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Take the "Mean" Out of the Future

It used to be enough to suggest living within one's means, but the definition of "means" has been given wide interpretation, since over reliance on credit cards and home equity loans has become so commonplace.

With 2004 election rhetoric behind us now, economists and politicians focused anew on the projected shortfall in Medicare funding. Approaching retirement for aging baby boomers draws attention to the problem of rising medical expenses.

When Social Security and Medicare are discussed in the same paragraph we may be shocked into getting serious. Each is truly of concern. Together, they present a formidable planning hurdle for almost every American.

The time to put money away for retirement is while you are earning it. Yet, almost 90% of participants in 401(k) programs contribute less than the amount allowed. How much less? On average, workers expect to contribute $5,500 over the next 12 months. Those under age 50 are allowed $13,000. Over age 50 the amount may be as much as $16,000.

If that sounds like a lot of money to set aside, consider this: Only 41% of a retiree's annual income comes from Social Security, 24% comes from retirement accounts. The remainder comes from personal savings.

Saving for retirement living expenses is really simple. Yes, I said simple. There are only three ways to accumulate money: 1) Inherit it. 2) Marry it. 3) Live beneath your means. (I never said it would be easy...!) Our capitalistic society has lured us with enough marketing to keep us spending money faster than we make it.

Two thirds of those retired say it gets tougher, the longer they are retired. Most say they wish they had started saving earlier, and many wished they had made better use of their employer's retirement savings plans. Many Americans avoid talking about money and hate to think about getting old. George Burns has some interesting advice for them:

"If you ask what is the single most important key to longevity, I would have to say it is avoiding worry, stress, and tension. And if you didn't ask me, I'd still have to say it."

Now I don't feel so bad nagging. We have a collective tendency to believe that whatever is happening today is what we will experience in the future. That can cause us to take a very short-sighted view of the long-term panorama. Take the "mean" out of the future by staying within your means today.

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Future Finances' Market Update
By Max Larsen

Monday, November 15, 2004

Isn't it nice? What? The stock market you may ask. No, the political ads are gone and we are not inundated with negative TV commercials. We can now get on with our lives and concentrate on what's truly important.

The bulls came out in full force last week to close the indices on a positive note for the third consecutive week - just like I anticipated (actually wished for). The S&P 500 is now at a 3-year high and the Dow Jones Industrial Average moved into positive territory for 2004. All I can say is WHEW!

The rally continued in large part because the fundamentals looked increasingly bullish. We saw retail sales rising by 0.9%, excluding auto sales, the strongest since May. That was the number that excited investors, but many chose to ignore the fact that the actual number was 0.2% - if one includes auto sales. Since auto sales make up 25% of consumer spending, what may seem like a good number today may actually portend troubles in 2005 (*The Wall Street Journal*).

We saw The University of Michigan's consumer sentiment coming in at a three-month high of 95.5 - much better than anticipated. Still, I wonder if the increase was the result of a better economy or was it influenced by the lack of negative political ads. I don't know about most folks, but I'm certainly in a better mood.

Finally, investors were encouraged to see crude oil dropping to $47.32 - a 7-week low. Hopefully this will ease concerns over low winter fuel inventories given the rising supplies. I still anticipate seeing the price of oil in the $30 to $40 barrel range. We're seeing a major effort on increasing output and supply by the major producers. In the short-term that will drive prices down, but in the long-term I don't believe supply can keep up with the growing world demand.

Conclusion

The economic data looks pretty good right now and, thankfully the negative campaigns are over. The market typically does well in the November - January period and perhaps traders are anticipating that again this year. Even now I'm seeing analysts questioning their previous expectations of a slowdown in 2005. In my opinion with the market tone clearly bullish and the immediate risks subsiding, I would tend to agree - partially. We'll most likely see the market on a positive note through January 2005. After that I may not be as optimistic as others for the remainder of the year. Fortunately, I have no problems with grabbing the handle for a few short months and enjoying the ride.

Have a wonderful week my friends.

Thanks to friends like you who refer new business to us, our practice continues to grow.

As always, your comments and reactions are welcome. Please feel free to share this newsletter with others you think may find it interesting or useful. We respect your privacy and will not share your address with others. Click here to send a comment, to subscribe, or unsubscribe.

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