THOMPSON & THURMAN
Financial Solutions for Families and Small Businesses

The Four Greatest Dangers to Your Retirement

What the Banks, the Government, and the Fat Cats on Wall Street Will Never Tell You

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The Four Greatest Dangers to Your Retirement

Danger #1: Too Much Market Risk

Conventional wisdom says that if you work hard throughout your life, and sock money away into your 401k on a consistent basis for 30 years or so, you will be able to retire in comfort and enjoy your senior years. At least, that's the general idea. But is this reality, or just a fantasy? And where did this idea come from? The entire history of the current "self-funded" retirement plan is beyond the scope of this report, but here is a quick summary, and a few tidbits to consider:

- The Great American Retirement Experiment:
    - In the 1960's, financial markets were weak, and many Wall Street firms were suffering. In order to drum up business, they began offering discounted broker fees, "no-load" funds, and other incentives to bring in new customers. But this method was still not bringing in enough revenue, so the companies lobbied Congress to change the tax laws, and the current "do-it-yourself" retirement model was founded (the IRA).
    - Everyone was encouraged to contribute to IRAs to save for retirement – and Wall Street firms got a commission. This worked great for Wall Street bankers! They wondered, how can we make this idea even better?
    - The answer was, by partnering with employers and forming the 401k plan. They then lobbied Congress again to reduce competition within these plans, so now the only options available to YOU in your 401k are market-based.

    - Now the Wall Street brokers are able to charge fees and commissions on an essentially captive customer base.
    - This is great for THEM, but what about for YOU??

      (Source: The Great Wall Street Retirement Scam, by Rick Bueter, 1st Ed 2010.)

- Dalbar Study
    - In its 2011 annual study of mutual fund investor behavior, DALBAR discovered that average returns for equity, fixed income and asset allocation fund investors were outpaced by inflation for all time periods and asset classes examined except the longest (20-year) time frame, in the equities class.

- Among the study's findings: For the 20 years ended December 31, 2010, equity, fixed income and asset allocation fund investors had average annual returns of 3.83%, 1.01% and 2.56%, respectively.
- The inflation rate averaged 2.57% over that same time period.

  (Source: 2011 DALBAR Quantitative Analysis of Investor Behavior, Dalbar, Inc., March 2011 http://www.dalbar.com)

- A Few More Scary Market Facts:

- The best-performing U.S. diversified stock mutual fund of the past decade was the CGM Focus Fund, rising more than 18% annually, which was more than 3 percentage points over that of its closest competitor.

- The typical CGM Focus shareholder lost 11% annually in the 10 years ending 11/30/2009, according to investment research firm Morningstar, Inc.

- This discrepancy was likely caused by investor response to the volatility of the fund, which rose 80% in 2007, fell 48% in 2008, and then rose 11% in 2009.

- The fund manager gave this interesting response to these findings: "I don't know what to say about that. We don't have any control over what investors do."

  (Source: Best Stock Fund of the Decade: CGM Focus, Eleanor Laise, The Wall Street Journal, December 31, 2009.)

Can you see why relying on the government, Wall Street brokers, or the stock market for your financial security and retirement plan is a losing strategy?

And if you still can't, here are a few more thoughts to consider when investing in Qualified (Government-Sponsored) Retirement Plans*:

- Loss of Liquid Access to Your Money (IRS Wins)
- Lack of Education on Investment Options (Gambling – Wall Street Wins)
- Multiple & Ongoing Administrative Fees (Wall Street Wins)
- Quite Possibly - Higher Tax Brackets At Time Of Withdrawal (IRS Wins)
- Subject to Estate Taxes (IRS Wins)
- May Be Subject to Government Seizure (IRS Wins)
- (WHEN DO YOU WIN????)

  (Source: www.401khoax.com)

So what can you do about this? How can you take back control of your wealth?

For a **FREE Confidential Financial Analysis** go to www.thompsonthurman.com and click the "Request a Free Consultation" button to find out what your options are to protect your retirement, so it will be there when you need it most.

Danger #2: Vanishing Social Security

We all know it, but are we prepared for it? As so many projections show, Social Security will soon come to an end as a viable option for supplementing your retirement. The end has already begun…. As millions of baby boomers approach retirement, the Social Security program's cash surplus will continue to shrink, and eventually the program will be unable to pay the full benefits expected by many of today's retirees. In order to meet the shortfall, the program will need more revenue from other sources – money that is currently used "for everything from environmental programs to highway construction to defense." Eventually, something's gotta give - either Social Security benefits will have to be slashed, or other government programs will have to be cut to continue to feed the Social Security monster.

The reason for Social Security's inevitable decline is fairly simple. Demographics are actually quite predictable. The first wave of baby boomers reached early retirement age in 2008. For the next 17 years thereafter, each year will see more baby boomers reach the early retirement threshold of 62 years old. Since these millions of baby boomers have not produced enough children to take their place in the workforce, the number of taxpaying workers will begin shrinking – faster and faster as more and more people retire.

This is a problem, since Social Security benefits are actually paid by the taxes of those still in the workforce. As succinctly stated by the Social Security Reform Center*, "the program's finances are based on the relationship between the number of workers paying taxes and the number of retirees receiving benefits."

When Social Security was first introduced, this wasn't such a problem. In fact, in 1950, at the beginning of the baby boom, each retiree's benefit was divided among 16 workers. Therefore there was plenty of tax money to go around. Today, that number has dropped to 3.3 workers per retiree, and by 2025, it will reach approximately two workers per each retiree. Essentially, every married couple will have to pay (in addition to their own family's expenses) Social Security benefits for one retiree. As we can see from these scary numbers, in order to pay promised benefits, either taxes in some form must rise, or other government services must be cut.

This future is quickly approaching. Social Security's cash surpluses have been falling already over the past few years. In fact, "over roughly the next 10 years, those Social Security surpluses, about $100 billion a year at their peak, will continue to shrink and then disappear completely."

And then we are in for a whole mess of problems. Somewhere around 2017, on top of replacing Social Security's $100 billion annual surplus, Congress will have to find billions more somewhere so that Social Security can pay the benefits that it has already promised. Within just 5 to 10 years thereafter, the annual demands are expected to reach $200 billion, and then even $300 billion a year.

And of course this is not even counting Medicare. Projections show that "together, Social Security and Medicare will consume an estimated 60 percent of income taxes collected by 2040." What's left would have to finance the entire rest of the government and other social programs. Without reform, Social Security's future is inevitable, like it or not. (Source: Social Security Reform Center; http://www.socialsecurityreform.org)

So what can YOU do, now, to prepare for the inevitable? For a **FREE Financial Analysis**, to find out where you stand, and what your options are to ensure financial security during your senior years, visit: www.thompsonthurman.com and click the "Request a Free Consultation" button.

Danger #3: Soaring Health Care Costs

As we have just seen, the number of seniors in our society is increasing at a dizzying rate. Unfortunately, with the aging population, and especially considering our increasingly poor health as a nation overall, our already exorbitant health care costs can go nowhere but up. A much-discussed study, The World Health Report 2000, Health Systems: Improving Performance, ranked the U.S. health care system 37th in the world (the study was conducted among 191 national health care systems, and ranked on a variety of factors, "mainly the extent to which investments in public health and medical care were contributing to critical social objectives: improving health, reducing health disparities, protecting households from impoverishment due to medical expenses, and providing responsive services that respect the dignity of patients.") (Source: The world health report 2000 — health systems: improving performance. Geneva: World Health Organization, 2000.)

That's us – the United States of America – ranked not #1, not #5 – not even in the top 10, but #37.

This report has sparked much debate, including a major push from the current national administration for a reformed healthcare system. While the idea itself may be admirable, the reality for most of us – particularly those planning on retiring anytime soon -- remains more and more grim.

The current proposals for U.S. health care reform address extending insurance coverage, decreasing the growth of costs through improved efficiency, and expanding prevention and wellness programs. However, the debate so far has been almost exclusively centered on the first two of these elements. Although "given the vast number of preventable deaths associated with a number of lifestyle choices, there are huge opportunities to enact policies that could make a substantial difference in health system performance — and in the population's health." (Source: Christopher J.L. Murray, M.D., D.Phil., and Julio Frenk, M.D., Ph.D., M.P.H. Ranking 37th — Measuring the Performance of the U.S. Health Care System. New England Journal of Medicine. Jan. 6, 2010. http://healthpolicyandreform.nejm.org/?p=2610)

But the new law does not spend much time addressing these issues. In fact, under the new law, Medicare faces over $500 billion in cuts, and senior citizens and future senior citizens have a right to be concerned. These decreases include $155 billion from hospitals, $202 billion from Medicare Advantage, $15 billion from nursing homes, $40 billion from home health agencies, and $7 billion from hospice.*

The law also falls short of the President's stated goal of controlling runaway costs. In fact, it instead raises projected spending. The President's own actuary said overall national health expenditures under the health reform act "would increase by a total of $311 billion and that health expenditures will be 21 percent of the gross domestic product by 2019." Blue Shield California Health Insurer recently stunned individual policyholders with a huge rate increase, effective March 1, 2011, seeking cumulative hikes of as much as 59 percent in premiums for tens of thousands of their customers. *(Source: Roger Wicker Press Release - 2/7/11)

And this is just an example of things to come…. Unfortunately it is likely that these problems are only the beginnings of a national crisis the likes of which have not been seen in America before.

If medical costs continue to increase at their current rate, medical expenses could easily come to constitute a majority of household expenses. One recent study by Fidelity showed that healthcare costs increased by approximately 56% between 2002 and 2010, and projected that today's seniors will need $250,000 saved just to cover future medical expenses – and this number only continues to increase.
(Source: http://seniorjournal.com/NEWS/Retirement/2010/20100325-SeniorCouples.htm)

Scary idea, isn't it? Do you know how you will fund your healthcare expenses in your senior years? To speak with a qualified advisor who may be able to assist you in planning for a more secure financial future, just complete the short Free Consultation Request form at: www.thompsonthurman.com

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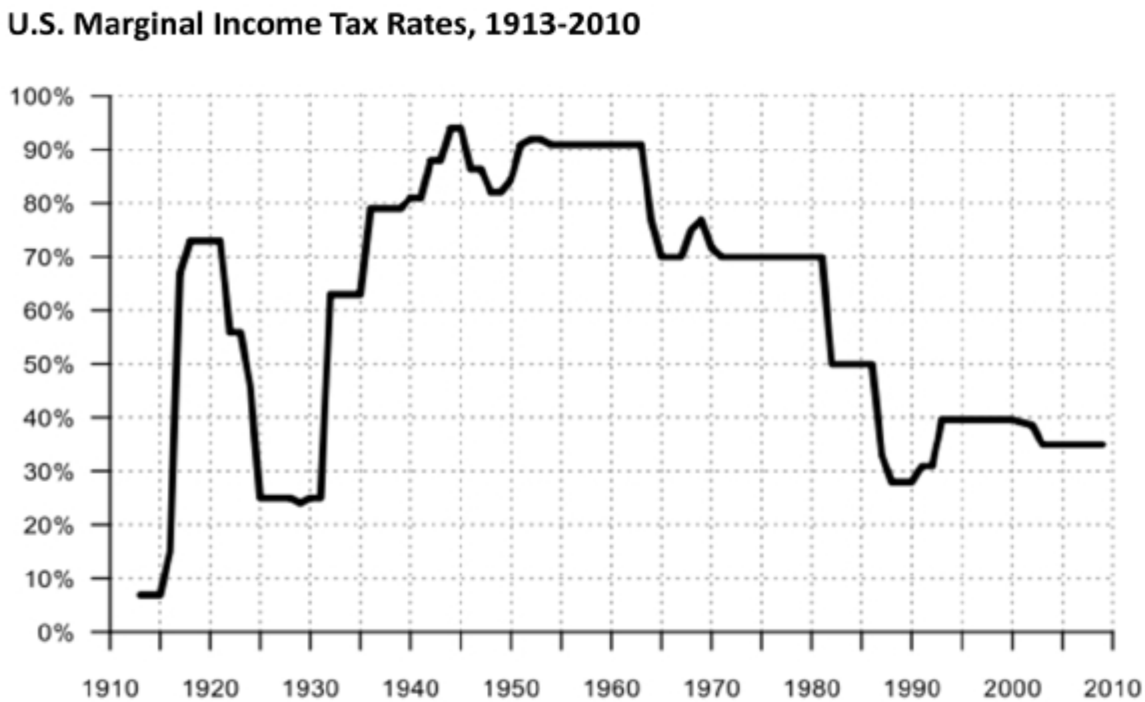
Danger #4: Increasing Tax Rates

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."
-Ronald Reagan

QUESTION: Do You Think Taxes Are Going UP or DOWN? You may think that taxes are higher than you would like right now, but did you know that our current tax rates are actually among the lowest in history? In fact, since 1931, our tax rates for the top income bracket have only been lower than they are right now TWICE (and only 4 times for the lowest income bracket).



For a Detailed History of U.S. Income Taxes Visit: www.taxfoundation.org
(Type "Income Tax History" in the upper left search box, and click Federal Income Tax Rates History for a 68 page income tax history report from 1913 to present day.)

So what does this mean for you? It means that our tax rates will almost certainly go up – probably in the very near future.

Are you prepared for this? What happens when you retire and start taking an income from your "retirement plans," and the income is taxed at 50%? 60%? More? Will this happen? We don't know – and neither do you. Could it? Absolutely. If you are in a government-sponsored retirement plan such as a 401k, IRA, or other similar vehicle, the government technically owns part of that money. How much depends on what the current tax rate is set at at the time, which could change at any time. As long as these plans are really owned by the government, they can tax them whenever and however they see fit!

(If this doesn't seem fair, see #1 above, for how it came to be this way.)

You can take charge of your own financial future and retirement funds. For more info on how to do this, go here to **request a free consultation** with a qualified advisor: www.thompsonthurman.com.

BONUS: Danger #5: The High Cost of College

This section may or may not apply to you, but if you have children who are planning to attend college, this may be an eye-opener that could save you thousands (or even hundreds of thousands) of dollars for your retirement. College costs are increasing at approximately double the rate of inflation, and show no signs of slowing down. This can cause a pinch for families in the short term, but long-term it becomes an even bigger issue, as parents often discover they have used money they had set aside for retirement, to finance their children's higher-than-anticipated education costs.

Although most people have the best of intentions in saving for their children's education, the reality is often less successful than they had hoped. For most, the plan (if they have one) is to set aside some money for college, then hope for scholarships, and supplement the remaining cost (usually more than they had expected) with various loans.

However, knowing the correct way to

1. Save money in places where it won't hurt your eligibility for financial aid
2. Find the right combination of scholarships to pay for as much of the total cost of college as possible
3. Lower your Expected Family Contribution (EFC) to the lowest possible level for your family, so you aren't leaving money on the table for the colleges
4. Find the loans with the most favorable terms and have a comprehensive plan already in place before starting the college years, so you don't get more and more overwhelmed with ballooning loan payments as the years go by

can potentially mean thousands of dollars more for YOU in your retirement years!

See chart below for an example:

Effect of College Cost On Your Retirement

Money You Would Have Had For Retirement (If You Had Been Able to Save This Money Instead of Spending It on College Costs)
(assumes 6% rate of return and ONE child's total college expenses)

Years Until Retirement	Public School $70,000	Private School $140,000	Elite School $200,000
15	$167,760 Savings	$335,520 Savings	$479,310 Savings
20	$224,500 Savings	$449,000 Savings	$641,430 Savings
30	$402,050 Savings	$804,090 Savings	$1,148,700 Savings

As you can see from the table above, even overpaying for college by a fraction of the amounts shown can have a drastic impact on your retirement savings. The top row shows the estimated (4-year) cost of each type of school. Obviously you may not be able to get the entire cost of college covered by grants and scholarships. However, what if you were able to pay only $70,000 for a Private School education, instead of the full $140,000, and you have 20 years left until retirement? If you put the other $70,000 into a vehicle earning 6%, you would have almost $225,000 at retirement – this is money that you would never have seen again if you paid it to the college!

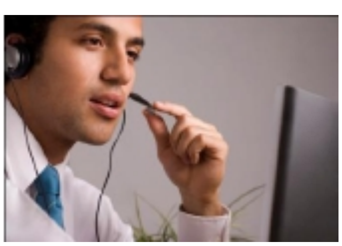
Think this doesn't happen? Think again – a majority of families pay more than they need to for college expenses year after year – simply because they have not been informed of strategies that could help them pay less.

The future of your retirement is in your hands – take the time to educate yourself, and you could potentially save thousands, as in the chart above.

To attend a **FREE College Planning Workshop** that may help you understand many of these strategies, visit www.collegesolutionsllc.com, and register for an upcoming workshop in your area. (If you are not in the Amarillo/Lubbock area, and wish to schedule a 1-hr Free Individual Consultation to discuss your personal college planning needs, please call Angie Grimm at 806-373-2392, and be sure to mention this Free Report.)

Thanks For Reading!

We hope you have enjoyed this Free Report, learned a few things, and have been motivated to seek more information on securing a healthy retirement future for yourself and your family. As we have learned, relying on the government or an employer to provide for you in your retirement years is a scary proposition, at best.



To find out your options for gaining control over your finances both now and in the future, and ensuring a comfortable income during your golden years, request your **Free Analysis** with a qualified advisor today: www.thompsonthurman.com

(Or Call Sarah at 806-352-3480 and mention this Free Report.)