



THE FINANCIAL FORMULA

Giving You The Financial Information You Need

October 2014



Matthew & I wanted to let you know that we have combined our newsletters - if you have any questions for him, his phone # is (561) 329-1296 and email is matt@mfadvisers.com. My information is below. Happy Autumn everyone!

Martin A. Federici, Jr.
MF Advisers, Inc.
CEO
marty@mfadvisers.com
570-760-6524
Fax: 570-675-7105
91 Franklin Street
Dallas, PA 18612
<http://mfadvisers.com>

In This Issue

Do You Need a Budget AND a Financial Plan?

I've spoke to a lot of people through the years & read quite a few articles that assume this point: you only need a budget AND a financial plan if you're wealthy. Nothing could be further from the truth. Practically everyone would benefit financially from having both of these helpful road maps in place.

403(b)s The Ins and Outs and Some Know-How

403(b)s are a great investment vehicle for retirement for those who work for K-12 public school districts, colleges, universities, libraries, hospitals, churches, etc., and they have some interesting features that can make them very advantageous.

How Can You Be So Sure the Market Will Crash?

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No matter your age, income, tax bracket, debt load, etc., having a budget forces you to pay attention to your cash flow - which helps avoid problems like bouncing checks, running out of money every month to pay bills, etc. If you're winging it instead of writing out your monthly budget or putting it into a spreadsheet, you're just flirting with disaster. Do yourself a favor and create a budget ASAP (or ask your qualified financial advisor to help you do it; if this "advisor" scoffs at the idea, you probably need a new financial advisor - one who is a fiduciary, not a product-pushing salesperson).

I'm serious - if you've not made a budget for yourself yet, do it right now and then you may continue reading this article.

Since you should have a budget in place now, creating a financial plan sounds a bit more complex than making a budget. In reality, it doesn't need to be any more difficult than this:

- Set your goals - short-term savings for emergencies should come first, along with basic insurance coverages; saving for large purchases, saving for kids (college), saving for retirement, etc. (Remember this point: people actually spend more time planning vacations than planning for retirement!)
- The financial goal should have a dollar amount and a specific time frame attached to it so you can see what steps you need to take to realistically achieve the goal
- Since your budget is in place, you know how you can either reduce spending or allocate extra \$ towards the goals
- You can now measure your progress towards your goals over time, which will help you make smarter financial decisions
- If you can make smarter financial decisions, you will be in a better financial position for the REST OF YOUR LIFE

Since there may be some financial considerations you're not thinking of, partnering with a qualified financial advisor (a fiduciary) to craft your financial plan (make sure it's thorough) makes sense. If your financial advisor scoffs at helping you create your financial plan, fire him/her immediately and find one who cares enough to do this for you. Your budget AND financial plan deserve quality construction from someone who cares about your situation almost as much as you do...never forget that.

Write your financial plan & put it in place now - it won't be easy...but then again, things that are extremely worthwhile are usually difficult (no pain, no gain). If you've done these, you're on your way!

Find an experienced financial advisor who helps clients create budgets AND financial plans on a regular basis, works for an RIA firm, is a fiduciary for clients, earns his/her money from fees (NOT commissions), believes in having an abundance of investment choices for clients, and has the heart & demeanor of a teacher, NOT a salesman, and chances are you've found the right financial advisor to help you prepare and plan for your future.

For more information, please visit <http://www.mfadvisers.com>, email marty@mfadvisers.com, or call (570) 760-6524.

About **MF Advisers, Inc.**

MF Advisers, Inc. is a full-service, fee-only RIA firm and fiduciary based in PA & FL specializing in wealth management, investment advice, and financial planning (including retirement planning).

With 20+ years of licensed experience, over 10 years of professional education, and an unwavering commitment to improving your financial situation, MF Advisers, Inc. is the advisory firm to best serve YOU.

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Here are some of the benefits of a **403(b)**:

- You can contribute \$17,500 for 2014; if you're over age 50, you can contribute \$23,000 for 2014
- Contributions to the traditional **403(b)** plan are done on a pre-tax basis through salary reductions, and are tax deductible
- There is a 15-year rule of service that employers can offer (NOT required on their part) employees who have not contributed an average annual amount of \$5,000/yr. - this would allow you to make an additional contribution of \$3,000/yr. up to a lifetime maximum catch up of \$15,000
- If your employer offers a **Roth 403(b)** option (NOT required on their part), there are no income restrictions to making contributions as there are in a Roth IRA, plus your **403(b)** contribution limit of \$17,500/yr. is much higher than the current Roth IRA contribution limit (only \$5,500/yr.) so you can save more. One drawback: the Roth deferrals are NOT tax deductible, but your withdrawals in retirement are TAX-FREE
- Your savings grow tax-free, and you only pay taxes after taking distributions from a traditional **403(b)** in retirement (past age 59-1/2); your **Roth 403(b)** withdrawals in retirement are distributed TAX-FREE also
- You can take loans against your **403(b)** plan if your employer allows it (NOT required on their part)

There are also some possible disadvantages with **403(b)s** though:

- Often these **403(b)** plans have vendors which charge high expenses (often from annuity providers), when an open platform where you can pick better and lower-cost mutual fund options would be best for most of the employees
- Sometimes there is a lack of quality **403(b)** choices for you to invest in (either too expensive, not enough investment options, etc.) and it can take some legwork to get quality vendors into certain school districts or employers (depending on the rules of each employer)
- The loan provisions are very strict and can impose some serious penalties equating to early withdrawal if you miss even one loan payment

Find an experienced **403(b)** financial advisor who works for an RIA firm, earns his/her money from fees (NOT commissions), believes in having an abundance of investment choices for clients, and has the heart & demeanor of a teacher, NOT a salesman, and chances are you've found the right **403(b)** financial advisor to help you and/or your employees prepare and plan for retirement.

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Martin A. Federici, Jr. (CEO of both MF Advisers, Inc. & MF Tax & Accounting, Inc.) is the author of this article. All rights reserved.

How Can You Be So Sure the Market Will Crash?

I've heard the title of this article (or a variation of it) quite a few times from those who might consider themselves "knowledgeable" in financial matters and, of course, from those who would probably not be considered part of the "in-the-know" financial club. I've been following investing since my early 20's and been a practicing financial planner/advisor for 9 years now, so this one always grabs my attention no matter how many times I hear it. Recently someone I know heard someone else (not using names to protect identities) utter the familiar phrase, "we talked to so-and-so and they know that the market is going to crash".



Really?

They KNOW?

For sure?

Biggest question that I have for that person: When?

By the way, the "so-and-so" authority this person spoke to probably has NO experience in these matters at all (not by profession certainly) and how come his/her crystal ball works so well & mine doesn't? Reality check: anyone who claims to know for a fact that the market will crash can only be right once in a blue moon. Anyone who keeps guessing the market will crash EVERY single day will be right *eventually* (what about all of those positive days, which far outweigh the negative market days?). Those are people who should not be trusted because they belong in the same category of "advisors" who guarantee certain returns for their clients on equity/bond/mutual fund/ETF investments - not possible to know for sure, people!

Unfortunately, too many people - those not wise enough to know how to invest properly - invest based upon feelings of fear & greed, which will always cause rash decisions to be made AND \$ to be lost. If you randomly listen to anyone with an opinion on the market, stock investments, etc., you're bound to get some bad and (possibly) some decent advice.

Never base your financial future on what some random person thinks the stock market may or may not do. Talk to a true financial professional - a fiduciary such as a CPA who is knowledgeable in investing matters (ex: my business partner), an experienced financial professional who works for an RIA firm (NO pay via commissions & has a fiduciary responsibility to all clients - ex: the author of this article) - these are the types of people to help guide you properly with your financial plan in mind.

If you don't have a financial plan, what good are those market investments going to do you if you don't have a realistic goal with a target date and a dollar amount? Oh wait, they are DEFINITELY going to crash so it doesn't matter! Sounds like sound advice, right? Think about that next time you hear someone say that they know WHEN the market will crash!

Do yourself a favor - make yourself a budget (I know - it's hard but so is anything worthwhile) and after you do that, construct a financial plan for your future (see above blurb about being difficult). Get help from a qualified financial professional (ex: fiduciary) if you need it (reality check: most people who read this WILL need help, whether they'd like to admit it or not) because you can then be prepared for that market crash that will definitely come....someday.

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