MF Advisers
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# THE FINANCIAL FORMULA

Giving You The Financial Information You Need

January 2015

I hope everyone's New Year has started off on the right foot! Please enjoy this month's newsletter and let us know if you have any questions - thank you!


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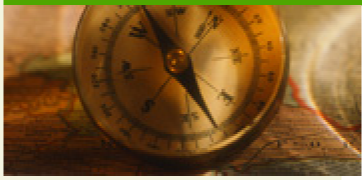
## In This Issue



## Your Dollar at Work -- 12 Months of Smart Savings Tips

Make 2015 "the year of the dollar" by trying some of these smart saving and spending tips all year long.

January -- After-Christmas sales are a great way to stock up on holiday-themed products such as wrapping paper, candles, cards, and decorations. Most retailers reduce prices on these items by 50% or more. But don't stop there. Many specialty and gourmet food items, and items of clothing -- sweaters, hats, gloves, and scarves -- are put on clearance racks and sold for a fraction of their original price.

February -- Getting a raise? Consider adding the extra money to your retirement savings plan and/or open a special account for next year's holiday shopping or your summer vacation.

March -- March is considered a low-season travel month to Europe. That's the time of year when tourists are scarce, attractive destinations such as London, Paris, and Rome are quiet, and hotels and airfares are at some of their lowest rates.

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April -- If you are among the majority of Americans who get a tax refund, consider using that money to pay down credit card debt, to make an extra principal-only payment on your mortgage, or to build the foundation of an emergency fund.

May -- The Department of Energy estimates that water heating can account for 14% to 25% of the energy consumed in your home. Lowering the temperature on your hot-water heater during the summer months will help cut costs. If you take a vacation, turn the temperature down further.

June -- Vegetables fresh from our garden are less expensive than canned and frozen foods -- and healthier, too! Start small -- try a few tomato plants. (Don't forget to water and fertilize regularly!)

July -- Play sports? Buy your equipment at used sporting goods stores. From catcher's mitts to surfboards, these stores sell their wares at a fraction of the original cost.

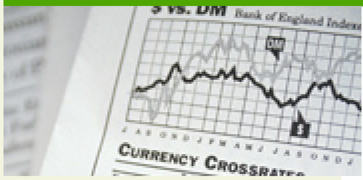
August -- Cash in on summer clearance sales. Spruce up next summer's wardrobe or outfit yourself for a winter cruise. Also, start pricing next winter's cord of wood.

September -- In September and October auto dealers try to clear their lots to make room for the next year's models. By haggling, you may be able to shave hundreds off a new car's sticker price.

October -- The Department of Energy estimates that heating and cooling account for 50% to 70% of the energy used in the average American home. Schedule a heating and cooling system tune-up, insulate your attic, replace furnace filters, and have your chimney cleaned.

November -- Many charities begin active fundraising during this month. Before sending a donation to your favorite charity, check it out with the National Charities Information Bureau or the BBB Wise Giving Alliance.

December -- Have a few extra dollars to spare? Kick off 2016 by finding new ways to save and spend wisely.




## Six Retirement Planning Tips for Those Over Age 50

Reinvesting your dividends can help to grow your account balance over time.

Entering your 50s and behind in your retirement planning goals? Don't fret. You've still got time to get your financial plan back on track.

There are many steps that older investors can take to better prepare themselves financially for retirement. Here are six tips that may help you make the most of your final working years.

1. **Catch up.** If you have access to a 401(k) or other workplace-sponsored plan, make the $6,000 catch-up contribution that is available to participants aged 50 and older. Note that you are first required to contribute the annual employee maximum, $18,000 for 2015, before making the catch-up contribution.
2. **Fund an IRA.** Investors aged 50 and older can contribute $6,500 annually (the $5,500 annual contribution plus an additional catch-up contribution of $1,000). An investor in his or her 50s who contributes the maximum amounts to both a 401(k) and an IRA could accelerate retirement savings by more than $30,000 a year.
3. **Consider dividends.** If you do not have access to a workplace-sponsored retirement plan, or you already contribute the maximum to your qualified retirement accounts, consider stocks that offer dividend reinvestment.[1] Reinvesting your dividends can help to grow your account balance over time.
4. **Make little cuts.** Consider how you can trim expenses while continuing to enjoy life. Some suggestions for quick savings: eliminate or reduce premium cable channels that you do not watch, memberships that you do not use regularly, and frequent splurges on dining out or coffee runs. An extra $100 a month saved today could make a big difference down the road.
5. **Review strategies for postponing retirement.** You may be able to learn new skills that could increase your marketability to potential employers. Even a part-time job could reduce your need to deplete retirement assets.
6. **Don't give up.** Many preretirees falsely believe that there is nothing they can do to build retirement assets and, as a result, do nothing. Remember that you control how much you invest and, in many areas, how much you spend. Make a plan -- and stick with it.

[1]*Investing in stocks involves risk, including loss of principal.*

For public and private four-year institutions combined, the median published tuition and fee price for full-time undergraduates is $11,550 for the 2014-2015 academic year.

## College Costs Are Still Rising, But at a Slower Pace

The latest annual report on college costs published by The College Board indicted that, although costs still increased more than general inflation in the past year, the increase in tuition and fees for the 2014-2015 academic year will be lower than the average annual increases in the past five-, 10-, and 30-year periods across all types of institutions included in the study.[1]

Specific increases, as published in "Trends in College Pricing 2014," are as follow:[1]

- Public, in-state, four-year institutions: Average tuition and fees increased by $254 (2.9%), from $8,885 in 2013-2014 to $9,139 in 2014-2015. Average total charges (including room and board) are $18,943.
- Public, out-of-state, four-year institutions: Average tuition and fees rose by $735 (3.3%), from $22,223 in 2013-2014 to $22,958 in 2014-2015. Average total charges are $32,762.
- Private, nonprofit, four-year institutions: Average tuition and fees rose by $1,100 (3.7%), from $30,131 in 2013-2014 to $31,231 in 2014-2015. Average total charges are $42,419.
- Public two-year colleges: Average tuition and fees increased by $106 (3.3%), from $3,241 in 2013-2014 to $3,347 in 2014-2015.

The report points out that the increases in in-state tuition and fees at four-year public institutions of 2.9% for the 2014-2015 academic year and 2.8% for the 2013-2014 academic are the only increases since 1974-1975 that have been less than 3% (not adjusted for inflation).

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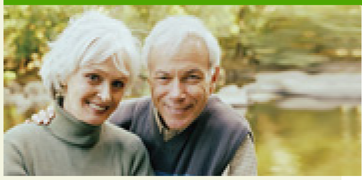
While the data showed that college price increases are not accelerating, the report's authors affirmed that, in real terms, college costs have been rising for decades. The report offers the following example: "The inflation-adjusted average published price for in-state students at public four-year universities is 42% higher than it was 10 years ago and more than twice as high as it was 20 years ago. In the private nonprofit four-year sector, the increases were 24% over 10 years and 66% over 20 years."[1]

[1]*The College Board, "Trends in College Pricing 2014," November 13, 2014.*



# Rising Longevity and Your Retirement

**Individuals who are already retired might need to scale back their annual withdrawal amounts in order to create reserves for those extra two years.**

New research conducted by the Society of Actuaries (SOA), a leading membership-based organization for actuaries in the United States and Canada, revealed that older Americans are living longer than previously estimated. Specifically, SOA's data showed that since its last report published in 2000 the life expectancy of men age 65 has risen two years from age 84.6 to age 86.6 in 2014. Similarly, among 65-year-old women, longevity rose 2.4 years, from age 86.4 in 2000 to age 88.8 in 2014.[1]

Commenting on the findings, Dale Hall, managing director of research for the SOA stated, "The purpose of the new reports is to provide reliable data that actuaries can use to assist plan sponsors and policy makers in assessing the financial implications of longer lives."[1]

What about individuals? How might this news affect the financial lives of retirees and/or the retirement planning strategies of those nearing retirement age? Those additional two years could mean that the time the typical person might expect to spend in retirement could increase by 10% or more than he or she originally anticipated. As a result, the values associated with a retirement accumulation and/or distribution plan may need to be adjusted accordingly.

For example, individuals still accumulating retirement assets who had previously determined they needed a $1 million nest egg, would now need $1.1 million to finance those two added years. For someone who is in mid-stream on a retirement savings plan, increased longevity could mean boosting contributions by 20% or more to catch up. Similarly, individuals who are already retired might need to scale back their annual withdrawal amounts in order to create reserves for those extra two years.

## Making Your Money Last

Because of increased longevity, managing cash flow in retirement is more critical than ever. As a starting point you will need to clarify your current financial situation, as well as any significant changes you expect. Two sources will provide this information:

- A net-worth statement, which provides a snapshot of your assets, debt, and cash reserves.
- Your monthly or annual budget, with itemized breakdowns of your income and expenses. If you haven't retired yet, it's a good idea to prepare a projected budget of your retirement income and expenses.

Even with reasonable assumptions about investment returns, inflation, and retirement living costs, it is likely you will encounter numerous changes to your cash flow over time. Experts often recommend a monthly review of your budget, as well as a comprehensive annual review of your financial situation and goals.

As you monitor your finances keep the following factors in mind, as any one of them could affect your cash flow and necessitate adjustments to your plan.

- Interest rate trends and market moves may result in an increase or decrease in income from your savings and investments.
- Changes in federal, state, and local tax rates and regulations.
- Changes in Social Security or Medicare benefits or eligibility, as well as new rules affecting employer-sponsored retirement benefits and private insurance coverage.
- Inflation and health care costs.
- Life events such as marriage, the death of a spouse, or the addition or loss of a dependent may also affect your cash flow.

It is worth paying close attention to cash flow, making sure you budget carefully, monitor income and expenses frequently, and take action whenever you believe that significant changes may be necessary.

[1]*Society of Actuaries, press release, "Society of Actuaries Releases New Mortality Tables and an Updated Mortality Improvement Scale to Improve Accuracy of Private Pension Plan Estimates," October 27, 2014. The calculations presented are based on public mortality tables, which were developed with certain populations in mind, and reflect probabilities based on averages in large populations.*