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We hope your summer vacation plans are successful and enjoyable. This quarterly edition of our newsletter provides some useful information to assist in planning for and enjoying your ultimate vacation commonly referred to as "retirement". Let us know if you would like to explore these topics in greater detail.

While the financial markets have not been as exciting as last year the first half of this year has provided limited volatility and slow but steady growth. We are cautiously optimistic for this trend to continue for the remainder of the year.

Thank you for your confidence in our firm. The greatest compliment you can provide is the referral of your friends and loved ones. We appreciate any introductions you would be willing to share of individuals who might benefit from learning about our services.

Your Advisory Team at Retirement Strategies, Ltd.

Jay, Jerry, Bob, Jeff, Nancy, Sara and Jordan

July 2014

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Summer Vacation Quiz

Did you ever wonder......?

15 Facts about Social Security

It's easy to take Social Security for granted when retirement is years away, but with 94% of the U.S. workforce covered by Social Security,* it's likely that this program will play a role in your financial future, perhaps even sooner than you think. Here are some facts and statistics from the Social Security Administration that highlight why Social Security is important to so many people.

Retirement benefits

The Social Security program began in 1935 as a way to protect individuals against economic hardship. Over the years, Social Security has grown to include several other types of benefits, but Social Security is still synonymous with retirement.

Did you know that ...

- Approximately 70% of Social Security benefits are paid to retirees and their dependents**
- 73% of workers elect to receive reduced benefits early, before their full retirement age*
- The average monthly retirement benefit is $1,262**
- The maximum monthly retirement benefit payable in 2014 is $2,642 for someone retiring at full retirement age***

Survivors benefits

Upon your death, your surviving spouse, ex-spouse, children, or dependent parents may be eligible to receive benefits based on your earnings record. These benefits can be a valuable source of income when your family needs it the most.

Did you know that ...

- Survivors of deceased workers account for about 11% of Social Security benefits paid**
- About 96% of persons aged 20 to 49 have survivors protection for their children under 18 and for their surviving spouse who cares for those children****
- The average monthly family benefit is approximately $2,561 for a widowed mother or father and two children*

Disability benefits

Disability benefits from Social Security can help protect you and family members that rely on you for financial support in the event that due to sickness or injury you're unable to work and earn a living.

Did you know that ...

- Disabled workers and their dependents account for 19% of Social Security benefits paid**
- Approximately 90% of workers age 21 to 64 and their families are protected against long-term disability****
- The average age of a worker receiving disability benefits is 53.2**
- The average monthly benefit for a disabled worker is $1,130**

Other facts

Here are some other facts about Social Security that you may not know:

- 55% of adult Social Security beneficiaries are women**
- More than 3.4 million children under age 18 and students age 18 to 19 receive Social Security benefits**
- Social Security provides at least half of total retirement income for 74% of nonmarried beneficiaries age 65 or older**

All of the following source publications can be found on the Social Security Administration's website, [www.ssa.gov.](http://www.ssa.gov)

*Annual Statistical Supplement, 2013, published February 2014

**Fast Facts & Figures About Social Security, 2013, published July 2013

***Fact Sheet: 2014 Social Security Changes, published October 2013

****Social Security Basic Facts, published July 2013

Test Your Knowledge of Financial Basics

A little knowledge can go a long way in pursuing your financial goals. For more information about the topics in this article, or for other personal finance-related questions, speak with a trusted financial professional.

All investing involves risk, including the possible loss of principal.

Working with a trusted financial professional is one of the best ways to help improve your overall financial situation, but it's not the only thing you can do. Educating yourself about personal finance concepts can help you better understand your advisor's recommendations, and result in more productive and potentially more prosperous financial planning discussions. Take this brief quiz to see how well you understand a few of the basics.

Questions

1. How much should you set aside in liquid, low-risk savings in case of emergencies?

a. One to three months' worth of expenses

b. Three to six months' worth of expenses

c. Six to twelve months' worth of expenses

d. It depends

2. Diversification can eliminate risk from your portfolio.

a. True

b. False

3. Which of the following is a key benefit of a 401(k) plan?

a. You can withdraw money at any time for needs such as the purchase of a new car.

b. The plan allows you to avoid paying taxes on a portion of your compensation.

c. You may be eligible for an employer match, which is like earning a guaranteed return on your investment dollars.

d. None of the above

4. All of the money you have in a bank account is protected and guaranteed.

a. True

b. False

5. Which of the following is typically the best way to pursue your long-term goals?

a. Investing as conservatively as possible to minimize the chance of loss

b. Investing equal amounts in stocks, bonds, and cash investments

c. Investing 100% of your money in stocks

d. Not enough information to decide

Answers

1. d. Conventional wisdom often recommends setting aside three to six months' worth of living expenses in a liquid savings vehicle, such as a bank savings account or money market mutual fund. However, the answer really depends on your own individual situation. If your (and your spouse's) job is fairly secure and you have other assets, you may need as little as three months' worth of expenses in emergency savings. On the other hand, if you're a business owner in a volatile industry, you may need as much as a year's worth or more to carry you through uncertain periods.

2. b. Diversification is a smart investment strategy that helps you manage risk by spreading your investment dollars among different types of securities and asset classes, but it cannot eliminate risk entirely. You still run the risk of losing money.

3. c. Many employer-sponsored 401(k) plans offer a matching program, which is like earning a guaranteed return on your investment dollars. If your plan offers a match, you should try to contribute at least enough to take full advantage of it. (Note that some matching programs impose a vesting schedule, which means you will earn the right to the matching contributions over a period of time.)

Because 401(k) plans are designed to help you save for retirement, the federal government imposes rules about withdrawals for other purposes, including the possibility of paying a penalty tax for nonqualified withdrawals. You may be able to borrow money from your 401(k) if your plan allows, but this is generally recommended as a last resort in a financial emergency. Finally, traditional 401(k) plans do not help you avoid paying taxes on your income entirely, but they can help you defer taxes on your contribution dollars and investment earnings until retirement, when you might be in a lower tax bracket. With Roth 401(k)s, you pay taxes on your contribution dollars before investing, but qualified withdrawals will be free from federal, and in many cases, state taxes.

4. b. Deposits in banks covered by the Federal Deposit Insurance Corporation are protected up to $250,000 per depositor, per bank. This means that if a bank should fail, the federal government will protect depositors against losses in their accounts up to that limit. The FDIC does not protect against losses in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if those vehicles were purchased at an insured bank. It also does not protect items held in safe-deposit boxes or investments in Treasury bills.

5. d. To adequately pursue your long-term goals, it's best to speak with a financial professional before choosing a strategy. He or she will take into consideration your goals, your risk tolerance, and your time horizon, among other factors, to put together a well-diversified strategy that's appropriate for your needs.

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Personal Finance Tips for New Graduates

Tips for paying off student loans:

- ***To make your payment schedule easier, consider consolidating or refinancing your student loans***
- ***To shorten the overall repayment term and save on interest charges, try to divert extra funds toward monthly principal prepayment***
- ***If you are having trouble paying your federal student loans, look into the government's Income-Based Repayment (IBR) plan***

You've marched along to *Pomp and Circumstance* and collected your diploma--now you're ready to finally head out on your own. Maybe you have student loans that you need to start paying back. Perhaps you're looking forward to making your first car purchase or starting a new job. Whatever your situation, you'll definitely have new financial challenges you'll need to address and financial goals that you'll want to accomplish during this stage in your life. Fortunately, there are some relatively simple steps you can take to get started on the right track with your personal finances.

Create a budget

An easy way to maintain control of your finances is to create a budget. Ideally, a budget will assist you in making sure that you are spending less than you earn.

In order to create a budget, you'll need to identify your current monthly income and expenses. Income includes your regular salary and wages, along with other types of income such as dividends and interest.

When it comes to identifying your expenses, it may be helpful to divide them into two categories: fixed and discretionary. Fixed expenses include things that are necessities, such as rent, transportation, and student loan payments. Discretionary expenses include things like entertainment, vacations, and hobbies. You'll want to include out-of-pattern expenses (e.g., holiday gifts, auto repair bills) in your budget as well.

The most important part of budgeting is sticking to it. To help you stay on track:

- Try to make budgeting a part of your daily routine
- Build the occasional reward into your budget (e.g., splurge on a latte at the local coffee shop or have dinner at a restaurant instead of cooking at home)
- Be sure to evaluate and monitor your budget regularly and adjust/make changes as needed

Make saving a priority

Whether it's setting enough aside on a regular basis to accumulate an emergency cash reserve or putting money into an employer-sponsored retirement plan, if your budget allows, you should make saving a priority. And being a young investor means that you have one powerful advantage over older generations--time. By making saving a priority early in your life, your money can have more time to potentially grow and take advantage of the value of compound interest. To make it even easier to save, you can arrange to have a portion of your paycheck/earnings directly deposited into a savings or investment account.

Get a handle on your debt situation

Whether it's debt from student loans or credit cards, it's important to avoid the financial pitfalls that sometimes go hand-in-hand with borrowing. In order to manage your debt situation properly:

- Keep track of loan balances and interest rates
- Develop a plan to manage your payments and avoid late fees
- Pay off high interest debt first or take advantage of debt consolidation/refinancing

Understand the importance of having good credit

Credit reports affect so many different aspects of one's financial situation--from being able to obtain a car loan to being a prerequisite for employment. Having a good credit report will allow you to obtain credit when you need it, and often at a lower interest rate. As a result, it's important to establish and maintain a good credit history by avoiding late payments on existing loans and eliminating unpaid debts. Finally, it's important to monitor your credit report on a regular basis for possible errors.

Evaluate your insurance needs

As a younger individual, insurance is probably not the first thing that comes to mind when you think about your finances. However, having the right amount of insurance to protect yourself against possible losses is an important part of any financial plan. Your insurance needs will depend on your individual circumstances. For example, if you rent an apartment, you'll need to obtain renters insurance to protect against loss or damage to your personal property. If you own a car, you'll need to have appropriate coverage for that as well. You'll also want to evaluate your needs for other types of insurance (e.g., disability and life).

Finally, under the Affordable Care Act, everyone, regardless of age, must have qualifying health insurance or risk paying a possible penalty. If you don't have access to health insurance through your parent's health plan or an employer- or government-sponsored health plan, you may purchase an individual health plan through either the federal or a state-based health insurance Exchange Marketplace. You can visit www.healthcare.gov for more information.

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How much money should I save for retirement?

The obvious answer is, as much as you can. You'll probably need to build a fund that you can draw on for much of your retirement income. This may be possible to do if you start early and make smart choices.

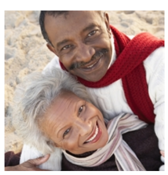
Contribute as much as you can to tax-advantaged savings vehicles (e.g., 401(k)s, IRAs, annuities). Make sure to contribute as much as necessary to get any employer matching contribution--it's essentially free money. Then round out your retirement portfolio with other taxable investments (e.g., stocks, bonds, mutual funds*). As you're planning and saving, keep in mind that you may have 30 or more years of retirement to fund. So, you may need an even bigger nest egg than you think.

***Note:** All investing involves risk, including the possible loss of principal. Before investing in a mutual fund, carefully consider its investment objectives, risks, fees, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.*

Your particular circumstances will determine how much money you should save for retirement. Maybe you have a pension plan, or your Social Security benefits will be large enough to tide you over. If so, you may not need to save as much as other people. But other personal factors will enter the picture, too. If you plan to retire early (e.g., age 50 or 55), you'll have even more retirement years to fund and may need more retirement assets than someone who plans to work until age 65 or 70. Conversely, you may need fewer assets if you plan on working part-time during retirement.

Your projected expenses during retirement will also help determine how much money you'll need and how much you need to save to get there. Certain costs (e.g., food, utilities, insurance) will be shared by almost all retirees. But you may still be saddled with retirement expenses that many retirees no longer have (e.g., mortgage payments or a child's tuition).

Expenses will also depend on the type of retirement lifestyle you want. How many nights a week will you dine out? How much traveling will you do? These kinds of questions will give you a better idea of how much money you'll be spending once you retire. In general, the greater your anticipated retirement expenses, the more you need to save each year to meet those expenses.



Are you ready to retire?

Here are some questions to ask yourself when deciding whether or not you are ready to retire.

Is your nest egg adequate?

It's obvious, but the earlier you retire, the less time you'll have to save, and the more years you'll be living off of your retirement savings. The average American can expect to live past age 78. (Source: CDC, "Deaths: Preliminary Data for 2011") With future medical breakthroughs likely, it's not unreasonable to assume that life expectancy will continue to increase. Is your nest egg large enough to fund 20 or more years of retirement?

When will you begin receiving Social Security benefits?

You can begin receiving Social Security retirement benefits as early as age 62. However, your benefit may be 25% to 30% less than if you waited until full retirement age (66 to 67, depending on the year you were born).

How will retirement affect your IRAs and employer retirement plans?

The longer you delay retirement, the longer you can build up tax-deferred funds in your IRAs--remember that you need compensation to contribute to an IRA. You'll also have a longer period of time to contribute to employer sponsored plans like 401(k)s--and to receive any employer match or other contributions. (If you retire early, you may forfeit any employer contributions in which you're not yet fully vested.)

Will you need health insurance?

Keep in mind that Medicare generally doesn't start until you're 65. Does your employer provide post-retirement medical benefits? Are you eligible for the coverage if you retire early? If not, you may have to look into COBRA or a private individual policy--which could be an expensive proposition.

Is phasing into retirement right for you?

Retirement need not be an all-or-nothing affair. If you're not quite ready, financially or psychologically, for full retirement, consider downshifting from full-time to part-time employment. This will allow you to retain a source of income and remain active and productive.