



## Flourney Wealth Management

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Dear Friends,

Please forward this newsletter to the 20 Somethings in your life! I have had numerous conversations with my own kids. These two articles - budgeting and the POWER of Starting NOW to save money for their future are perfect for them, and a good reminder for us!

Helping our loved seniors is not easy! Recently I have been helping an elderly client and her team of advisors (she has no family.) She has regretted deeply the procrastination of staying in her house and not moving to an independent or assisted living senior community, which she can afford if she sells her home. Before she moved, she fell twice and broke some bones. Now she is in skilled nursing and hoping to get well enough to move into an assisted living place. The control she savored is gone. Others have to clear out her home and put it up for sale. My advice: BEFORE the need arises - start taking field trips to look and see and prepare for a move.

Pam

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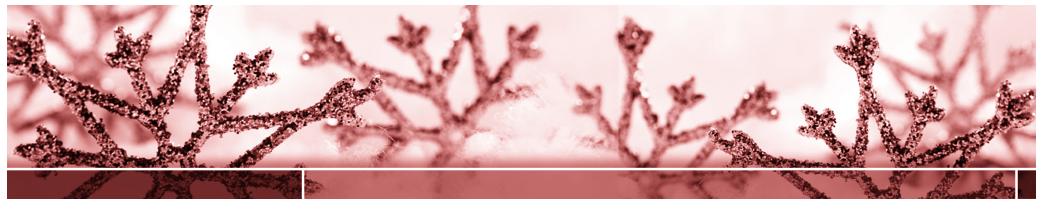
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**FLOURNOY**  
WEALTH MANAGEMENT



# Your Financial Future

## 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

## 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](http://www.healthcare.gov) for more information.



## Saving for the Future: Start Now or Start Later?



*No matter how you save to reach a future goal, there is an advantage to putting your savings and earnings to work for you as early as possible.*

*All examples are hypothetical and are not guaranteed. Fees and taxes are not shown and could reduce the amount available.*

*\*All investment involves risk, including the possible loss of principal.*

There are many ways to try to reach a future goal. You can save now, or you can save later (or perhaps do both). But there is an advantage to putting your savings and earnings to work for you as early as possible.

### Compound earnings

If you save \$1,000 now and invest it at an assumed 6% annual rate of return, in 1 year you would have \$1,060, in 2 years about \$1,124, and in 10 years about \$1,791. Your earnings compound as you earn returns on your earnings. Your \$1,000 initial investment increases through compounding to \$1,791.\*

### Compounding at work

For example, let's say you start saving now. You save \$5,000 at the beginning of each year in years 1 to 20 and put it into an investment that earns a hypothetical 6% annually. At the end of 30 years, you will have accumulated about \$349,150.

Alternatively, let's say you start 10 years later. You save \$5,000 at the beginning of each year in years 11 to 30. Once again, you earn an assumed 6% annually on that money. At the end of 30 years, you will have accumulated about \$183,928.

In each of these examples, you've put aside a total of \$100,000. However, by starting now, you accumulate about \$165,222 more than if you start later, and all of that is from earnings. By starting now, rather than putting it off, you have put your money and the power of compound earnings to work for you.

Years	Start Now	Start Later
1 - 10	\$5,000	
11 - 20	\$5,000	\$5,000
21 - 30		\$5,000
<b>Saved</b>	\$100,000	\$100,000
<b>Earnings</b>	\$249,150	\$89,928
<b>Total</b>	\$349,150	\$183,928

Now, let's look at a different situation. Let's say you would like to start later but accumulate the same amount as if you had started putting money aside now. In this case, you would need to save more, about \$8,954 at the beginning of each year in years 11 to 30, in order to accumulate \$349,150 after 30 years.

In this example, you would need to save a total of about \$179,085. That's \$79,085 more than if you had started earlier, when compounding could have helped make up that difference. Compound earnings don't have as much time to

work for you when you postpone getting started.

Years	Start Now	Start Later
1 - 10	\$5,000	
11 - 20	\$5,000	\$8,954
21 - 30		\$8,954
<b>Saved</b>	\$100,000	\$179,085
<b>Earnings</b>	\$249,150	\$170,065
<b>Total</b>	\$349,150	\$349,150

### Strike a balance

Of course, you could accumulate even more if you do both. For example, if you set aside and invest \$5,000 at the beginning of each year in years 1 to 30 and earn an assumed 6% annually on that money, at the end of 30 years, you will have accumulated about \$419,008. This is substantially greater than the \$183,928 accumulated if you invest \$5,000 in years 11 to 30, while somewhat greater than the \$349,150 accumulated if you invest \$5,000 in years 1 to 20.

But maybe you can't afford to set aside \$5,000 now. Could you manage \$3,000 this year, increase that amount for next year by 3% to \$3,090, and continue to increase the amount set aside by 3% each year? If that money earns an assumed 6% annually, you will have accumulated about \$351,520 at the end of 30 years, slightly more than the \$349,150 accumulated if you save \$5,000 each year in years 1 to 20.

Compared to saving \$5,000 a year for 30 years, you've contributed almost as much here (\$142,726 compared to \$150,000), but your earnings are substantially less (\$208,794 compared to \$269,008) because your largest contributions came in later years and had less time to work for you.

Year	Constant	Increasing
1	\$5,000	\$3,000
2	\$5,000	\$3,090
...		
29	\$5,000	\$6,864
30	\$5,000	\$7,070
<b>Saved</b>	\$150,000	\$142,726
<b>Earnings</b>	\$269,008	\$208,794
<b>Total</b>	\$419,008	\$351,520

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## What is an assisted-living facility, and how do I choose one?

What is an assisted-living facility? The wide number of options available makes defining the term difficult.

Generally, however, assisted-living facilities primarily serve senior citizens who need more help than those who live in independent living communities.

These facilities typically offer rental rooms or apartments, housekeeping services, meals, social activities, and transportation. Their primary focus is social, not medical, but some do provide limited medical care. Other terms used to describe assisted-living arrangements are board and care homes, rest homes, and community residences. Continuing care retirement communities (CCRCs), also called life care communities, fit loosely into this category as well, although they provide what other assisted-living facilities do not: long-term nursing care and guaranteed lifetime services.

How do you choose an assisted-living facility? Definitely plan on touring the facility beforehand. Some facilities are large, caring for over a thousand people. Others are small, caring for fewer than five people. Consider

whether the facility meets your needs:

- Do you have enough privacy?
- How much personal care is provided? What happens if you get sick?
- Can you be asked to leave the facility if your physical or mental health deteriorates?
- Is the facility licensed or unlicensed?
- Who is in charge of health and safety?

And read the contract carefully--this may save you time and money later if any conflict over services or care arises.

As for the cost, a wide range of care is available at a wide range of prices. If you have long-term care insurance, check your policy. These contracts normally pay a specified dollar amount per day (typically \$40 to \$150) for certain skilled, intermediate, or custodial care in assisted-living facilities, for some specified period of time (usually two to five years). Medicare probably will not cover your expenses at these facilities, unless those expenses are health-care related and the facility is licensed to provide medical care.



## My parents can't manage alone anymore. What should I do?

Are one or both of your parents having health problems, suffering mental lapses, or just slowing down with age? Do you find they can't manage on their own anymore? If so, you'll want to consider the various living arrangements that are available to older individuals. Before you begin, however, you'll want to talk to your parents and siblings.

Sometimes the best option is to have your parents move in with (or closer to) you. That way, you avoid having to use your parents' assets (or your own) to pay for a nursing home or other facility. You won't have to worry about your parents potentially receiving inadequate care from strangers. And your parents will probably appreciate the gesture of love and self-sacrifice on your part. However, the cost of feeding, clothing, and caring for your parents can be high, especially if you're forced to give up a job to be home with your parents. And don't underestimate the emotional and psychological impact.

What if your parents' care is more than you can handle? You may then wish to consider some

type of assisted-living arrangement. The broad term "assisted living" encompasses a range of facilities and services designed to help seniors who can't live independently. The assistance provided may be short- or long-term and may focus on social services, medical care, or some combination of the two. Depending on your parents' conditions and needs, one or more of the following assisted-living arrangements may be worth considering:

- Nursing homes
- Assisted-living communities
- Continuing care retirement communities
- Alzheimer's/dementia care specialty facilities
- Retirement communities
- Active senior communities
- Home health care
- Hospice care
- Adult day-care services

And don't be afraid to talk to a social worker, your parents' physicians, or other professionals. They can offer you support, and recommend solutions that best meet your parents' needs.