

June 2003 - Nevada Benefits Newsletter
9505 Hillwood Dr., #100, Las Vegas, NV 89134
702-258-1995 Fax: 702-877-0956
www.NevadaBenefits.com



"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money." ~ Arthur Godfrey ~

SOCIAL SECURITY: What's Social About It... And Who's Getting The Security??

Lots of people have all kinds of questions about the war in Iraq. Whether you are for or against the war, or somewhere in between...you cannot deny that it brings up lots of questions. Questions about the war itself, the reasons for it, what happens next, will we be going into Syria or Iran, how will these poor, oppressed Iraqis build a decent and fair society after being victims of a madman murderer for decades...and so on.. Lots of questions.

But, we've got questions about what's going on in OUR country. As important as the war on terrorism is, we cannot ignore the issues and threats that exist here inside the US...no matter what threats occur from outside.

One issue that drives us particularly crazy is the subject of Social Security...and its ability to provide security for us and our descendents. As you may or may not know, the government's own accountants keep changing how long Social Security can last...but always agree that it's on a path for total bankruptcy some time in the near future. So, with that said, let's ask some more questions about Social Security!

First of all, the whole idea of Social Security came about when the government felt the need to "protect" people from growing older and having little or nothing to "retire" on. Back in the 30's, in the political heat of the depression, the leaders in Washington felt they had to do something to make it feasible for people to have a "retirement" that was dignified...so people could enjoy life after working so hard for so many years.

One could debate the issue of whether or not "society" owes anyone anything,

especially a time not to work because you have reached a certain, arbitrary age. Some people would say that hard working people "deserve" a retirement to look forward to, to enjoy, and to be "secure" and that our government's job is to make sure we are "taken care of" when we hit certain milestones in our lives.

Other people have an entirely different viewpoint. They say that the government owes nothing to anyone and that we're all responsible for our own destiny and fate. That if we don't save up for our retirement, and then we don't have a "secure" one...it's not anyone's problem but our own. That "society" shouldn't bear the burden of anyone's "right" to a secure retirement, because, no such "right" exists, and no one "deserves" anything they don't get on his or her own.

Now, we're not saying we take either viewpoint on this issue, because in reality, it doesn't matter. The government did what it wanted to back on August 14, 1935 when they instituted Social Security...and they keep doing what they want to do.

The big question we have is this: If Social Security is so critical for us as a society...why has it been so mismanaged?? Why haven't we been allowed to invest some of our own money as we see fit, as so many other countries allow their citizens to do?

Here's what some people think: The recent swoon in stock prices is proof that allowing workers the freedom to choose Personal Retirement Accounts in place of the longstanding Social Security framework is a bad idea. What is missing from this discussion is a full understanding of just how much greater market investment returns are

compared with what the redistributive Social Security promises, let alone what it can afford to pay. The difference is in fact so great, stocks are the overwhelming winner even when one takes into account the recent market downturn.

Consider the following information assembled by Peter Ferrara, director of the new International Center for Law and Economics in Washington, D.C., as reported in a recent Wall Street Journal article: Let's assume John Q. Taxpayer, a single, moderate-income worker, is retiring today. For argument's sake, let's imagine that instead of paying into Social Security his whole life-long, John had been allowed to place his payments into a Personal Retirement Account when he first entered the work force way back in 1959 at the tender age of 22. In his first job, John was earning just \$4651 a year, not bad for 1959.

Now, suppose our hard-working Mr. Taxpayer received the average increase in wages each year that was actually experienced by workers over the last 44 years. He then paid into his Personal Retirement Account each year the exact amount of Social Security taxes actually paid by him and his employers that instead went to finance his present retirement benefits. Being a bit cocky, John brashly invested all this money entirely in stocks each year and earned the average return on large-cap stocks that was actually earned for each of the last 44 years, as reported by Ibbotson and Associates.

In the real world, John Q. Taxpayer's Personal Retirement Account would have peaked at a whopping \$825,936 back in 2000. Since then the drop in the market would have brought the value of his account down to about \$600,000 as he reached retirement age. His Personal Retirement Account would still have enough funds in it to pay him around \$74,250 in annual benefits, over four times as much as our current Social Security system, which pay the graying John

Q. Taxpayer only \$17,623 in annual retirement benefits!

Moreover, John's investment experience would not end just because he retired. His Personal Retirement Account would continue to be invested and grow to support his future benefits. He would then be able to gain the advantage of any rebound in stock prices that may occur.

The point of Personal Retirement Accounts is not to get workers to invest in the stock market; far from it. John Taxpayer could also have beaten Social Security by a wide margin simply by investing in bonds, annuities, or similar low risk vehicles, and earned the average returns that were actually earned on them these past 44 years. Though he would have done better investing in a well-diversified portfolio of stocks, even a low risk, diversified portfolio would have handsomely beaten the returns from Social Security!

Isn't it about time we fixed this medieval system Social "Insecurity" system so it's fair for everyone, and so we can have a chance of a better payout at the end? I say it is. In the mean time, what can you do for your family and your security? The same thing that we've been harping on forever! Plan now for the future! The most successful people are the people who plan the best and keep on top of their plans. We aren't likely going to get Social Security to change or the Congress persons' retirement plans to change...so YOU have to be in charge of YOUR retirement plan!

If you haven't started **your** financial planning for 2003, DO IT NOW! Call us up for your annual review, RIGHT NOW, while this is fresh on your mind. We'll take care of the rest! (Don't forget, we know where to find you!)

REMEMBER – WE WANT YOU TO CONTACT US WITH YOUR "HERE'S WHAT WE'RE THINKING ABOUT DOING QUESTIONS", NOT YOUR "GUESS WHAT WE JUST DID!" COMMENTS! Call Phil at 258-1995 to get started today.

Saving for College Just Got a LOT Easier!

Now with the Fidelity Investments 529 College Rewards Platinum Plus MasterCard

Benefits of the card include:

- ✓ 2% of all purchases (not up to 2%) are accumulated in a Fidelity managed 529 plan. Fidelity is a company you know and can trust.
For every \$1000 you charge \$20 will be deposited in your college savings account. If you charge \$100,000 a year that's \$2000 extra you'll have to cover college costs.
- ✓ No annual fee.
- ✓ 2.9% introductory rate with 9.9% percent after the introductory period.
- ✓ Up to \$100,000 credit line.
- ✓ 24/7 fraud protection and customer service.
- ✓ Secure Internet access to account information and MBNA shop safe.

To request an application card call Will at **258-1995** or email will@nevadabenefits.com

Financial Tip Of The Month...

Reverse Mortgages...Are They Right For You?

With a reverse mortgage, homeowners' age 62 or older can take cash from their home equity and pay nothing until they move out or die. Reverse mortgages come in three forms: a monthly payment for life (like an annuity), a lump sum, or a line of credit. Anyone qualifies, but the amount you can get depends on the value of the house and your age.

When this mortgage was first designed, lenders thought the annuity would be most popular. It gives homeowners a chance to beat the bank if they live longer than expected. Instead, two-thirds take the line of credit, figuring to use only as much as they need and preserve the rest, according Ken Scholen, home-equity expert at the AARP.

Up-front costs on a reverse are higher than on a regular mortgage. In the case of a \$175,000 reverse, typical costs include an origination fee of \$4,700, mortgage insurance of \$4,700 and finance costs of \$1,200, servicing fees of up to \$4,500, leaving a payout of about \$160,000.

Financial advisors say a reverse from the Federal Housing Authority (FHA) is the best deal. It's called a home-equity conversion mortgage. The interest rate floats with the one-year Treasury bill and is consistent from lender to lender.

Many seniors, hurt by falling yield payments from retirement accounts, are considering the reverse, and lenders are aggressively marketing them. The number of reverse mortgages grew by 74 percent last year We say this loan is only for people with compelling reasons to stay in their current home. Questions they should ask:

- * Do my kids really want to inherit this house?
- * Can grown kids provide temporary financial help?
- * Should I sell? A less expensive home could have many advantages.

Federal law requires borrowers to take financial counseling before taking a reverse mortgage. The three-hour course is free.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning is the only way to find the right answers for your situation! As with any financial issues, make sure you get the right information before making a decision! If you have any questions, we'll be glad to help you!

SUCCESS STORY OF THE MONTH!

(Note: The details of these stories have been changed to maintain confidentiality, and some compilations are used to accomplish anonymity.)

“Doubt is a pain too lonely to know that faith is his twin brother.” ~ Kahlil Gibran ~

"A Mom's Always A Mom!"

This story begins with the death of a man in his early fifties, Art, who died of lung cancer. Art worked for a large company in the area, and when he passed away, he left a modest life insurance policy, a small home with a mortgage still on it, and a retirement benefit from the company, which was paid out in a smaller amount to Art's wife and kids.

When Art died, the three children--Terry, the oldest son; Peggy, the middle daughter; and Karen, the youngest daughter--were all still at home. Terry was going to college evenings and working days in a local grocery. Peggy was engaged to be married soon. Karen was dating someone seriously.

Within a year, both daughters were married and pregnant. Peggy had a little boy, Jake, and Karen had twins, Robbie and Sam. Terry finished college and landed a job with a company in the area. It was modest but something he enjoyed doing.

Mom, Vicki, who had never worked outside the home since her children were born, was still only 52 years old. She was quite young to be a widow and a retiree! She was not used to handling money or concerning herself with money issues. Art, had taken care of all that. She was faced with a whole, new set of challenges.

At first, between the money left from the insurance policy and the income left from her husband's retirement plan, she managed--not great, but okay. Now, Vicki was glad the girls were married and out of the house and happy with their families. This relieved her financial burden some, with only Terry to take care of at home. But, as often happens these days, when children leave home, they don't always leave for good.

Jake was only two when Peggy and her husband split up. In fact, Peggy's husband just picked up and left one day without coming back. He moved in with his administrative assistant, and although Peggy tried suing him for child support, he kept claiming to be unemployed. Basically, he wanted nothing to do with Peggy or Jake. Peggy was forced to move back home with her mother. Vicki wasn't thrilled, but she thought, "What can I do? Jake's my grandson, and I have to take them in." Peggy had a job at a local bank, so it seemed a perfect situation for Vicki to watch Jake while Peggy worked all day.

Meantime, Terry was now close to 30, but he still hadn't figured out what to do about getting out of the family home. Vicki dropped hints every now and then, and Terry always said he was "working on it," but with a mom who always treated him so well, he didn't try all that hard to leave.

Karen and her husband, on the other hand, worked very hard and bought a small home. They raised the twins as best they could. It was them who kept telling Peggy and Terry to get out of their mother's home because they knew she couldn't afford to make ends meet. In fact, Vicki was dipping into her principal continuously because her income wasn't covering all the bills for the two grown children and her grandchild...and Vicki wouldn't hear of accepting rent or other money from either child living there. (Vicki was such a good mom, she could never say "no" to either of the kids, and as a result, Vicki spent lots of money on them. Lots of money.)

Now, last year, Karen's husband, Bob, was referred to us by his boss. Bob

scheduled an appointment to see us. He wanted to get some things set up for his own financial situation, and during the course of the initial interview, explained the situation regarding Vicki, Terry, Peggy, and Jake. Bob asked us if we would mind setting up a family meeting, with everybody discussing Vicki's financial situation. He really felt it needed to be done.

We told Bob we would be happy to schedule a meeting as long as the whole family agreed. Also, we wanted to make sure it could happen on a rational level because we would be dealing with some very emotional issues.

Well, we did get Vicki in with Karen and Bob. Peggy and Terry didn't want to have anything to do with the gathering (feeling, I guess, like they didn't want to rock the boat). We went through Vicki's entire financial situation and saw quickly that things were not good. In fact, after completing a plan for her, we sat down again to report that, at the pace things were going, *Vicki would be out of money by the time she was 59 years old.* She was understandably disturbed.

Now, from our perspective, we couldn't tell Vicki how to live her life and handle her family. But we could report that something had to change one way or another--she would have to get a job, or the kids would have to contribute money, or both. If not, Vicki was headed for big problems a few years down the road. Vicki asked us to help her work out her plan so she could continue to have Peggy and Terry live at home. She felt she could not just "kick them out" on the streets, so we had to work around their living at home. (Also, independently, Bob phoned me to say he wanted to work out this situation as best as possible, but we were to assume Vicki would not ask either child to leave.)

Obviously, Bob and Karen were disappointed in Peggy and Terry. They realized, though, that there was little they could do about the situation. We had our work cut out for us! But, we did manage to lay out a plan for Vicki that worked out the problems. We were able to show her how to:

- * Save about \$1,500 in insurance that was not needed!
- * Set up a rental system with Terry and Peggy contributing to family expenses!
- * Help both children save money on their income taxes (\$3,000 per year combined)--money we suggested be given to Vicki for household expenses!
- * Increase Vicki's investment income by \$212/month!
- * Refinance Vicki's debts - car payment, credit cards, etc. - saving her another \$356 a month!
- * Save another \$116 per month by adding the extra tax deduction from refinancing!
- * Save Vicki an additional \$2,255 a year by getting rid of a bunch of ridiculously expensive life insurance policies!

All in all, with the changes recommended in our plan, Vicki was able to take care of both her children and Jake, and she was able to pay all her bills each month. In fact, many months, she has money left over for savings!

Bob and Karen remain unhappy about Terry and Peggy, but they both feel better knowing Vicki is taken care of--that her retirement and future is secure. And we feel good having been able to help this family out!

It's not anyone's place to make value judgments about how Vicki feels about her children. Our opinions are unimportant. What's important is that Vicki feels good, that she's doing the things she feels she should be doing. While many of us may feel Terry

and Peggy are acting selfishly and are taking advantage of their mother, that's not for us to decide. Our job is to make the situation work--to plan the financial picture so that Vicki is taken care of. Such stories happen a lot these days...kids show up at home when least expected. And, as we said, "A mom is always a mom!"

The truth in this demonstrates how important planning is. You have to be able to lay options out and know which paths to take ahead of time to avoid being caught where Vicki would have been at age 59--flat broke and in huge trouble. Thank goodness Bob and Karen had the foresight to get her in to do some planning.

If you are interested in learning more about how you can save money in taxes, or other expenses you might be overpaying for...or want to sit down with us and have your plan reviewed or updated, give us a call! We're here to help you, and to help you keep on track with your planning. Don't be a stranger. Call us, and we'll assist you in having the best shot possible at reaching your goals, and having peace of mind! Don't wait until it's too late! Call Phil today at 258-1995.

Did You Know...

(Our monthly feature of tidbits of news and info to make your life easier, your money work harder and so you're healthy all the time!)

Did you know...

- 1. In New York Stat a fine of \$25 can be levied for flirting.** This old law specifically prohibits men from turning around on any city street and looking "at a woman in that way." A second conviction for a crime of this magnitude calls for the violating male to be forced to wear a "pair of horse-blinders" wherever and whenever he goes outside for a stroll.
- 2. Fastest growing group in bankruptcy.** More than 450,000 people in the 50- to 70-age group filed for bankruptcy in 2002, reports the Consumer Bankruptcy Project, a joint effort by six universities. When compared with 180,000 in 1991, this is the fastest-growing group in bankruptcy. Easy credit and hard economic times are prompting people age 50 to 65 to accumulate mortgage and credit card debt. The over-50 age group is still the country's wealthiest, with higher rates of home ownership and more assets than younger groups. Still, the median amount of money older people owed nearly doubled in every income bracket during the 1990s. The good news is that most of the increased debt is for housing, which is probably because of refinancing other debt into larger home mortgages.
- 3. Guarding your e-mail.** *If you want to know for sure that an unauthorized person isn't reading your e-mail, encrypting it is the answer. The editors of Popular Mechanics recommend using a program such as PGP (Pretty Good Privacy). After some years of development, it will be on the market by November at a cost near \$50. PGP software allows you to encrypt and decrypt e-mail and computer files, completely erase files, and lock the computer with a screen saver that requires a password. It's especially good for laptops, which are often lost or stolen, putting your personal data at risk. Criminals and terrorists want your data and want to steal your identity. If you're not sure you need e-mail privacy, ask yourself this: Would you write all your letters on postcards that anyone could read?*

Client Of The Month

Congratulations to Platinum Collectable's Inc. our client of the month. All of there employees won free show tickets to Hypnolarious now playing at the Bourbon Street Hotel. Platinum provides custom framing for memorabilia and has participated in charity fundraisers and auctions. Contact them at 740-0411.

If you would like any additional free reports, or would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please fill out the info on the reply form, and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you!

Nevada Benefits

9505 Hillwood Dr., #100, Las Vegas, NV 89134

702-258-1995 Fax: 702-877-0956

www.NevadaBenefits.com

YES! I'd like more FREE information on the following:

FREE Reports Available!

Call Will at 258 1995 to request any of these reports.

Or Check Off The Ones You Want On The Enclosed Form And Mail/Fax It In!

- "How To Avoid Overpaying For Your Life Insurance – Dirty Secrets About Life Insurance The Big Companies Hope You Never Learn"
- "The Secret Alternatives To CD's...What The Banks Don't Want You To Know!"
- "The 11 Biggest Mistakes People Make Before Or After Retiring...And How You Can Avoid Them!"

Please contact me to set up a FREE "Financial Check-Up" of my insurance, assets and overall financial well-being!

Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____ Email _____

Best Time To Contact _____

- Please send me additional pass along cards.
- Please add a FREE subscription to your monthly newsletter for the following people. I understand you will send them a note explaining I suggested they get this FREE subscription, and that all they have to do is contact us if they wish to cancel.

1. Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____ Email _____

Client Quiz!

Here's The May 2003 Quiz Question And Answer!

Q. How long should individual taxpayers keep their income tax related records?

1. Forever. 2. Six years after the return is filed or due. 3. Three years after the return is filed or due.

A. Three years after the return is filed or due.

Now, Here's the June 2003 Quiz Questions!

Q1. Do soldiers wear the flag backwards?

Q2. I soar without wings. I see without eyes. I've traveled the universe to and fro. I've conquered the world, yet I've never been anywhere but home. What am I?

Q3. I am the ruler of shovels. I have a double. I am thin as a knife. I have a wife. What am I?

One correct entry will be randomly drawn for a FREE large pizza from Vito's Pizza.

Email answers to will@nevadabenefits.com or fax to **877-0956**. Good Luck!