

# The Most Candid Retirement Planning Advice You'll Ever Hear: What You Don't Know Or Believe To Be True STILL MATTERS!



By Samuel N. Asare, MBA, CRPC, CMFC

## Ignorance or Disbelief Doesn't Curtail the Effects

Although most people actually plan and invest for secure, comfortable retirements, an alarming number of retirees experience huge disappointments. This seems to suggest that some critical financial facts were compromised, missed, and/or completely ignored during the planning process.

Just as in day-to-day life, what investors do not know or do not believe to be true about money could mean the difference between success and failure.

No parent allows their toddler to touch a hot frying pan or cross the street by themselves, simply hoping they won't get hurt. Imagine yourself hiking in the woods and coming across a beautiful, woody vine. You kneel down to take a few photos of this amazing plant, rubbing its leaves as you do. But it turns out that your beautiful plant is really poison ivy. How is not knowing working for you now? Great, right? If you were to jump from the roof of a 30-story building, would you float to the ground simply because you do not believe in gravity? Of course not!

What is deadlier still is the fact that most so-called advisors truly have good intentions, which means that they are unaware they're offering misguided advice that amounts to little more than myth.

### The Tax-Efficiency Gap

At the end of the day, every investor's ultimate goal is to end up with the highest possible net spendable income. As simple and obvious as that goal may seem, most financial professionals totally miss this crucial goal and, sadly, confuse it with increasing the value an investment as much as possible. Millions of slick, colorful investment brochures erroneously condone this fuzzy idea.

Let's illustrate this with a simple example:

Say we are comparing two investments: A, which has a potential return of 10 percent and B, with an 8 percent potential return. Most advisors would then discount these rates with the costs of the investments, which we assume would be 1.5 percent for A and 1 percent for B.

Therefore, investments A and B would net — after cost — 8.5 percent and 7 percent respectively. At this point, the vast majority of financial professionals would opt for Investment A over Investment B. But is that the savvy thing to do? Not necessarily!

We teach our investors that it does not matter how large a balance their portfolio accumulates, but rather how much, as an investor, they actually get to spend when all is said and done. It is much less about how much an investment earns, but instead how tax-efficient it is.

Continuing with our example, if Investment A were taxable at, say, an ordinary 25 percent income tax bracket, but Investment B were tax-free, the true net-spendable-cash-on-cash returns turn out to be 6 percent for Investment A and 7 percent for Investment B. So which one would you choose? The unfortunate news is that be-

cause tax issues usually arise after investors have already retired, millions of unsuspecting investors are caught completely unaware.

### Millions Pursue the Wrong Strategy

Again, let's consider two strategies: Strategy X, where you have no caps or floors — you simply earn whatever the market returns, and Strategy Y, where your gains are capped at 12 percent, with a guaranteed minimum of 2 percent.

Most so-called experts would likely implore you to go with Strategy X, with this explanation: "You do not want your gains capped, and over the long haul, the stock market will deliver. Simply make sure your portfolio is 'well-diversified.'"

Sure, this sounds good, until you actually start doing the math. Let us try to mimic what usually happens with the stock market — ups and downs — assuming that in year one, the index makes a gain of 20 percent. All other things being equal, a \$100,000 investment would have grown to \$120,000 with Strategy X, and it would have grown to \$112,000 (capped at 12 percent) with Strategy Y.

Now assume the index loses 10 percent the following year. Strategy X would have a balance of \$108,000 (\$120,000 less 10 percent). Strategy Y, on the other hand, would have a balance of \$114,240 (\$112,000 plus the 2 percent guaranteed gain). Wait to see year three before making any conclusions.

If in year three the index were to gain 10 percent, Strategy X would grow to \$118,800 (10 percent gain on \$108,800), while Strategy Y would grow to \$125,664 (10 percent gain on 114,240).

How soon, easy and likely is it that Strategy X's balance would catch up and overtake Strategy Y? Of course, no one knows, but we hope the millions of hard-working investors who are looking for a better retire-

ment receive a little more information before making their investment decisions.

It Doesn't Have to Be Complicated to Work

Some may be inclined to dismiss this critical information that could make a huge difference in retirement planning as too simplistic, or shrug it off with the bogus assertion that retirees tend to land in lower tax brackets. Although we cannot predict any investor's future tax rates, you must realize that no financial professional can do that either.

We do know with certainty that it's not a smart idea to put your retirement or children's college funds at the direct mercy of the stock market, regardless of how much time you may have to invest. It is, however, smart to use nonqualified, tax-free investment options.

It is always in the best interest of those planning their financial futures to make decisions with all the puzzle pieces on the table; the alternative is to be shocked later to find out you've missed something crucial, but there's no time left to adjust or recover.

*Samuel is a Senior Financial Strategist with Laser Financial Group. He holds an MBA, is a Chartered Retirement Planning Counselor, a Chartered Mutual Fund Counselor. Samuel is an accomplished personal finance expert whose books, blog, and seminar series seek to empower investors with clear, common-sense, and fact-based guidance so they can break the cycle that seem to plague the majority of American retirees. To schedule your no-obligation consultation, request a free copy of his latest book "5 Mistakes Your Financial Advisor Is Making", sign up to receive his free weekly columns, or request Samuel to speak to your group, please call (301) 949-4449 or visit www.laserFG.com today!*

## "THANKS" to Thurmont and Surrounding Areas

by Shirley Long

Anyone who works or owns a business which accRecently, Thurmont and surrounding areas took part in the annual Make a Difference Day. This community event, coordinated by the Thurmont Lions Club, marks the fourth year of participation in this day of volunteering. The event's focus this year was "We Support our Troops". More than a hundred signs could be seen throughout the town as citizens, companies and organizations banded together to send that message to our local military. The Thurmont Lions Club would like to thank the following for participating in Thurmont's 2009 Make a Difference Day...

Ace Hardware, American Legion—Post 168, AMVETS—Post 7, Bank of America, Beauty Parlor, Blockbuster—Thurmont, Bollinger's Restaurant, Brownie Troop 81758, Catocoin Colorfest Inc., Catocoin High School LEO Club, Cell Phones for Soldiers, CFA of Maryland Inc.

Cozy Restaurant, Dailey's Funeral Home, Discount Fabrics USA, Fast Signs Inc., Food Lion Fratelli's New York Pizza, Gateway Farm Market & Candyland, Girl Scout Cadette Troop 81200

Graceham Moravian Church, Guardian Hose Company, Harriett Chapel, Hillside Tur-

key Farm

Intowne Barber Shop, Knights of Columbus Council 11975, Lawyer's Midnight Maze

Lewistown Elementary School PTA, Lewistown United Methodist Church, McDonald's of Thurmont, Mountaingate Restaurant, Our Lady of Mt. Carmel Church, Operation Second Chance, Plamondon Enterprises—Roy Rogers Restaurants, PNC Ban, Project Compassion

Renovations Spa, Rocky's NY Pizza, RR Donnelly, Sabillasville Elementary School PTA, Seven/Seven, Shamrock Restaurant, Stauffer Funeral Homes, Structural Systems,

Thurmont Ambulance Company, Thurmont Elementary School PTA, Thurmont Grange #409,

Thurmont Police Department, Thurmont Primary School PTA, Thurmont Senior Center

Thurmont Lions Club, Thurmont Middle School LEO Club, Timeless Trends, Town of Thurmont, Trinity United Church of Christ, Trout's Restaurant -- Woodsboro

Weis Markets, Woodsboro Bank and Numerous Individuals.

Thank you to all for their support of this worthwhile project! Susan Favorite, Chair

Thurmont Lions Club for Make a Difference Day

# R.L. Delphey

## HOMES IMPROVEMENTS

### Free Estimates

- ADDITIONS
- SUN ROOMS
- KITCHENS & BATHS
- WINDOWS & DOORS
- DECKS

- GARAGES
- SIDING & GUTTERS
- ROOFING
- DRYWALL

301-271-4850

MHC Lic. #10982 Licensed & Insured  
 Since 1978

Newsletter from.....

**Thurmont Kountry Kitchen**  
 17 Water St., Thurmont, MD  
 301-271-4071 • Fax 301-271-0957

Veterans Day,  
November 11th

## HAPPY THANKSGIVING!

We'd like to take this opportunity to give our thanks to you for making our progress possible. You, our customers, make us what we are! We love you all and look forward to serving you many years to come.

Love, Pat, Roger & Sherry

Remember to book your Christmas parties now because our date book is filling up fast!!!

Get all food orders for Thanksgiving Day in by 11/23/09 cakes, pies, candy, etc.

No 10% Discount on Mon. & Tues. night special)

### November Dinner Specials

Monday .....	30 Shrimp Basket	\$6.99
Tuesday .....	All Specials	\$4.99
Wednesday .....	Roast Turkey & Stuffing	\$7.99
Thursday .....	Prime Rib	\$9.99

(Above Specials served 4-9 p.m.)

We will be closed Thanksgiving Day to enjoy our families

Remember Rubes Grab Shack!

**Back Dining Room Now Open**

Friday 5 pm – 10 pm  
 Saturday 4 pm – 10pm  
 Sunday 7 am – 9pm  
 Open for private parties (10+) or meetings anytime.  
 Call 301-271-4071 for reservations.