NEWSLETTER Summer 2008

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Investment Thoughts From ~~Chris and Greg~~ Jodie

Dear Clients,

You might think that because I work as a broker in a brokerage firm and have been in the business for 12 years that I would be as responsible with my money as I am with yours. Sadly, this isn't the case. I have a mortgage and a car payment. I pay insurance and phone bills and every other bill I incur; however, I spend more than I make (and you should see how Chris and Greg roll their eyes at me!). You know how it is: something unexpected happens to your house, your car, your kids, your pets - and the bill doesn't fit into your budget. Naturally, it goes on the credit card. My bills are paid on time and I'm building equity in my house - but I'm slowly slipping a little farther behind each year.

Why would I possibly be writing this introduction and sharing my darkest secret? Here's the answer: my increasing debt isn't really my darkest secret, or my biggest worry. What is? The fact that I have not saved anything for retirement and, at the age of 38, I'm starting to panic. Is it too late for me? Greg always threatens that I'm going to be stealing the dog food from my dogs when I retire - and honestly, I'm starting to wonder if it might be true! And if I'm already living above my means, where am I going to get the money to put into a retirement account?

Saving for retirement is something that you hear about from every angle. Your employer talks about their available retirement plan (the Buttonwood Plan is very generous); there are concerns about the lack of social security in the future; you hear news reports stating how the baby boomers aren't prepared for retirement; pretty soon you just start to tune it out. Besides that, I have enough worries right here in the present - worrying about the future hasn't been high on my list. I'm sure my long-lost great aunt will provide for my retirement in some way…(And then I wake up from my very pleasant dream). No one is going to save for my retirement except me, and I had better start to think about the future and develop a plan.

Because I don't want to work forever (nothing against Chris or Greg), and I want to enjoy some sort of retirement, I need to ask myself some questions about developing a plan: Is my lifestyle going to have to change? Can I do this? The answers are yes and yes. It isn't going to be easy, but it simply has to be done. And if I think there aren't any pennies to put aside now, how am I going to start? The answer is simple really, it doesn't matter if I only put $10 per paycheck into a plan; I have to start somewhere.

My budget is pretty tight (since I already have everything down to the penny), but yes, I think I could start with $10. It means that I pack a brown bag for lunch an extra day a week. Do I really need cable? As a matter of fact I do, but could I go with a cheaper package? Sure, it would be easy to change the plan and it would be another $20 to add to the kitty. Can I go without my cell phone? Nope, I travel to a lot of dogs shows and I don't want to get stuck in the middle of nowhere without a phone - but I can change the package and save another $15. Do I have to go out to a restaurant every week? No I don't, but it sure is fun! So maybe I cut it back to twice a month and save another $60. For people in my situation, I'm preaching to the choir. It isn't that you don't know where to find $10, it's how to get started, accept the sacrifices and develop a plan. Don't get me wrong, I would prefer to have the 'platinum package' for my cable (I'm stubborn this way), but I can make the change now if it means I will be able to go on grand adventures later.

To wrap-up this little story, it's important to realize that they say it's never too late - but the fact is that everyday I put it off, I'm moving closer to the day when it really will be too late. The sooner you start, the easier it's going to be. So go ahead, make a couple of changes, save just a little bit and come in to see us about your options for retirement planning. We can compare stories!

~ Jodie McLellan

Jodie's case is not unusual when looking at how Americans save for their retirements. In fact, she is closer to the norm than the exception. Our feature article, courtesy of the Employee Benefit Research Institute, shows how a vast majority of Americans have put little thought and contributed little money to their retirements.

Workers Show Record Drop in Retirement Confidence: Health Care and Economy Are Major Concerns

WASHINGTON— Reflecting the growing concern over health care costs and economic issues, American workers' confidence in being able to afford a comfortable retirement decreased over the past year by a rate unmatched in the 18 years of the Retirement Confidence Survey® (RCS), according to results released today.

The percentage of workers *very* confident about having enough money for a comfortable retirement decreased sharply, from 27 percent in 2007 to 18 percent in 2008, the biggest one-year drop in the 18-year history of the survey. *Retiree* confidence in having a financially secure retirement also decreased, from 41 percent to 29 percent, a drop of 12 percentage points. Decreases in confidence occurred across all age groups and income levels but was particularly acute among younger workers and those with lower income.

RCS results indicate health costs in particular have become a big concern for retirees: Among retirees who left the work force earlier than planned, more than half (54 percent) say they did so because of health problems or disability. Almost half of retirees (44 percent) say they have spent more than expected on health care expenses. More than half of retirees (54 percent) say they are now more concerned about their financial future than they were right after they retired, a 14 percentage point increase from a year ago (40 percent in 2007).

"In the nearly two decades we have been conducting the RCS, this year's results show a very dramatic reduction in the public's confidence about having a comfortable retirement. The economy and health costs are major concerns," said Dallas Salisbury, president of the nonpartisan Employee Benefit Research Institute (EBRI), which conducted the survey with Mathew Greenwald & Associates. "If there is a silver lining, it's that Americans finally may be waking up to the realities of being able to afford retirement."

In addition, the survey found that about half of workers (47 percent) say they and/or their spouse have tried to calculate how much money they will need for a comfortable retirement, up considerably from the low point of 29 percent measured in 1996. As before, the 2008 survey finds that doing a retirement savings calculation is particularly effective at changing worker behavior: 44 percent who calculated a goal changed their retirement planning, and of those almost two-thirds (59 percent) started saving or investing more.

The RCS is the country's longest-running and most comprehensive study of the attitudes and behavior of American workers and retirees toward all aspects of saving, retirement planning, and long-term financial security. Full results of the survey appear in the April 2008 *EBRI Issue Brief* available online at www.ebri.org/RCS/2008/, along with five RCS Fact Sheets that provide additional detail on health costs, saving for retirement, gender issues, age issues, and attitudes on Social Security and Medicare. The survey was funded by contributions from 40 underwriters.

The survey picked up several other signs of public unease about retirement:

- ***Overall concerns about basic expenses:*** Confidence in specific financial aspects related to retirement decreased. In particular, the percentage *very* confident in having enough money to take care of basic expenses decreased from 40 percent in 2007 to 34 percent in 2008 for *workers* and from 48 percent to 34 percent for *retirees.*
- ***Worker health concerns:*** Measured another way, workers said they are increasingly *not confident* about having enough money for medical expenses (43 percent in 2008, up from 32 percent in 2007) and for long-term care expenses (54 percent in 2008, up from 44 percent last year).
- ***Retiree concerns:*** Retirees' loss of confidence is reflected in several attitudes they hold about their retirement finances. Retirees are less likely than in 2007 to believe they can always cut back on their lifestyle if it looks like they might use up all of their sav-

• ***Retiree health coverage:*** Barely one-third of all workers now expect to have access to employment-based health insurance in retirement, down 8 percentage points (from 42 percent in 2007 to 34 percent in 2008). Although 41 percent of retirees say they currently have access to health insurance through a former employer, many employers are eliminating health care coverage for future retirees.

Reported Total Savings and Investments

	All Workers	Ages 23-34	Ages 35-44	Ages 45-54	Ages 55+
Less than $10,000	36%	49%	33%	29%	28%
$10,000-$24,999	13%	18%	13%	11%	8%
$25,000-$49,999	12%	14%	12%	13%	7%
$50,000-$99,999	12%	13%	12%	10%	16%
$100,000-$249,999	15%	4%	21%	18%	18%
$250,000 or more	12%	2%	8%	20%	23%

• ***Confidence by age and income:*** The percentage saying they are *very* confident about having enough money for a comfortable retirement decreased from 31 percent in 2007 to 18 percent in 2008 among workers ages 25–34, and from 28 percent to 16 percent among workers ages 35–44. Similarly, it decreased from 14 percent to 5 percent among workers with household income under $35,000 and from 25 percent to 13 percent among those with income of $35,000–$74,999.

The survey also provides some evidence that concerns about the present may be limiting Americans' ability to think about or plan for their future situation in retirement. When asked what they think is the most pressing financial issue facing most Americans today, just 5 percent of workers and 4 percent of retirees cited saving or planning for retirement. Instead, most mention:

• Making ends meet or the cost of living (17 percent of workers, 19 percent of retirees).

• Paying for health insurance or medical expenses (16 percent of workers, 25 percent of retirees).

• Making mortgage payments or paying for housing (16 percent of workers, 10 percent of retirees).

• Paying down debt or loans (13 percent of workers, 5 percent of retirees).

• Fuel or energy costs (9 percent of workers and retirees).

• Job uncertainty (6 percent of workers, 8 percent of retirees).

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Introducing Our New Intern!

Hello All! My name is Michael Vergeront and I have been afforded the wonderful opportunity to learn about the realm of financial planning under the tutelage of Chris, Greg and Jodie. Thus far my responsibilities have included updating and maintaining client information, in addition to producing some of our very important client communications.

I am from here in Madison and will be beginning my senior year at UW-Madison this fall, where I am majoring in finance and economics. Outside of my time at Buttonwood I enjoy playing sports and being outdoors. My favorite activities include fishing, golfing, swimming, playing ultimate Frisbee and spending time at my family's cottage in Northern Wisconsin.

I have enjoyed becoming acquainted with some of you already and look forward to the opportunity of meeting many more of you throughout my internship here at Buttonwood.

College Tuition

If you fund a college education, now is a good time to let us know about your Fall and even Spring semester tuition needs. In these volatile markets, it is especially important for us to know your needs in advance so that we can set aside funds before the check is due at the Bursar's Office.

We hope that you had a great summer, and we look forward to hearing from you or seeing you soon!

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