The Top Three Myths of Financial Planning

By **Kris Miller**, ChFEBS, CSA, LDA

Most people who have a 401K or an IRA have little idea of where their money is invested. When you ask them, “Where’s your retirement money?” they reply, “At the bank” or “With my broker.” No wonder so many people are financially unprepared for retirement. The fact is that if you want to be financially secure in your Golden Years, you must take control of your investments…today! Handing over your money to a broker and hoping someone else will look out for you is a recipe for disaster. Imagine saving and investing for 40+ plus years, only to find out at age 65 or 70 that you don’t have enough money to retire. It’s a common scenario that happens every day.

But with so much financial planning information available, why are so many people still financially unprepared for retirement? Because there are certain financial planning myths that simply won’t go away. And the more you believe the myths, the more of a struggle your retirement will be. Let’s clear up these myths once and for all so you can take charge of your financial future and be prepared for retirement.

Myth #1 Put Your Money at Risk

Most 401Ks and IRAs are invested in the stock market. But the stock market is the riskiest place to put your money. You've likely heard "market experts" say that now is a good time to invest in the stock market. Really? A broken watch tells the right time twice a day, but that's no reason to wear one. According to the experts, stocks, on average provide about ten percent return annually. But this assumption goes back to the 1800s and no longer applies in the 21st century. Today, your typical annual return from investing in the stock market is closer to five percent.

Likewise, you've likely heard people say, "Our economists are forecasting…" Ask your broker if the firm's economists predicted the most recent recession, and if so, when? Warren Buffett once said that forecasters make fortunetellers look good. If you want to earn higher returns, most brokers tell you that you have to take more risk. This must come as a surprise to Mr. Buffett, who prefers investing in boring blue chip industries.

Here's the truth: There's no reason for your money to be at risk. You can make money with safer investments, such as fixed index annuities, which are like a savings account with an insurance company. In fact, even during the Great Depression, not one person lost money with a fixed index annuity. They're safe, they have liquidity, and they offer better rates than most other products.

Myth #2 Your Broker Only Makes Money When You Do

It's nice to think that your broker only cares about you and your financial future, but that's not 100 percent true. While your broker likely does want the best for you, here's what usually happens when you let him or her invest your money. Your broker buys shares of stocks and mutual funds. The market can then go in one of three directions: up, down, or stagnant. Wall Street can't control the market, and neither can your broker.

Here's the Truth: Here's the important point: Brokers don't make money when you do. Sure, they'd likeyou to make money, but they actually make their money by managing your money. They make money when the market goes down; they make money when the market goes up; they makemoney when the market is flat. In other words, they always win. Their clients, however (and that would be you), only win in one of those three directions. Brokers win in all three directions. That's why even though you always hope for the best, all too often you end up with a cooked goose instead of the fatted calf.

Myth #3 Maintain a Stock Portfolio is Inexpensive

Even though you may be putting money into your retirement account on a regular basis, hidden fees may be slowly draining your account. The disclosed fees are simple to find; look at the expense ratio, which is found in the prospectus. These fees are commonly referred to as " management fees." Administration fees are in addition to the management fees and are much harder to find. At first, you may think that a small fee here and a nominal fee there is no big deal.

After all, how much could these administration fees possibly be? Well consider this: acording to the U.S. Department of Labor 401K fee website, "Assume you are an employee with 35 years until retirement and a current 401K account balance of $25,000. If returns on investments in your account over the next 35 years average 7 percent and fees and expenses reduce your average returns by 0.5 percent, your account balance will grow to $227,000 at retirement, even if there are no further contributions to your account. If fees and expenses are 1.5 percent, however, your account balance will grow to only $163,000. The 1 percent difference in fees and expenses would reduce your account balance at retirement by 28 percent." **That's a huge fee!**

Therefore, be sure to look for and ask your broker about the following fees:

◆ Plan Administration Fees ◆ Investment Fees ◆ Individual Service Fees

Plan Your Future Today!

Whether you plan to retire today or in another 30 years, you need to take control of your retirement accounts right away. Understanding how your money is invested and making sure it's working for you in the most efficient way will give you both peace of mind and future security. By dispelling the key myths of financial planning and investing a little time and energy creating your future financial plan, you can rest assured that your retirement years will be pleasurable…and prosperous.

Kris Miller, **The Money Maestro**

Trusts Unlimited

(951) 926-4538

Kris@ReadyForPREtirement.com

3 Secrets for Safe Money
and a Fabulous Future