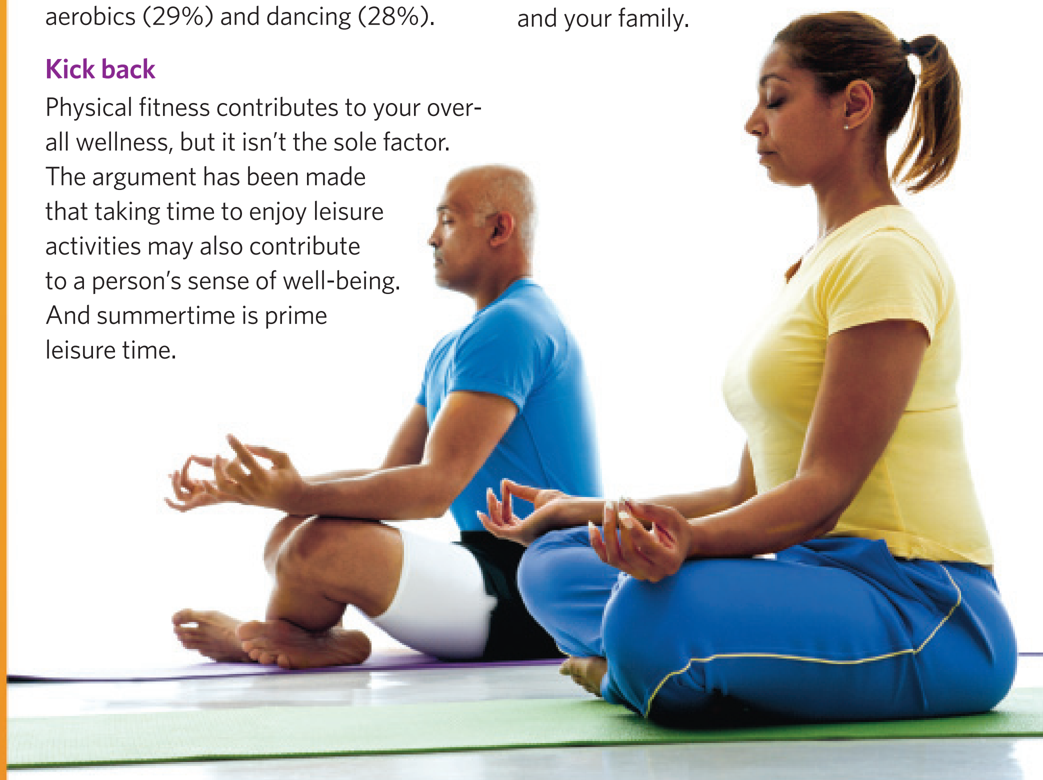
Kick back

Physical fitness contributes to your overall wellness, but it isn't the sole factor. The argument has been made that taking time to enjoy leisure activities may also contribute to a person's sense of well-being. And summertime is prime leisure time.

As a group, how do Americans like spending their leisure time? According to the Census Bureau, the top five leisure activities are dining out, entertaining friends or relatives at home, reading books, barbecuing and going to the beach.[3]

Take control

Financial fitness is also part of the wellness picture. Stress over money matters can have a negative impact on your health. You can reduce financial stress by having a budget to control spending, a plan to reduce or eliminate any debt you may have and disability and life insurance to protect your income — and your family.



[1] The name was later changed to the President's Council on Physical Fitness and Sports. In 2010, the Council was renamed the President's Council on Fitness, Sports and Nutrition to reflect its newly expanded mission.

[2] A federal survey of how Americans spend their time, ATUS is the only source of data on nonmarket activities (e.g., childcare, volunteering, etc.). Data files include information collected from more than 136,000 interviews conducted from 2003 to 2012.

[3] U.S. Census Bureau, Statistical Abstract of the United States: 2012

Gray Charges in Black & White

Gray charges? The phrase is relatively new, but the marketing practice it describes has been around for some time.

What are they?

Gray charges are fees for services that consumers sign up for without realizing it. Often, the terms are spelled out in the fine print that few people read (in spite of checking the box online that says they did). One common example of a gray charge is a free trial subscription that automatically converts to a paid subscription if you don't cancel within a certain period of time.

Gray charges may not be outright fraudulent, and they are often so small they can seem hardly worth disputing. The collective impact is impressive, however. One survey put the estimated annual cost of gray charges at $14.3 billion (2012).*

Why now?

How have gray charges become such a big problem? One theory is that online purchases and the increased use of credit and debit cards provide merchants with easy access to consumer billing and contact information, making it easier to add "creative" charges.

What you can do

Is there any way to avoid gray charges? Make sure you know what you're signing up for or purchasing and check your credit card statements. You might not be able to reverse gray charges, but you may be able to stop additional charges.

* Survey conducted by BillGuard

Do You Have a 9-1-1 Fund?

You never know when bad luck is going to strike. Your cell phone falls down a storm drain. Your washing machine dies a month after the warranty expired. Your roof starts leaking. Can you handle a sizeable unexpected expense?

Rain in the forecast

It's almost certain that *something* is going to happen to disrupt your finances from time to time. If you don't have an emergency fund — money that you've set aside specifically for unexpected expenses or the loss of income — you might be forced to pay the bill with expensive credit card debt or sell some investments at an inopportune time to cover the cost.

Discipline required

You can't predict when you're going to need extra money, so it's wise to keep your emergency funds in accounts that are "liquid" so you don't end up paying penalties, charges or termination fees. Just remember that the money is there in case of an emergency, not in case you find a great deal on a cruise. And anytime you take money *out* of your emergency fund, replenish it as soon as possible.

Funding Your Emergency Fund

How much money should you have in your emergency fund? Ideally, you want enough to cover three to six months' worth of **living expenses**. They include:

- Rent or mortgage payment
- Utilities
- Food
- Gas
- Insurance
- Loan payments (student, auto, consumer, home equity, etc.)

Cutting back on discretionary expenses will help you build up your emergency fund. **Discretionary expenses** include:

- Eating out and other forms of entertainment
- Cable TV
- Gym or spa memberships
- Vacations
- Other luxuries

LET'S TALK RETIREMENT

Q. I like the idea of opening a traditional individual retirement account (IRA) but am worried about being penalized if I had to take my money out early for some reason. Are there any exceptions to the 10% early withdrawal penalty?

A. Actually, there is some flexibility. While most withdrawals from a traditional IRA are subject to income tax, the additional 10% penalty won't apply in certain situations. The tax law lets you take penalty-free withdrawals from an IRA once you've reached age 59½; if you become disabled; for first-time homebuyer expenses ($10,000 lifetime maximum); for certain higher education expenses; for unreimbursed medical expenses (to the extent they're not more than the deductible amount); and for health insurance premiums paid after you've received unemployment compensation for at least 12 consecutive weeks. In addition, the 10% penalty doesn't apply to withdrawals that are considered "substantially equal periodic payments" under tax law rules and to distributions made to a beneficiary or estate after death. Contact your legal or tax advisor regarding your specific situation.

But think twice before taking money from an IRA before retirement. You'll increase your risk of not having money to support you when you retire. Instead, build an emergency fund to handle unexpected expenses and work with your financial professional to invest for other goals, such as a home or college for the kids.

Q. I thought retirement age was 65, but my friend says that I'll have to wait until age 67 to collect full Social Security retirement benefits. Is he right?

A. He is if you were born in 1960 or later. As you can see, full retirement age is now 66 and is increasing to 67.

Birth Year	Full Retirement Age/Full Benefit
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: Social Security Administration, 2013

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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