NEWS REVIEW

Heartland Institute of FINANCIAL EDUCATION

The Heartland Institute Of Financial Education

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Talking to Parents About Their Long Term Financial Plans

Farnoosh Torabi, Yahoo Finance Aug. 2013

My now retired, healthy parents have shared nothing about their finances or their long-term plans. How do we start the conversation?

It's fantastic that you're thinking about approaching your parents about their financial plans. I know this can be an extremely sensitive issue for both sides. No one likes to imagine the "what ifs," and it's sometimes awkward for parents, who've always been the caretakers, to suddenly solicit financial advice or help from their kids. As parents, they may still want to feel in control, and you should account for that, says David Solie, author of "How to Say It to Seniors: Closing the Communication Gap with Our Elders." "The goal is to acknowledge that they are independent, want to stay that way, and you want to support them in that. It's all about them making better choices, and the goal here is to be able to show them that they're in charge; but, you're on their team," he says.

The fact that your parents are healthy and active means that now is actually the best time to start a discussion. Begin by asking them how they envision their next 10 to 15 years. Explain that you want to help them achieve that vision, and that to do so, it's important that they share key information with you in case of an emergency. In that first meeting, you may want to also ask for a list of important contacts including their accountant, lawyer, doctors, lenders, and insurance agents.

To your parents, the conversation may seem to come out of the blue, so I suggest breaking the ice by referencing an article you read online about adult children and their aging parents or any of the surveys showing how retirees may outlive their savings. Then ask, "What do you think about that?"

I recently did this very thing with my parents and while my mother did admit the conversation depressed her slightly, in the end, both came to the conclusion that they needed to update their will and refinance their mortgage to save more for retirement. It wasn't the easiest initial conversation, but I feel like the door's now open for me to continue talking to them about their goals and financial status. I feel part of their team.

Talking to Parents About Their Long Term Financial Plans, continued….

Psychological feelings about one's finances and the motivation to become financially educated varied by individual, with particularly significant differences between genders. The data revealed that only 40 percent of women would give themselves a grade of A or B on their knowledge of saving, preparing for the future, and investing options compared to 66 percent of men.

When Can You Retire?? Some Say Never

Rodney Brooks, USA Today Oct. 2013

In a sign of just how bleak retirement prospects have gotten, more than a third of Americans say they will have to work until they literally can't anymore.

A new Wells Fargo study found that 37% of people don't expect to retire but instead will have to "work until I'm too sick or die". Survey respondents say paying the monthly bills is their highest priority, and saving for retirement is a distant second.

"There were a couple of points I found shocking or troubling ", says Laurie Nordquist, head of Wells Fargo Institutional Retirement and Trust. "One is the increase in the number of people who say paying bills was their top day-to-day concern. That's especially concerning, because the economy has improved in the past few years."

The middle class is not feeling it when it comes to their own situations, she says.

The Wells Fargo Middle Class Retirement study, a telephone survey conducted by Harris Interactive of 1,000 middle-class Americans between the ages of 25 and 75, was released on Wednesday.

Highlights From The Survey:

- 59% say their top day-to-day concern is paying the bills.
- 42% say both saving and paying the bills is not possible.
- 48% are not confident they will be able to save enough for a comfortable retirement.
- 34% say they will have to work until they are at least 80 because they have not saved enough.

When Can You Retire?? Some Say Never, continued….

“Americans are great bill-payers, but they are horrible savers”, say Michael Chadwick, CEO of Chadwick Financial Advisors in Unionville, Conn. “People have to start saving, even when things are difficult. There is never an easy time.”

On the upside, half the survey respondents said they are confident that they will have enough for retirement.

“The good news we saw was the difference that having a financial plan makes,” Nordquist said. “If they had a plan, they saved three times more than those without a plan.” She said, “It’s a misconception that financial plans are only for the wealthy: 45% of those who did not have a plan said it was because they have so few assets.”
“Everyone needs a plan, regardless of income level,” she said.

The Real Reason You’re Not Saving Enough

Jocelyn Black Hodes, Daily Worth Oct. 2013

As a financial advisor, working with clients is often a lesson in psychology. I can’t tell you how many times I’ve heard the same old excuses for why people aren’t saving more money or saving at all. The truth is that these excuses are just cover-ups for chronic, self-sabotaging behaviors. And I can relate. I’ve used a few of them myself.

We all have financial demons that lurk in our subconscious and get in the way of making smarter money decisions. Whether they stem from our childhood, our experiences with peers or partners, or even our DNA, these negative messages remain in the background of our minds, clouding our better judgment.

And women seem particularly susceptible. Studies show that women save less than men, invest less than men and create financial plans less often than men. Women also live longer than men, make less than men, sacrifice earnings more than men and are much more vulnerable after divorce or becoming widowed. Clearly, the need for women to save more is greater today than ever before.

So, why aren’t you saving enough?

The key to your success lies in your ability to understand and confront the truth behind your excuses. Then it’s a matter of taking a few simple steps to break the cycle of bad money behavior. Here are six real reasons you’re not saving enough and what you can do to change it.

What you say: " I don't have anything left to save."

Translation: You spend everything you make. It's all too easy to have your hard-earned money vanish in a few quick swipes of a card or clicks of a button. Without making a conscious effort to set aside savings on a monthly basis, you will most likely spend all of your income. Doing so then gives you the excuse that you don't have anything left to save. So you don't.

Solution: Automate. Set up an automatic paycheck deduction to contribute to your 401(k) or recurring transfer from your checking account to an IRA to force yourself to save, even if you don't think you can. Start by maxing out the amount you can contribute to your retirement account each month (at least as much as your employer matches -- you can always scale it back if need be) and aim to also transfer $100 each month into a "curveball" account for those periodic "uh-ohs." This will help keep you out of debt.

What You Say: "I deserve this (and this, and this…)."

Translation: You are trying to fill an emotional void. A spa treatment and new pair of shoes here, a weekend getaway, or extra round of drinks there... it is easy to justify overspending. The occasional indulgence is healthy, but remember that allowing yourself too many treats will undermine your savings goals. Whether it's insecurity, jealousy, sadness, or anxiety, emotions are a powerful fuel for frivolous spending that can quickly add up -- and ultimately add to the stress that triggered it in the first place.

Solution: Reframe your thinking around what you deserve. Sure, splurging can provide a temporary fix for your emotional void, but the high only lasts for a brief time. Even worse, it is usually followed by guilt and regret. Don't you deserve financial security and a comfortable retirement more than the fleeting buzz of instant gratification? Yes, you do. Remind yourself of this on a regular basis.

What You Say: "I'll save more when I make more."

Translation: You are a chronic procrastinator. It is easy to use the excuse of bad timing to justify putting off what you should be doing now. But the fact is, you may not earn more in the future or as soon as you would hope; plus, most procrastinators who do ultimately make more money end up increasing their lifestyle to match their increased income, only perpetuating the vicious cycle of not saving.

Solution: Start saving now. Even if it is a seemingly insignificant amount, the sooner you get into the habit of saving money consistently, the better. Then, if you do end up making more money, it'll be easier to add to your savings rather than starting from scratch. Remember, the key to long-term wealth is not timing the market, but *time in the market*. So get going. NOW.

What You Say: "I have to pay off debt first."

Translation: You are not ready to change your bad habits. It is easy to use debt as an excuse for not saving and *can* make sense if you're being charged a high rate of interest every month. However, saving is a good habit that takes practice, and in order to stay out of debt in the future, you need to have some savings. Otherwise, your old, bad habits will inevitably get the best of you again.

Solution: Make a commitment to saving something in a separate account every month in addition to your debt payments. Even though you might not pay off your debt as quickly, you can at least help yourself avoid falling into further debt by having some savings available when you need it. It is also easier to increase your savings once you get into the habit of doing it at all.

What You Say: "I can't even think about the future."

Translation: You don't have a plan. It's amazing how much time we waste on watching TV or browsing the aisles in Target, and yet so few of us take any time to think about what we want in life and how to get there. Sure, it may seem overwhelming or impossible to achieve but just taking a few simple steps can help you wrap your brain around what life could be like in the future and motivate you to work towards making it a reality.

Solution: Take as little as 15 minutes to consider your financial goals. Set an appointment for yourself on your personal calendar, if necessary. Write them down. Then prioritize them by time frame and importance. Try to assign each goal a target amount (this will probably require doing some calculations). The next step is setting up dedicated accounts for each goal with monthly automatic transfers from your checking account. Keep your list of goals in a highly visible place or multiple places so that you can be reminded of what's most important to you on a regular basis, which will help keep you focused and accountable.

What You Say: "I have to worry about my family."

Translation: You pay yourself last. Whether you have scaled back on work to be a caretaker or are spending all your discretionary income on your kids and/or their college savings, women all too often focus on the needs of others, thereby neglecting their own future security. But given all of the statistics regarding women consistently under earning men, living longer and the risk of divorce and widowhood, women need to be saving more for themselves today than ever before.

Solution: Pay yourself first. Just like you are supposed to put your own oxygen mask on before a child's in the event of an airplane emergency, you should prioritize your own savings in order to ultimately save those you love most. This means dedicating as much income as possible towards maxing out your personal retirement account (whether 401(k) or IRA) before contributing to any education savings plans or spending unnecessarily.