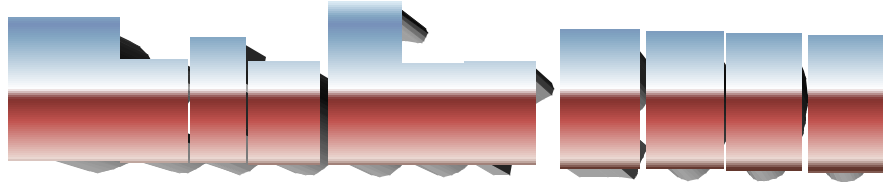


®

Your Retirement



RETIREMENT PLANNING CONSULTANTS


A Guide To Your Retirement Planning - Volume III - Number 10

Welcome to Your Retirement, our monthly web-newsletter with information that can help you with your retirement planning efforts. We provide straight-forward, easy to understand, unbiased and candid information. Feel free to use this information and to also pass it along to your friends and associates. You will find previous issues of our newsletter on our website. If you are interested in additional information that can help you, be sure to check out our web site; retirementplanningconsultants.com or contact Robert R. Julian, at rrj1@cornell.edu

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Our 2006 Workshop: Saving – Investing For Retirement --- A Simple Approach: You Can Do It

Which mutual funds are in your portfolio --- actively managed or passive index funds? Try as they may, it's difficult for actively managed mutual funds to consistently beat their respective indexes according to study appearing in the February 2006 issue of the *Journal of Financial Planning*

In his study, “The Difficulty of Selecting Superior Mutual Fund Performance,” Thomas P. McGuigan, CFP®, president of Beyond Tomorrow Strategic Advisors in Guilford, Connecticut, examined the performance of actively managed large and mid-cap domestic stock funds against a passive strategy during a 20-year period, 1983–2003. The results aren't promising for actively managed funds.

“The study shows that there is remarkable consistency in the relative performance of active versus passive strategies during ten-year periods, that the number and percentage of individual actively managed funds that have outperformed the passive approach is low, and that it is difficult to predict in advance which actively managed funds will outperform during the next ten-year period,” writes McGuigan.

Some funds outperformed the index for shorter periods. “For example, 55 percent of large-cap funds did better versus an index fund over a five-year period, though the study did not take into account sales or surrender charges, or advisory fees. But as the time period lengthens, it becomes more difficult for active managers to outperform the index fund. For 10-year periods, only a quarter of the funds manage to outperform, and over 20 years, the percentage of funds that outperformed the index fund fell to 10.59 percent.”

“Even taking into account that some funds did beat the index, the study found it nearly impossible for investors to predict which would be the future winning funds. Many of the funds that outperformed over ten years did not repeat during the next ten years.”

And that is the basis for the discussions that take place in part 3 of our brand new workshop. We look at and discuss 12 simple, lazy-low-maintenance portfolios that utilize index funds. What is the aim of this approach? It is to produce a portfolio of low-cost mutual funds investing in asset classes that are likely to outperform the S&P 500 Index and many, if not most actively managed mutual funds. On page 3 of this newsletter, you can take a look at Simple Portfolio #7.

“Unlike an investor who owns the market and seeks the market rate of return, an investor attempting to beat the market has a much tougher job. He or she must correctly determine which stocks are “good” and worth owning and which are “bad” and should be avoided. By trying to beat the market, therefore, you inherently take the risk that you will lose due to poor stock selection, poor market timing or both.” Dan Wheeler, director of global financial advisor services at Dimensional Fund Advisors.

This Month’s Question: Are All S&P 500 Index Funds The Same

The other day I was looking at the returns and additional data of mutual funds in the September issue of Kiplinger’s Personal Finance magazine. One of the first things I usually do is to look at the returns of the S&P 500 Index Fund. First, I looked at the returns of the Vanguard 500 Index. What did I find?

The Vanguard 500 Index -- (VFINX) Inception 9/1976

1 year: 8.5% 3 years: 11.1% 5 years: 2.4% 10 years: 8.2% since inception (1976) 12.00% (annualized)

No Load Expense Ratio: 0.18%

I then looked at some of the others and I came across the Morgan Stanley 500 Index. What did I find?

The Morgan Stanley 500 Index (SPIBX) Inception 9/1997

1 year: 7.1 3 year: 9.6 5 years: 1.0% (annualized)

Deferred Load: 5% Expense Ratio: 1.40%

You might think that since these two funds both track the same index and both own the same stocks from the S&P 500 Index (no manager to select stocks to buy---the computer does all the work) --- that the returns should be equal --- but the Morgan Stanley index trails the Vanguard index for the 1, 3 and 5 year periods.

Why? First, the expense ratio. Vanguard: 0.18% --- Morgan Stanley: 1.40%. The Expense Ratio represents the percentage of a fund’s assets taken out annually to cover management fees and other expenses. Why such a difference? Why is it necessary for Morgan Stanley to extract 1.22% more than Vanguard from our returns? Why are Morgan Stanley’s fees and expenses for running their S&P 500 index so much higher for running the same fund? Are they more interested in placing more money into their hands instead of into yours?

The Vanguard S&P 500 does not have a “load” expense. Morgan Stanley has a “deferred load” of 5%. Most index funds do not have a “load.” A deferred load fund is a mutual fund series that has no commission to purchase but is subject to a fund company charge upon redemption.

Typically deferred load charges start at around 5% to 7% in the first year, and will decline towards 0% over the next 5 to 7 years. So, not only are your returns diminished by the higher fees but you may have to pay a deferred load if you decide to leave the fund. Why does Morgan Stanley feel it is necessary to have a deferred load? Why penalize the investor if he/she decides they no longer want to pay the higher fees and expenses?

If you walked in to the Morgan Stanley local office and told the salesperson you wanted to buy shares of the S&P 500 Index Fund, what would he/she tell you? Would he suggest that you buy the Vanguard 500 index because it would put more money into your pocket instead of theirs? If you decided to buy the S&P 500 index fund tomorrow, would you place your order with Vanguard (or another firm with a low expense ratio and “no load”) or with Morgan Stanley?

“The directors of Morgan Stanley’s S&P 500 Index Fund know that shareholder returns inevitably will fall short of the competition as the cumulative effects of unreasonable loads, 12b-1 charges and excessive management fees take their toll. Profits dominate fiduciary responsibility.” David F. Swenson, Unconventional Success: A Fundamental Approach to Personal Investment

Our 2006 Workshop: Saving – Investing For Retirement --- A Simple Approach: Portfolio #8: The Couch Potato Portfolios

In the March 2006 edition of this newsletter, we featured, from Paul Merriman’s book, *Live It Up without Outliving Your Money*, Simple Portfolio #1. In April, Portfolio #2; in May Portfolio #3; in June, we Portfolio #4; in July,

Portfolio #5; in August, Portfolio #6; in September, Portfolio #7. Here is Simple Portfolio #8. You can examine previous portfolios by visiting our web site ---- www.retirementplanningconsultants.com.

Scott Burns is a syndicated columnist for the Dallas Morning News. His Couch Potato Portfolios have been watched closely since 1991. Some say they are so simple it's shamelessly embarrassing. Depending on your tolerance for risk, you can modify your asset allocation strategy. Those closest to retirement may opt for a more conservative approach. **The Traditional Couch Potato Portfolios** either carry a mix of 50% in the Vanguard 500 Index and 50% in the Vanguard Total Bond Market Index or a mix of 75% in the Vanguard 500 Index and 25% in the Vanguard Total Bond Market Index. How have they performed?

	50/50	75/25
Traditional	Portfolio	Portfolio
-1 year	7.45%	9.08%
-3 year	5.14	4.48
-5 years	2.92	0.40
-10 years	10.31	11.29 (12/2004)

The Total Market Couch Potato Portfolios either carry a mix of 50% in the Vanguard Total Stock Market Index and 50 percent in the Total Bond Market Index Fund or a mix of 75 percent in the Vanguard Total Stock Market Index and 25 percent in the Total Bond Market Index. How have those portfolios performed?

	50/50	75/25
Total Market	Portfolio	Portfolio
-1 year	8.35%	10.43%
-3 years	7.08	7.49
-5 years	4.01	2.05
-10 years	10.51	11.64 12/2004

Talk to the people in your benefits – compensation – HR office about this workshop and how it can help you and your fellow employees. Ask them to get in touch with us so that we can bring this informative program to your work place this fall. We think you, the average investor, can gain a great deal from participating in this workshop.

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“British potato farmers are miffed about the term “couch potato” and want it removed from the Oxford English Dictionary. They believe that the term, which originated as American slang, has hurt the reputation of the potato industry.”

Interesting Perspective: Losing Money In The Market, At Least Temporarily, Is A Sure Thing

You will hear --- read about the money you can make in the market. But, how often do you hear– read about losing money in the market. Wall Street loves to tell us how life will be worry free if you just accept their tips, solutions and services. That is one heck of a mighty marketing message --- one we’d all like to buy into. But in real life, we all know better --- at least, we should know better.

Paul Merriman, of FundAdvice.com, in his article, “Losing Money Is No Fun,” tells us that “If you invest in stocks, either directly or through mutual funds, you will sometimes lose money. This is not a possibility. It’s a certainty.” “Even if you eventually sell at a profit, as we all want to do, there will be down periods in which you will lose money. If you were invested in the market in May, June and July this year, you almost certainly lost some money.”

After three years of strong recovery from the big bad bear market of 2000-2002, many people started to think and act as if the market could go nowhere but up. Then, this year without warning, along came a sudden correction that in four weeks wiped out most if not all gains from the previous four months.

Merriman says that what happened in the spring is perfectly normal market behavior. It’s called a drawdown, a drop in market value that is presumably temporary. When Merriman looked at the market from 1970 through 2005, he noted a few things:

- 1970 was a pretty painful year if you had 50 percent or more equity exposure.
- 1974 was the worst year for equity investors; at one point the S&P 500 Index lost nearly one-third of its value.
- 1977 was bad for fixed-income and S&P 500 Index investors, but diversified portfolios produced only a small amount of pain.
- 1984 was the worst year for the diversified portfolios.
- 1987 was painful but full-year results were quite positive for diversified portfolios. The 50 percent portfolio gained 11.8 percent that year, the 60 percent portfolio was up 13.3 percent and the all-equity diversified portfolio gained 18.2 percent. The S&P 500 Index was up 5.2 percent. Drawdown’s show the pain but not necessarily the whole story.
- 1994 gave investors nowhere to hide from losses.
- 1998 was very painful for diversified investors but drawdown-free for the fixed-income portfolio.
- 2003, 2004 and 2005 had worst drawdown’s that were much lower than average.

The overriding lesson Merriman takes from this table is that short-term pains are inevitable on the road to long-term gains.

Babson Capital Management in Boston publishes one of the oldest investment newsletters in the country. In one, they highlighted “five essential truths” that most investment veterans would find easy to endorse.

1. Markets are unpredictable and ill-suited to forecasts.
2. Long-term fundamentals hold the key to investment success.
3. Market volatility is a product of investors’ emotions.
4. Discipline should guide investment selection.
5. The market rewards perspective and patience.

“Trying to get rich quick is dangerous business. So is giving up too easily. If you follow the advice implied by those sentences, you will be on the right track.”

Safeco Mutual Funds Web Site

A Retirement Diary: A “Beef” With A Financial Columnist

I may not be as knowledgeable about investing as the columnists who write about investing. But, having said that, I have a “beef” with John Waggoner, financial reporter for the Gannett News Service. In his column, “It might be the right time to give tech a try,” he writes “If analysts hated technology stocks any more, their faces would get all wrinkled and stay that way. But sometime soon --- perhaps by November --- it might be time to stop the hating and feel the love.”

Waggoner tells us that for technology stocks, and the funds that invest in them, the past five years have been a tragedy interrupted by periods of calamity. The average technology fund has fallen 5 percent over the past five years, versus a 20 percent gain for the Standard and Poor 500 Index. When Waggoner states, “But the time may soon come when technology stocks will feel wanted again,” I begin to stew. Sure, that time **may** come, but when? By November? ---Come next Spring? --- Summer? --- Next November? And if and when it comes, what sector of technology? Software? Hardware? The Internet? Information Services? Information databases? Security?

Let’s imagine this scenario. You read Waggoner’s column and say “That sounds logical. Technology will come back so I’d better get in right now or maybe in the next 30 or 60 or 90 days ---I’ll buy in on the low side and then when it peaks, I can sell high and make a ton of money and build my retirement nest egg.” You then change the make up of your 401(k). You take \$10,000 from your other funds and invest in technology. And because of a 5% front end load,

your \$10,000 in technology funds may suddenly be worth \$9,500. What happens if it then falls to \$9,000 and then \$8,500. Do you stay in technology and hope for a rally or do you take the \$8,500 and go back to the funds that you owned before you jumped on the technology bandwagon.

What Waggoner is proposing is “market timing.” Market timing supposes you can predict or spot in advance a turning point and get a jump on the market. That is impossible to do with any regularity. Trying to time a market direction? You might as well flip a coin. It was Issac Newton, the greatest English mathematician of his generation who in 1768, after being wiped out in one of the many stock market crashes of his era, said “I can calculate the motions of heavenly bodies but not the movements of the stock market.”

Some consider market timing to be a form of gambling based on pure chance because they do not believe in the possibility of predicting future financial prices. The efficient market theory (EMT) suggests that financial prices often exhibit “random walk” behavior and thus can not be predicted with consistency.

All we really know about investing is what has happened in the past? And that is why you read the phrase --- Past performance does not guarantee future results --- in any ad promoting the sale of mutual funds. As we have stated before ---- all investing involves risk.

As we have and many others have stated is that at the end of the day, what really will build your retirement nest egg is the long-term potential of companies small and large -- - avoid the call of the columnist who tells you “It might be the right time to give tech a try.”

As I “bash” Waggoner, I also have a bone to pick with the “Market Trends” page in USA Today where they highlight this “Quarter’s Best Mutual Funds.” Q. What does 13 weeks’ worth of information tell you about a mutual fund? A. What has happened in the past 13 weeks --- only what has happened in the past recently.

Over the years, so many of the writers in the Money section of USA Today have encouraged us investors to invest for the long term. What we do know from scholarly research is that “chasing performance” and buying mutual funds on the basis of recent past performance is a “loser’s game --- even the highly paid people on Wall Street can’t do it on a regular basis. It is impossible to predict future winning funds. In fact, a study by Dalbar, over a 20 year period, shows that the average 401(k) investor, who chased “recent performance,” earned less than the rate of inflation. And that I say, chasing recent market performance, is no way to build a retirement nest egg.

“Over reasonably long periods of time, stocks trump bonds and stocks trump cash, hands down. Close examination of asset class returns produces evidence that supports the value of diversification. The volatility of risky asset classes proves too great for investors to stomach, arguing for moderation in exposure to any individual class of securities. Equity orientation and diversification make sense.” David Swenson, *“Unconventional Success: A Fundamental Approach to Personal Investment.”*

Mistakes Investors Make: No Investment Plan

Most of us know that building a retirement nest egg requires having a plan and that is why it is so puzzling that so many people will spend days making plans for a two-week vacation but spend little time in developing a plan that will help to finance 20 – 30 or more years of their retirement.

ING’s Retirement Readiness Survey reveals that nearly two-thirds of Middle-Americans don’t have a plan for creating a paycheck in retirement.

A few years ago, Fortune Magazine published an article which stated that people with written plans governing their investments, on average, wind up with five times as much money during retirement as those without written plans.

Obviously, the act of writing a plan doesn’t put money in your pocket. But people who are methodical enough to put their plans in writing are also likely to do many of the other things that lead to successful investing. And of course, even the most brilliant plan is worthless if it just collects dust on a shelf.

With a plan, you can get back on course when you go astray. But without a plan, you can’t even know you’re off course. If you don’t have an investment plan that’s right for you, developing one should be your top priority.

Some people think a really good investment plan is complex and difficult. But a really good plan is one that you can understand, and one you will use. Many of our articles are devoted to investment strategies and plans, and some people find the topic a bit overwhelming. Some people put off having any plan until they have what they think is the perfect plan. Here are eight basic principles for successful mutual fund investing.

1. Have a plan. Even if it's simple, even if it's imperfect, having a plan is much better than simply following your whims and emotions.
2. Start investing as soon as possible. We have said it repeatedly: Time is your best ally. Give your plan time to perform and you'll get the benefit of compound interest. This is especially effective in tax-deferred accounts.

3. Diversify your investments. Your job and your home are both dependent on your local economy. If you invest in your company's stock as well, you may be putting too many proverbial eggs in one proverbial basket. Diversify asset classes (stocks, bonds, cash) and different companies or managers (mutual funds). And diversify geographically by having some of your money invested internationally.
4. Invest regularly. Investing is a process, not a onetime event. If you make investing a habit and routinely "pay yourself first" from your income, you'll maximize your chance for success. Best: Set up an automatic savings plan at work so you don't even see the money before it is invested for you.
5. Maintain a long-term perspective. Microsoft Chairman Bill Gates, reportedly the richest man alive, once said he only looked at the price of Microsoft stock about once a month. Gates knows a secret that too many investors ignore: Focus on long-term results, not what's immediately in front of you.
6. Keep some of your money in equities. Almost any portfolio can benefit from at least a small investment in equities for growth. Over the long-term, stocks and the mutual funds that invest in them outperform bonds and cash and keep investors ahead of inflation.
7. Keep some of your money in cash. It's certainly wise to have enough cash on hand, or funds with low volatility, to cover emergencies, contingencies and opportunities. Don't set yourself up so that you have to sell an investment at the wrong time in order to meet immediate needs that you know are bound to come up sooner or later.
8. Know what you are buying. Don't part with your money until you understand the potential risks that go along with the potential rewards from any investment. Keep asking questions until you understand. And don't invest in things that are too complex for your own comfort level.
9. Understand your plan so that somebody with designs on your money or your business can't unreasonably talk you out of it. Many people in the investment business want you to abandon or modify your plans for their own purposes. I am not saying you should never listen to them. But you should be able to measure their arguments against your own careful planning and thinking. Otherwise, they may persuade you to abandon your plans on the basis of emotions or irrelevant factors. That will put some of your money in their pockets. But it may not put any more money in your pocket, and it may in fact cause you serious financial harm.

10. Once you have a plan follow it. It's a funny thing about plans: They don't work unless you follow them. Even a "perfect" investment strategy does you no good if you can't or won't put it into practice. If you can't bring yourself to do this, modify your plan until it's one that you will follow. Even an imperfect plan, if you use it, is better than none at all.

"Life is what happens to you while you're too busy making other plans."

John Lennon 1940 – 1980, English singer, songwriter and political activist. Member of the Beatles

Are You Surprised: One In Five Americans Don't Have A Retirement Fund

Yesterday was your first day at work with the Zippo Software Company. You started the day in the H. R. office. They gave you a six-inch high stack of documents on company policy, your health and life insurance options, sick leave policy, birthday parties, the company picnic, flu shots, ethics, parking permits and of course, their 401(k) plan.

And they didn't tell you about their pension plan because like so many employers in today's business world, they don't have one. Pension plans today are as rare as a sighting of Elvis.

The HR people told you that you had to make 4 decisions about your 401(k):

1. Decide if you want join or opt out.
2. What percentage of your pay would you like to allocate.
3. Which mutual funds you want to invest in.
4. What percentage you want to allocate to each fund.

You decided to sign up for the 401(k). Unfortunately, 20% of new employees don't.

You ask Ms. Smythe (HR director) "Is there someone who can give me some advice." Ms. Smith replies, "No." She didn't say so but the Zippo lawyers told her that it was illegal to give advice. So, you say, "Let me take this stuff home and I'll let you know." And, in too many cases, this 6-inch stack of paper ends up at the bottom of the bottom drawer in the computer desk at home.

However, thanks to the Pension Protection Act, passed by Congress and signed by President Bush in August, that scenario is due to change. The Act now eliminates the roadblocks the Zippo lawyers offered in paragraph #4 and allows Zippo and other employers to put their employees into a 401(k) (auto enrollment) automatically (unless they opt out) and in many cases offer them some financial advice. Some experts say that auto enrollment is enough to make enrollment rates double.

But, that is only step #1. In order to build a solid retirement nest egg, workers must also contribute enough

money and invest it wisely. And Richard Thaler, professor of behavioral science and economics at the University of Chicago, has developed a strategy which can address both goals. In his research, Thaler found that savings levels jumped when companies convince employees to agree to automatically increase their contributions whenever their pay increases. Thaler says that since their paychecks never shrink, but simply grow by less, the employees never suffer sticker shock.

Thaler adds that one way to help employees make better investment choices is to offer fewer, not more funds in their retirement plans. He says that too many choices "can flummox less sophisticated employees" and that a diversified portfolio like a life-cycle fund is a good default option. Hopefully, with this change, employers will take on their responsibility by asking themselves, "What can we do to help our employees get to where they need to be in building their retirement nest egg."

How Can I Look At: How Health Care Inflation Will Affect The Purchasing Power of My Social Security Benefits

We all know the ever increasing cost of health care will take an ever increasing bite out of our monthly social security check. Now, you can experiment with how health care inflation will affect your benefits. You can visit Scott Burns (Dallas News Financial Columnist) web site at www.scottburns.com and go to the "Medicare vs Social Security calculator." The site is free but you will have to register.

It will calculate the year-by-year impact on your Social Security benefits over the next 25 years. You can choose any Medicare inflation rate and any benefits inflation rate.

Sandy The Smart Save: How Long Will You Live

Hi, I'm Sandy The Smart Saver and I am here once again to give you some tips on planning-Saving- Investing For Retirement and I am still taking a light-hearted approach and still trying to make the whole saving-investing for retirement process a "fun" event. And of course, I am still not your average squirrel.

One of the most difficult numbers to determine when planning for retirement is how long you plan on living on this continent. Do you plan on hanging around so the you can celebrate your 65th, 70th, 75th, 80th, 85th, 90th birthday? Sure, you consult the actuary table but that will give you an estimate --- no guarantee. But, should you plan on using the number they give you? Good question --- and that is the one I just asked Walter Updegrave, the senior editor for MONEY Magazine.

Walter said that a key part of planning is amassing enough money that can last a lifetime. You want to be on the safe side when it comes to life expectancy. I asked "How safe is safe." Walter replied, "Sandy, think of it this way. Outside of having a known life-shortening condition or being in the final stages of a terminal disease, there's no way any of us can know for sure how long we'll live. Yes, we can look at longevity statistics and see that a 65-year-old man has roughly a 50 percent chance of living to 85 and a 65-year-old woman living to 88."

I said, "Walter, you and I know that those figures represent averages. In a large group of 65-year-old men and women, many will die before they reach 65, and many will live longer, much longer. And they also tell us that women live longer than men."

"You're right Sandy. A 65-year-old man has about a 25% chance of living to 92. The life expectancy calculators that you and I looked at give us an estimate and that factors in our family history, fitness level and other information, but we're still not dealing with a very high degree of accuracy. And given the underlying uncertainty, I think that when planning for our life in retirement - whether it's estimating the returns we'll earn or the number of years we'll be around - we ought to consider the consequences of being wrong."

I then said to Walter "I tell the knuckleheads in our extended family, when they are not chasing cars in the neighborhood, that as a rule, if you want your nest egg to last at least 30 years, you should limit your draw in your first year of retirement to about 4 percent of your portfolio's value. And since prices for the things you'll need will continue to rise during your retirement, you'll want to increase the dollar amount you withdraw by the inflation rate each year. But, Uncle Elmer keeps telling me that he doesn't plan on living to 80 or 85. He's the party boy in our family."

Walter said, "OK, maybe Uncle Elmer doesn't plan living beyond age 80. That's fine. But what if Uncle Elmer plans withdrawals from his portfolio on that basis and he's wrong?" I quickly interrupted "Walter, those last five or seven or 10 or however many years might not be so golden. They might be rather grim. Who knows --- no acorns in the pot."

Walter said, "Sandy, I see where you're coming from. You and I know there is a downside to planning for a long life. Perhaps you didn't take a cruise you might otherwise have taken or you cut back in some other way. Call me overly cautious, but I'd rather run the risk of living less large in retirement and possibly leaving some money behind when I go rather than go through my assets and have to eke out my final years with fewer acorns.

I mean, if my portfolio has run dry at 85 and like the Energizer Bunny I'm still going and going, what am I going to do? Start a second career and build another nest egg?"

I said, "Walter, Uncle Elmer has never run around like the Energizer Bunny but for me, the reasonable approach, is to build a margin of comfort into your retirement plan." Walter replied "Sure the life expectancy stats say you've got another 20 years, then, hey, I'd want to tack on at least another five for purposes of gauging how long my money needs to last. If it turns out I depart this earth at age 85 and I still have enough money to get me to 90 or 95, that's okay by me."

"Walter", I said "I prefer that rather than finding myself in a situation where I'm 85 and my portfolio is running dry, that I've got miles to go before I sleep."

"You can't do anything about the length of your life but you can do something about its width and depth." Henry Louis Mencken 1880 - 1956. American humorous journalist and critic of American life.

Sandy Cartoon:

Sandy to wife Camille: Have you heard any good stockbroker jokes lately?

Camille: Oh yes. Warren Buffet, the Easter Bunny, Super Man and an ethical stockbroker find themselves each in a corner of a large trading floor. In the center of the trading floor is a \$100 bill. If each individual starts racing towards the center of the floor at the same time, who gets the \$100.

Sandy: There are a lot of possibilities but tell me.

Camille: Obviously it's Buffet, of course - the other three simply don't exist!

QuickTake: Why Fees Are Important To The Wall Street Marketing Machine

The September issue of Smart Money magazine informs us that the 78 million baby boomers born between 1946 and 1974 hold about \$11 trillion in investable assets --- everything from mutual funds and stocks to savings accounts and CDs. "If financial firms could collect a 1.5% fee for managing every dollar, it would add up to a \$16.5 billion annual payday."



Look at the ads in the financial magazines and on television and you will see the Wall Street Marketing Machine in action. There you are: driving your boat, golfing with your friends at the country club, relaxing on the beach in the Caribbean, etc. But, the question is --- will the picks, buy recommendations and hype put you in the boat, on the golf course, on the beaches in the tropics? However, you can be sure that the 1.5% fee that is taken out of your assets will buy the boats, country club memberships and cruises on the Caribbean for the members of the Wall Street Marketing Machine.

Sixteen and a half billion dollars is a lot of money going to the Machine every year. Are they really earning it? Can they show you how well your fund (s) are doing against a comparable benchmark or index fund which may be charging you an annual fee of .18% vs 1.5%? Are they really worth paying 1.32% more than the index fund? And if they are, can they show you the document ---- in a language that you can understand-- which verifies how they are doing it?

"Anyone who lives within their means suffers from a lack of imagination."

Oscar Wilde 1854 – 1900, Irish playwright, novelist, poet and short story writer.

Stock Market – Wall Street - Investment Humor –

What's the difference between buying a community lottery ticket and buying a penny stock? In the first case, you help finance your local community swimming pool. In the second case, you help finance the stock promoter's new home pool.

For additional information or if you have any questions, contact, Robert R. Julian, Retirement Planning Consultants, 313 Blackstone Avenue, Ithaca, New York 14850, (607) 255-4405, email: rrj1cornell.edu. Visit our website at retirementplanningconsultants.com Retirement Planning Consultants provides a number of resources designed to help individuals make informed decisions on planning – saving – investing for retirement. We offer unbiased and easy-to-understand information from an impartial outside source. We've been doing that for almost 30 years.

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Quotable Quotes

- *Let's face it: If corporations across America are doing a lousy job of saving enough money and investing it for their workers' retirements, can we expect employees to do a better job if handed the responsibility? As bad as things are in the traditional defined benefit arena, I've long felt that the 401k plan will evolve into a financial debacle, the likes of which this country has never seen. To put it bluntly, the average intelligent investor does not have the wherewithal to save enough money and invest it wisely over a thirty year career to support himself for a twenty-five year period of unemployment called retirement. Bill Schultheis, The Coffeehouse Investor.*
- *Success is going from failure to failure with no loss of enthusiasm. Winston Churchill, 1874 – 1965, British Statesman, author, prime minister from 1940-45 and 1951-55. Won Nobel Prize for literature in 1953.*
- *With a 401k, workers get a lot of choices – too many choices, in the view of many analysts. Workers have to decide whether to sign up, how much to contribute, how to invest the money and how to withdraw it at retirement. And they make mistakes at every step along the way. Those mistakes can leave them stranded at retirement age. Report from Center for Retirement Research at Boston College.*
The only true wisdom is in knowing you know nothing. Socrates 470 – 399BC, ancient Greek philosopher widely credited for laying the foundation for Western philosophy.
- *Before costs, investors collectively earn the market's performance. After costs, investors collectively lag behind the market. In fact, investors -- as a group -- will lag behind the market by the extent of their investment costs. That doesn't mean you won't earn market-beating results. To do so, however, not only do you have to outwit your fellow investors, but also you need to overcome the drag from your own investment costs. That's no easy feat -- and very few folks manage it over the long haul. Jonathan Clements, Wall Street Journal columnist*
- *Waste not fresh tears over old grief's. Euripides 480 – 406BC, last of the three great tragedians of classical Athens.*