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Are You Uninsured & Putting Your Loved Ones At Risk?

About 40% of Americans have no life insurance. LIMRA, an insurance industry group analyzing insurance trends in the U.S., recently found that among men and women, ownership of life insurance policies has hit its lowest level since 2004. LIMRA's most recent study shows 39% of men without even term life coverage, and 43% of women in the same boat.[1]

Alarmingly, the population of married men aged 35-54 who had life insurance dropped more than 10% from 2004-10. Men who fall into this age bracket are usually in or near their peak earning years, and about half of them are fathers.[1]

Another alarming finding from the survey: a third of new parents admit they have insufficient life insurance coverage, yet only about 40% try to rectify that problem within two years of the birth of their first child.[1]

Is it wise to live without life insurance? No. Is it hard to have a conversation about it? Apparently so.

Many parents would rather talk to their kids about drugs than life insurance. So reports Bloomberg, citing a survey from State Farm released at the start of this month. The poll (compiled by Harris Interactive for the insurer) showed 55% of the 2,000 respondents would be comfortable discussing drug and alcohol issues with kids, but only 38% would be comfortable discussing a life insurance policy. As valuable as life insurance coverage can prove to be, it doesn't appear to be a financial priority: only about a quarter of those polled said they would alter the family budget to accommodate payment of life insurance premiums, yet about half of respondents said they would revise their finances to afford cable TV and Internet services.[2]

There is no getting around it: a life insurance policy references death. That is why couples and families tend to avoid the subject. (Yes, couples without kids avoid it too – the Harris Interactive poll cited above also discovered that about three-quarters of them don't talk about it.) Yet avoiding the discussion doesn't solve the problem – and a real problem it is.[2]

If you have no life insurance and pass away, what kind of economic burden will your family have? Beyond the costs of the funeral and/or burial, your family loses income (perhaps its primary source of income) and has no financial wherewithal to meet the money challenges that the loss of a parent or guardian poses.

There are many types of insurance options on the market today. Term insurance is the least expensive way to purchase a substantial death benefit per premium dollar over a specific period of time.

Underinsured? Uninsured? If certain life events have caused you to think about life insurance, please call us, we can steer you in the right direction. It represents the right thing to do for you, your spouse and your family.

Citations.

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Implications of Rising Mortgage Rates

Are they threatening the recovery or is their effect overstated?

Between early May and mid-July, the average interest rate on the 30-year fixed-rate mortgage rose about 1%. Rates on 30-year FRMs have basically held steady since hitting a peak of 4.51% in Freddie Mac's July 11 Primary Mortgage Market Survey – in the August 15 edition, they averaged 4.40% – but they could rise dramatically again.[1,2]

When mortgages become a bit costlier, things can get a bit tougher for home buyers, home sellers, home builders, real estate brokers, the construction industry, the labor market, the service industry and the broad economy. As housing's comeback is a key factor in this current economic recovery, how worried should we be that home loans are growing more expensive?

Analysts are divided about the impact. A July *Wall Street Journal* poll of economists drew rather mixed opinions: 40.0% of respondents felt that more expensive mortgages "won't have a noticeable effect" on the housing recovery, 35.6% thought that they "will slow sales" and 24.4% believed that they "will slow home-price gains."[1]

So far, the lure of increasing home values appears to outweigh disappointment over pricier home loans. In the latest S&P/Case-Shiller Home Price Index (released at the end of July and covering the month of May), both the 10-city and 20-city composites showed the biggest year-over-year gain since 2006. Rising home prices (and rising stock prices) contribute greatly to the "wealth effect" felt by consumers. So there is a chance that a 100-basis-point rise in the 10-year Treasury yield (it hit 2.82% on August 15) and conventional mortgage rates may not do as much damage as feared. After all, both consumer confidence and consumer spending have improved even with a 2% hike in payroll taxes and this spring's federal budget cuts.[3,4,5]

Maybe we haven't seen it yet. The fundamental housing market indicators in our economy are lagging indicators, presenting statistics a month or more old. The Case-Shiller composite home price figures are based on three-month averages ending in the latest month of the index – in other words, the May survey reflected data from March, April and May, and May is when mortgage rates began their ascent.[3] *(continued on page 2)*

How Impatience Hurts Retirement Saving

Keep calm and carry on – it may be good for your portfolio.

Why do so many retirement savers underperform the market? From 1993-2012, the S&P 500 achieved a (compound) annual return of 8.2%. Across the same period, the average investor in U.S. stock funds got only a 4.3% return. What accounts for the difference?[1,2]

One big factor is impatience. It is expressed in emotional investment decisions. Too many people trade themselves into mediocrity – they react to the headlines of the moment, buy high and sell low. Dalbar, the noted investing research firm, estimates this accounts for 2.0% of the above-mentioned 3.9% difference. (It attributes another 1.3% of the gap to mutual fund operating costs and the remaining 0.6% to portfolio turnover within funds.)[2]

Impatience encourages market timing. Some investors consider "buy and hold" passé, but it has certainly worked well since 2009. How did market timing work in comparison? Citing Investment Company Institute calculations of equity fund asset inflows and outflows from January 2007 to August 2012, *U.S. News & World Report* notes that it didn't work very well. During that stretch, mutual fund investors either sold market declines or bought after market ascents 57.4% of the time. In addition, while the total return of the S&P 500 (i.e., including dividends) was -0.13% in this time frame, equity mutual fund investors lost 35.8% (adjusted for dividends). [3]

Most of us don't "buy and hold" for very long. Dalbar's latest report notes that the average equity fund investor owned his or her shares for 3.3 years during 1993-2012. Investors in balanced funds (a mix of stocks and bonds), held on a bit longer, an average of about 4.5 years. They didn't come out any better – the report notes that while the Barclays Aggregate Bond Index notched a 6.3% annual return over the 20-year period studied, the average balanced fund investor's annual return was only 2.3% .[2]

What's the takeaway here for retirement savers? This amounts to a decent argument for dollar cost averaging – the slow and steady investment method by which you buy shares over time, a little at a time. When the market sinks, you are buying more shares as they have become cheaper – meaning you will own more (quality) shares when they regain value.

It also shows you the value of thinking long-term. When you save for retirement, you are saving with a time horizon in mind. A distant horizon. Consistent saving from a (relatively) early age and the power of compounding can potentially have much greater effect on the outcome of your retirement savings effort than investment selection.

Keep your eyes on your long-term retirement planning objectives, not the short-term volatility highlighted in the headlines of the moment.

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Implications of Rising Mortgage Rates *(continued from page 1)*

New home sales figures compiled by the Census Bureau must also be taken with a grain of salt. The pace of new home sales reached a five-year peak in May, but here is the asterisk: the Census Bureau actually measures new home sales in terms of signed sales contracts rather than closings. So a sizable percentage of those homes were not yet constructed, and the actual closing could have been months away. As it turns out, 36% of the signed sales contracts in May were for homes yet to be built – meaning they were in all probability three to nine months from completion, with most of the involved buyers unable to lock in mortgage rates in early May as they would have preferred.[6]

Which of two outcomes will occur? Summer home sales statistics may reflect more impact from higher mortgage rates. Perhaps they will communicate that the housing market is no longer red-hot, but reasonably healthy. The real estate industry, Wall Street and Main Street can all live with that.

The bigger question is whether consumer spending and GDP will keep improving as mortgage rates presumably keep rising. If the economy gathers or at least maintains momentum and the "wealth effect" continues to boost consumer morale, then the housing market should see sustained demand – a desirable outcome. If mortgage rates rise due to inflation (or some other factor unrelated to growth), then consumers may decide that costlier mortgages are simply too much of a stumbling block to home buying, gains in home values nonwithstanding.[3]

Two things can't be denied. One, consumers have grown more optimistic recently (and wealthier, at least on paper). Two, home loans are still really cheap these days, at least by historical standards. Those two factors may maintain demand in the real estate market in the face of rising interest rates.

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RMDs

Required Minimum Distribution

DEADLINE IS

DECEMBER 31st

Just what is an RMD? After you turn 70½, the IRS requires you to withdraw some of the money in most retirement savings accounts each year. These withdrawals are officially called Required Minimum Distributions (RMDs).

If you have any questions about RMD's, we are here to help you.

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