Spouse's Financial Seminar
TBA, July, 2008

I. Set Financial Goals & Write Them Down - Read Daily

A. Goals that matter
1. getting out of debt
2. house
3. emergency fund - 3 - 7 months' living expenses (Money Market)
4. funding retirement
5. college
6. car
7. vacations

B. Discuss with entire family

C. Start now by putting time on your side

D. Be careful when buying something that may take away from goals

E. Be prepared for change -- re-examine every few years

F. Be grateful and appreciative

II. Having a Plan

A. Identify how you spend your money
1. Analyze current spending and see if it fits your financial goals
2. Track your spending to make sure you stay on track to achieve goals

B. Things to be careful of with plan
1. Spending beyond your limits
2. Cash leakage – ATMs
3. Luxuries dressed as necessities
4. Watch out for spending creep

C. Things to do with budget
1. Pay yourself first -- 10%
2. Use software like Quicken or Microsoft Money
3. Relax -- Don't go overboard by being overzealous
4. Tithing or contributions to a worthy cause

III. Manage Debt and Cutting Costs - Act your wage

IV. Good Debt vs. Bad Debt

A. Good debt is anything you need but can't afford to pay for up front without wiping out cash reserves.
1. Home
2. Car
3. College

B. Bad debt -- things you don't need and can't afford. Worst form of debt is credit card debt because of high interest. The average American has $9,200 in credit card debt.
   1. Vacations
   2. Eating out
   3. Jewelry
   4. Clothes -- This is okay if you can pay balance in one or two months

C. Things to watch out for with credit cards
   1. Paying only minimum each month
   2. Taking out a loan to pay credit card and then running up debt again
   3. Never use home equity or retirement money to get a loan

V. 403b, investing in retirement accounts -- a tax deferred retirement plan available to employees of educational institutions and certain nonprofit organizations

A. Why the 403b is important -- It can be an excellent way to save money for retirement

B. How the 403b works -- Employees set aside money for retirement on a pre-tax basis through a salary reduction agreement with their employer. Contributions & earnings on investments grow tax-deferred until the time of retirement, when withdrawals are taxed as ordinary income.

C. Tax advantages -- Contributions are pre-tax and come directly out of your paycheck.

D. How much can be contributed? -- For 2008, employees can contribute $15,500 in regular contributions.

E. Where the 403b can be invested -- in a fixed annuity and/or variable annuity and/or a mutual fund.

VI. The Roth IRA -- a retirement account that you fund with after-tax contributions and on which you will owe no tax when you take any or all of the money out. You must be 59'/2 and have had the account for 5 years.

A. Eligibility -- single workers earning up to $101,000. Phases out at $116,000. Married couples (filing jointly) earning up to $159,000. Phases out at $169,000.

B. Contribution amounts -- For 2008, the limit is $5,000. In addition, if you are 50 or older at any time during 2008, you can contribute an additional $1,000.

C. Tax advantages -- No pre-tax advantages, but withdrawals are never taxed and are always available for withdrawal. Tax-free withdrawal of earnings may begin at age 59'/2 (account must be held at least five years). You can withdraw early for disability, first time home purchase, and death.

VII. Annuities in a 403b

A. Exceptionally high fees -- up to eight times more expensive than mutual funds.
B. Dubious insurance component to take advantage of this benefit two things must happen
   1. You must die
   2. The market must have dropped
C. Surrender charges often lasting as long as 10 years
D. 403b is already tax-deferred

VIII. Why are annuities prevalent in 403b plans?

A. Pushed by commission-based sales force
B. Lack of employee understanding
C. Lack of employer oversight & understanding

IX. Target Date Funds for 403b -- are best in my opinion

A. They make asset allocation simple. 90% of returns are based on asset allocation.
B. Automatically adjusts asset allocation over time -- from aggressive to conservative.
C. It is simple, just pick retirement year & they do the rest
D. It takes the volatile aspect of investing, emotion, out of the equation
E. They are very inexpensive because they use index funds, or no-lead managed funds
   1. T. Rowe Price Retirement 2035 --.74%
   2. Fidelity Freedom 2035 --.81 %
   3. Vanguard Target Retirement 2035 Fund -- .19%
F. You only need one fund to fund your retirement

X. Steps to take to start 403b

A. Ask your employer for list of available investment companies (vendor list) TRS has list
B. Research companies & investments. Check out fees, rules, and whether surrender charges exist

XI. What if you are already in an expensive variable annuity? Do a 1035 exchange to another less expensive annuity with Vanguard Fidelity, Ameritas, or USAA among others.

XII. 529 Plan -- a state-sponsored college savings plan.

A. Money inside the plan compounds without tax and if it's used to pay for college tuition, room and board, and other related higher education expenses, the investment earning and appreciation can be withdrawn tax-free.
B. Disadvantage -- the money in these accounts may treat these assets as belonging to child and may reduce financial aid eligibility

XIII. Some Things I've Learned

A. Start your 403b investing NOW. Don't wait -- no excuse!!
B. Don't waste money on annuities in 403b. Keep insurance and investing separate.
C. Don't buy individual stocks -- buy No-Load Mutual funds and/or Index Funds
D. Be careful who you trust with your investments
E. Trust your own gut instincts -- even over the pros.
F. Don't chase winners.
G. Use Target Date as core for most of your 403b.
H. Cost matters when deciding which fund to invest
I. You don't have to know everything about investing to make smart decisions
J. Working part-time in retirement can help
K. Use fee-only C.F.P. (800-366-2732; www.napfa.org
L. Use term life insurance for insurance needs. No whole or universal life.
M. DCA works!! (Dollar Cost Averaging) -- investing on a regular basis
N. Best investment tool is the power of compounding.
O. Stay the course - You can't be a fair-weather investor.
P. If it sounds too good to be true, it probably is.
Q. It's not how much you make, but how much you save that counts.
R. Buy long-term care insurance in late 50s, early 60s.

Check out -- www.403bwise.com and www.choosetosave.orq
Books on retirement & financial planning:
Mind Over Money : Your Path to Wealth and Happiness by Eric Tyson
Smart and SimDle Financial Strateaies for Busv Peoole by Jane Bryant Quinn