

Perspectives - On Business

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"Old Age" Benefits

Just how old is "Old Age" anyway?

The National Center for Health Statistics released its annual report on life expectancy last week. Based on its 2001 data, the average American lives 77.2 years. Remember when pensions were referred to as "Old Age" benefits? I don't know about you, but I don't think of 77 as old age any more. Most of the people I know in their 70's are quite vital and active.

My clients are all planning to live much longer than that, which makes planning for enough retirement income challenging. Often we start with Social Security. While most of us realize that we can't live on it, Social Security is still a reliable source of retirement income.

Questions about its future viability aside, how are benefits calculated today? Many are surprised to learn that it is not based on the most recent five years of employment.

The Social Security Administration calculates your average indexed monthly earnings over a 35-year period, then applies a formula to determine your Primary Insurance Amount. The formula changes annually and depends on the year you reach eligibility.

Applying the formula in 2003, the *average* PIA (Primary Insurance Amount) will be \$1,229.50 and the *maximum* will be \$1,831.80, or \$14,754 to \$21,981 per year. Those retiring early take benefits reduced by approximately 23% at age 62.

Longevity is a factor to consider in evaluating what your Social Security benefits will be worth to you. Women still hold an edge over men, having the statistical average life expectancy (2001 data) of 79.8 years. What are the chances you will live the statistical average? Actually, once you reach age 70, the average life expectation (for those still alive) becomes 85. Insurance company actuarial charts now go as high as 120.

However you define "Old Age" the fact remains that planning to have the income you will need in retirement is both an art and a science. We are here to help you with the process. As always, feel welcome to call. You may be surprised at what we can do.

Sandra Heusinkveld

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Future Finances' Market Update

By Max Larsen

Monday, October 6, 2003

What a difference a week makes. Having just come back from meetings and conferences in cities that included Baltimore, MD; Oaks, PA and Dallas, TX, I see the major stock market averages had their biggest weekly gain in more than four months. This follows the plunging final full week of the third quarter. The gain came on the heels of the best employment news in eight months (the jobless rate held steady at 6.1% but employers added 57,000 jobs).

USA Today's publication indicates this strong employment gain "all but signaled the end of the second mild correction..." This is an amazing turnaround considering Wednesday's headlines: "Job worries weigh down consumers, confidence level sinks to 6-month low" and "economy races ahead, leaving jobs in the dust". In just 2 short days, the wording changed! I don't know about you, but this seems like a camouflage machine working to full capacity, blowing smoke and creating mirrors that can make us all confused. One day we're nervous cowards, the next unsure - no one is immune to this ramble.

I suspect the next few weeks will be dominated by politics - especially the California recall. It is such a fiscal mess, mainly brought on by total incompetence on the part of the politicians. I don't think anyone can offer solutions that are acceptable. On the national scene, we are being told Kerry or Gephardt could beat George Bush in an election. Does anyone really believe if an election was being held, Kerry could beat Bush? Yes, I'm a conservative, but I don't think a liberal Democrat would take that bet with their own money.

Earnings, Earnings, Earnings

Forget for a second the media's camouflage and look at what's important for the stock market over the next few weeks - EARNINGS! Ordinarily at this time in the quarter, companies are lining up to deliver their "confessions" - warnings about earnings that aren't going to meet expectations, and the analysts are cutting their forecasts. This hasn't been happening. Analysts are actually raising their forecasts and companies are keeping quiet. In fact, First Call, the leader in forecasting earnings, is so upbeat they expect the news will propel the stock market to highs before the end of the year.

Rule-of-Thumb: Please remember stocks tend to rise ahead of earnings gains, not following. Once earnings growth starts hitting a high level, a good part of the stock advance has typically already occurred.

So what can we expect? Stock valuations are a little lofty and earnings need to come in strong. If this happens (which I believe it will) I envision a modest increase in stocks in the fourth quarter. If not, watch out. There are never any guarantees, but a diversified portfolio gives us all a little insurance that surprises won't be too damaging.

Have a great week my friends. I'll be back next Monday to share some of the insight I garnered from some of the leading experts in the world.

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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