



Letter from the Editor

Square caps and ill-fitting gowns signal the end of one age and the beginning of another. Inspired by the graduating class of 2014, the Financial Focus team chose articles that encourage everyone – from grads to young professionals to families – to create a financial plan today to reach their future financial goals. With the guidance of a fee-only financial planner, you will cut out the noise of life’s pomp and circumstance and realize your financial dreams.

- JJ Knight, Managing Editor

Why Knowing Ourselves Is Critical and Comforting

Financial decisions are easy when we are crystal clear about who we are. By remaining true to who we are, we are no longer striving to be someone we are not, nor are we living a life we cannot afford.

Just think about how confident and secure you would feel if you were absolutely certain about who you are, what you want, what you can afford, where you are going, and what decisions would need to be made in order to get there. You would be able to withstand the forces that try to bully you into making poor financial decisions. With stronger convictions, you will stand firm when your emotions (or others) attempt to sway you into making bad financial decisions.

There are three areas where being confident and true to ourselves would have a massive impact upon our financial futures.

1. Being True to Your Values

Having difficulty making financial decisions could be a lack of clarity about values. When you prioritize financial security and freedom, you rule out a lot of purchases that conflict with those values. Ask yourself,

“Is this the best possible use of my hard-earned funds if my goal is to be financially secure?” Knowing what you really want is a way of wearing blinders to all the bright, shiny objects that try to lure us away from our true goals.



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2. Being True to Your Income

As a young man, I fell in love with a beautiful Mazda MX-6. I wanted to be the one behind that wheel and to live the life of someone who would drive that sexy sports car. I bought it in a rush of euphoria. The problem was that I was neither sexy nor rich! And after the rush faded, I was left with a liability that crowded out my ability to do

all the other things I really wanted to do—save, change careers, and buy a home. I tried to live the lifestyle of someone else—someone with a higher income. I was not being true to my income or myself. As I learned, acting rich will never make you rich.

3. Being True to Your Investment Personality

Are you a saver who prefers certainty, or an investor who desires the opportunity for higher returns at the expense of safety? Which emotion do you feel more when you think about investing: fear or euphoria? How

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- Your Money and Your Mind - The Market Timing Trap
- Feature Article in Five Fundamentals Series: Pay Yourself First



Pieces of Advice

You can trust the guidance of an ACP member; it is the same guidance they wished they’d had when they were starting out. Here are a few pieces of financial advice our members would give their younger self.

Save Today

“Start saving for retirement now, and don’t just save the minimum to get the employer match. Trust me, it will be a whole lot easier than starting at age 45 and having to save 20 to 30 percent of your salary to keep from ending up a bag lady in your old age.”

- Karen Folk, CFP, Ph.D.

Live Within Your Means

“My one piece of advice sounds simple but it’s true, and it will trump any piece of investing know-how. The advice: Always, always spend less than you earn.”

- Anthony Kure

Visit acplanners.org, and click Find an Advisor to help find an advisor in your area.

Help Your Teen Set Financial Goals and Find a Summer Job



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Your fiscal responsibility provides a good model of financial planning for your children. However, there are times when you not only have to lead by example, you also have to take decisive action. If you feel that your teen should get a job this summer to augment either the family finances or your teen's personal finances, you may need to act as a financial advisor to help your teen figure it all out.



Here are a few tips for teens in search of summer employment

■ Set Goals

Is your teen saving for a computer, car, or college? Or does your teen want to earn spending money for movies and fun activities? Either way, sitting down to set financial goals will help.

Your teen should also set goals that have nothing to do with finances. It will be good to remind your child and yourself that, in addition to earning money, work offers opportunities to learn, develop new skills, and meet interesting people. Impress upon your teen that establishing connections with supervisors and co-workers is important for his or her future.

■ Dream Big (But Don't Overlook the Small Stuff)

A job or paid internship in the field your teen thinks he or she

wants to pursue is great, and you should certainly encourage your child to apply for these opportunities. However, if those don't come through, your teen can still gain valuable work experience by working as a cashier. Even a job that doesn't seem to align with his or her long-term career goals can be valuable to your teen.

■ Embrace Entrepreneurship

Your teen may not be able to get a summer job, but that doesn't mean he or she should sit home passively. If your teen can cut grass or babysit or fix computers, he or she can earn money through self-employment.

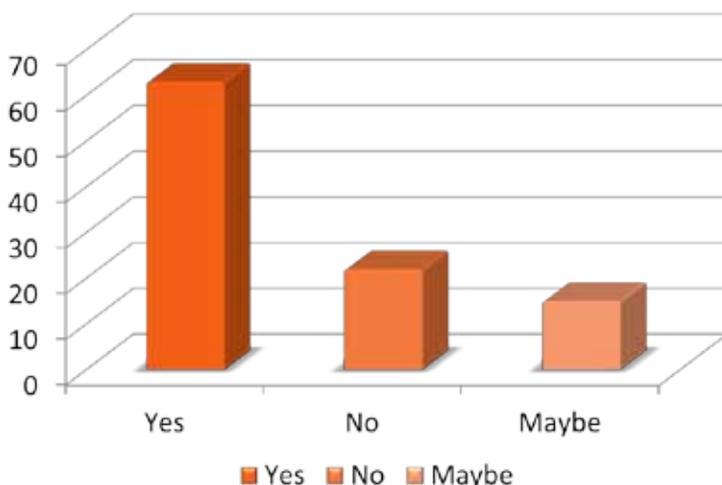
As you help your teen, you may decide to get help from a fee-only financial advisor to review your own financial goals. Visit www.acplanners.org to find an advisor who is right for you.

Read more by Claire Emory at www.bringclaritytoyourfinances.com. Article based on The Huffington Post's "Need a Summer Job? Start Looking Now" published in March.

■ Do You Plan to Get a Summer Job? ■

Junior Achievement USA 2013 Teens & Summer Jobs Survey

Junior Achievement USA surveyed teens ages 14 to 18 in 2013 to determine if they intended to get a summer job. The survey revealed that 63 percent of the teens surveyed planned to get a summer job, 22 percent did not, and 15 percent were unsure.



Your Money and Your Mind – The Market Timing Trap

Most people think about money in two ways: how to make it and how to allocate it. For this reason, it is critically important to have the proper mindset needed to successfully invest over the long term. In a nutshell, we need to protect ourselves from ourselves as it relates to the emotion-driven buying and selling of investments. What's the biggest problem we all face as investors? Ourselves. Essentially, our feeble attempt at market timing, or buying high and selling low, is our biggest stumbling block.

The first piece of evidence I'll cite is one from DALBAR Inc., which recently published a 20-year study of the typical investor since 1984. The shocking takeaway is that while the S&P 500 returned an average of 9.22 percent per year since 1984, the typical investor only realized actual results of about 5.02 percent per year. While 4 percentage points may not seem too big, over the course of 20 years, the difference in a retirement account is nothing short of staggering. For example, starting with a \$500,000 portfolio at age 45, a family earning just over 9 percent for 20 years would see investments grow to about \$2.9 million, while the family earning 5 percent per year (for the same 20 years) would see investments grow to about \$1.3 million.



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Now let's turn to just how difficult it is to time the market. For this, I'll cite a study published by Dimensional Fund Advisors again using the S&P 500 data, which shows the minute margin of error for knowing when to be "in the market" (buy) and when to be "out of the market" (sell). The conclusion? Between January 1, 1970, and December 31, 2011, the annualized compound return of the S&P 500 Index was 9.8 percent. However, there's a significant impact from missing just a few of what I estimate are about 10,250 trading days in that time period. How big? If you missed the best 25 days of the market's performance, your performance drops to 6.11 percent.

So, if an investor were unlucky and missed only 25 of the best days out of 10,250, his or her performance would be crushed. To add insult to injury, the investor would have spent lots of time researching and lots of money trading for this underperformance.

OK, enough with the flurry of statistics. What does this mean for your families as you invest? I am unabashedly making the case for families to put together a cohesive plan and stick to it. To take it one step further, fee-only financial advisors provide the one thing that is absolutely impossible for you to provide for yourself: an objective perspective.



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It is just about impossible for you to provide objectivity for yourself. Therefore, it is impossible NOT to get emotional about the ups and downs of your investments. In short, stopping that knee-jerk reaction when seeing a sharply dropping (or increasing) stock chart is where we can avoid those big mistakes and ensure we are not our own worst enemy.

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much of your portfolio are you willing to subject to the risk of the stock market for the chance at achieving higher returns? Knowing and accepting this (and investing accordingly) is critical to your long-term investment success.

The risk of bailing out of a weak market is the most critical risk to avoid, and this is best done by understanding your own risk tol-

erance and being true to this tolerance. Being true and steadfast to your risk tolerance is far more critical than choosing the right/best investments.

You will propel yourself to the life you really want by being clear about what you value, living within your means, and accepting your investment personality.

Pay Yourself First

Save Today to Reach Financial Goals Tomorrow

As I was waiting to pick up an envelope from a friend, I saw this poster hanging in his office. The title was “Business Owner’s Pyramid of Needs.” There was a picture of a pyramid that was divided horizontally into three sections. The bottom section was “Your Risks,” the middle section was “Your Dreams,” and the top section was “Your Legacy.” That got me thinking about one of the Five Fundamentals of Fiscal Fitness: Pay yourself first!



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As ACP planners, we are very familiar with the visual of a pyramid. We teach our clients that the higher levels have to be supported by following the Five Fundamentals of Fiscal Fitness at the bottom level. By saving 10 percent of your income each year, you build a strong foundation that will help support your future. In the case of the business owner’s pyramid, that strong foundation supports your dreams and your legacy.

Saving 10 percent each year also shows that you can live below your means. Most people pay their bills and fun expenses first, and then they try to save what may or may not be left at the end of the month. But if you flip that around and pay yourself first, then your savings will already be done before you tackle your bills and fun expenses. Said another way, when you pay yourself first, you will have peace of mind that the savings portion of your goals are taken care of right from the start, rather than having to scrounge at the end of each month or pay period.

The question then becomes, “How do I save 10 percent each year?” The best approach is to make the savings automatic. It is easy to do this through your 401K at work if your company offers one. When you sign up for your company’s 401K plan, most employers will take a certain percentage



out of your pay. The goal should be to save 10 percent of your income in your 401K, especially if your company will match the amount. If you don’t have a 401K, you can save through an IRA, a high-yield savings account, or a brokerage account. The key is to set up an automatic monthly transfer from your checking account.

What if the amount you can save in a 401K is less than 10 percent of your income? In that case, add to your emergency fund using a high-yield savings account. If your emergency fund is fully funded, consider putting the difference in an IRA or a Roth IRA—if you are eligible. You may also consider a taxable brokerage account where you can choose low cost investments such as ETFs and index mutual funds.

By paying yourself first, you will be growing a safety net that will reduce your risks and allow you to live within your means. This fundamental of fiscal fitness is an investment in peace of mind as you build a solid foundation to support your dreams and goals.