

# NORTHWEST ASSET MANAGEMENT

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**“You can make mistakes, but you aren’t a failure until you start blaming others for those mistakes.”  
John Wooden, basketball coach, 1910-2010**

## Making Up For Retirement Shortfalls

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Given the backdrop of economic uncertainty and the rise in both life expectancy and medical costs, prospects look difficult for those facing retirement shortfalls. Fortunately, a financial advisor can show you how pulling these key levers can help your retirement nest egg last.

**Work Longer:** Working longer is one of the easier solutions for those facing retirement shortfalls, allowing you to contribute to your savings for a few more years.

**Reduce Spending During Accumulation Years:** One of the best ways to save more is to spend less. Setting explicit goals with a financial advisor, having a clear understanding of your net worth, and carefully tracking expenses are essential to reducing your spending.

**Reduce Planned Expenses in Retirement:** Your retirement nest egg may last longer if expenses, such as home costs during retirement years, are reduced.

**Optimize Your Asset Allocation:** As you near retirement, a portfolio that is too conservative can be just as risky as one that is too aggressive. Retirement can be a 30-year prospect, long enough to consider a specific allocation to stocks, which, although they are more volatile, offer higher return potential over time.

**Delay Taking Social Security:** If you’re healthy and expect to live long, waiting until age 70 to receive Social Security benefits can result in a higher payout.

Returns and principal invested in stocks are not guaranteed. Please keep in mind that diversification does not eliminate the risk of experiencing investment losses, and that investing in securities always involves risk of loss. Please consult with a financial professional for advice specific to your situation.



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# 25 Ways to Cut Expenses

1. Use the public library to check out movies or books for free.
2. Consider dropping your land line phone at home. Your cell phone may be all you need and some come with free long-distance services.
3. Send free e-cards and save on postage.
4. Stop buying clothes that are "dry clean only." Learn to iron.
5. Don't renew subscriptions to publications you don't have time to read.
6. Only use ATMs where you won't be charged service fees.
7. Wait a little longer between manicures (or try doing one yourself!).
8. Pay cash when possible—psychologically it's harder to spend cash than using credit cards, and you'll save on interest charges.
9. Check your credit history. Go to [www.Freecreditreport.com](http://www.Freecreditreport.com) and make sure everything is accurate. Good credit may mean lower interest charges.
10. Get multiple quotes on insurance. It pays to shop around.
11. Raise the deductible on your homeowner's and car insurance policies.
12. Join AAA and save an average of 24% on prescription drugs for both humans and pets.
13. Go to matinee movies instead of movies at night.
14. Cook in bulk and freeze.
15. Purchase a programmable thermostat for your home.
16. Only do full loads of laundry and fill the dishwasher before running it.
17. Bring your lunch to work or scout out the inexpensive places to buy lunch.
18. Have cocktails at home and then go out; have dessert at home.
19. Be a smart grocery shopper—cut coupons, shop at discount stores, and stock up on sale items. Check out Costco or Sam's Club.
20. Fill prescriptions with the generic form of the drug.
21. Keep up maintenance on cars. It may prevent costly future problems.
22. Get annual physicals to prevent costly future problems.
23. Wash your car at home and skip the car wash.
24. If you see something in a catalog that you want to buy, wait a week before ordering to see if you still really want it.
25. Pay bills online. Save postage.

**Chuck's note:** For CJ&A clients, use MAP (My Access Platform) to learn where you are spending your money – it will create a budget for you.

**CHUCK'S TIPS:**

IMAGINE IT IS SEPTEMBER OR OCTOBER AND YOUR CPA or TAX PREPARER SAYS YOU ARE GOING TO OWE A BUNCH OF TAXES FOR 2013. HE/SHE RECOMMENDS YOU DO SOME ADDITIONAL CHARITABLE GIFTING.

Although you are charitably inclined you are not sure which organization you wish to benefit and you don't have time by year end to do the examinations you normally do prior to making the gift.

WAIT, there is an answer. It is called a Charitable Donor Advised Fund. You set up a Giving Account with one of several organizations that offer them. You make a deposit to your new account prior to year end WITHOUT naming the charity you will eventually give to. And, the deposit doesn't have to be cash, it can be stock of public (and possibly private) companies or real estate. Also, if the asset you gift has an appreciated value you not only get a deduction but you do not pay any tax on the gain. We recommend using Fidelity Charitable but there are other organizations that offer similar programs.

One can open the account with as little as \$5,000, your contributions are invested and may grow tax free and then anytime in the future you can simply ask Fidelity to send a check or checks to one or more charities.

We have an excellent paper from Fidelity Charitable that explains the details, simply email or call our office and we will send it to you.

**OTHER TIPS:**

**CAPITAL GAINS AND DIVIDENDS:** Kiplinger Tax Letter April 26, 2013, predicts that all Capital Gains and Dividends will be taxed as ordinary income by 2015. You may wish to consider taking those gains prior to 2015.

**INHERITED IRA'S:** An Appeals Court says inherited IRA's are NOT exempt from creditors when one files bankruptcy. Next stop the Supreme Court. Kiplinger Tax Letter April 26, 2013

**SURVIVOR SOCIAL SECURITY AND REMARRIAGE:** Before age 60, spousal benefits based on an ex-husband's record end when recipient remarries – however, if you remarry over age 60, you may be eligible to receive a survivor benefit based on your former spouse's earnings record. Kiplinger Retirement Report March 2013

**LINE OF CREDIT ON THE EQUITY IN YOUR RESIDENCE IF YOU ARE OVER 62:** Yes the FHA Home Equity Conversion Mortgage (HECM) is a great way to either immediately access the cash or JUST have it available to you as your Emergency Reserve. We have recently met with two of the lenders that make these programs available and since they are closely controlled, they are an excellent source of cash that you cannot outlive. "Use your home to stay at home" is a guide that lists the pros and cons of these loans. Go to [www.ncoa.org/RMBooklet](http://www.ncoa.org/RMBooklet). Also, we have brochures available, again just let us know if you'd like one.

**AIRLINE EXTRA CHARGES:** Upset over those extra charges, download at [www.airfarewatchdog.com/blog/13842767](http://www.airfarewatchdog.com/blog/13842767) a free guide of 14 major fees charged by 28 airlines.

**MAX OUT YOUR 401k:** Not sure you are maxing your 401K contributions check it out with the Max calculator at [www.finra.org/max401k](http://www.finra.org/max401k). Those 50 and older can put away up to \$23,000 in a 401k in 2013.

# Financial Preparations for a Natural Disaster

As residents of areas affected by Hurricane Sandy found out, a natural disaster can bring about not only emotional hardship, but financial hardship, as well. From keeping important documents safe and accessible to having enough cash on hand to get by until things return to normal, being prepared for a disaster is an important part of protecting your home and your family. It could be a natural disaster like a hurricane, tornado, flood, fire, mudslide, or earthquake. Or it could be something on a more limited scale like a power outage. Whatever the crisis, taking the steps below will help you better handle whatever might come your way.

**Get Organized Before a Disaster Strikes:** Chances are that's not at the top of your to-do list for the weekend, so it's very easy to procrastinate. But think of it this way: You buy insurance to protect you from catastrophes; disaster preparedness is just another kind of insurance that you prepare yourself. It doesn't have to cost a lot, but it could really save time and added frustration should something happen to you. Once you've got a plan, you only need to update it periodically.

**Keep Important Papers and Documents Safe and Easily Accessible:** You might need to gather your most important papers in a hurry. Do you know where they are? Can you grab them quickly and leave the house immediately if you need to? Here are some of the documents to which you may need access: IDs (driver's license, Social Security card, passport, birth certificate), financial documents (checkbooks, investment account numbers, passwords, and phone numbers, retirement account information, estate documents, insurance policies), and medical records. Most importantly, you'll need cash (at least enough to cover one to two weeks' emergency expenses).

You might also want to have a list of key contacts/phone numbers, which may include family cell-phone numbers and e-mail addresses, police, fire, and ambulance numbers, Red Cross and emergency response center local numbers, as well as your company's human resources department number.

Keep all these important papers in a plastic bag in your home safe, or in any safe place from where you can grab them quickly if you need to leave your home in a hurry. Also, it may be a good idea to leave copies of everything with your attorney and/or financial advisor, in case the original documents get lost or damaged.

**Prepare for a Medical Emergency:** What if you or a family member suffer an injury (or worse) when disaster strikes? Check your health-insurance coverage to determine out-of-pocket costs in case surgery or emergency treatment is needed, and try to set aside enough money to cover these costs. Designate a family member or close friend as your primary contact, and prepare a living will and power of attorney for health care (documents that specify your wishes in case you're incapacitated).

**Create an Emergency Fund:** Most experts recommend setting aside enough money to cover about six months of living expenses. But it is equally important that this money be easily accessible. It may be a good idea to keep about half in cash, ready to use (what if it's impossible to get to a bank in the aftermath of the disaster?), and the other half in liquid investments that you can cash out easily.

**What to do if Disaster Strikes:** If your house has been damaged, you may need emergency shelter. The Red Cross or your local emergency response center should be able to help. Your property insurance agent can help you file a claim on your homeowners or other types of insurance policies. If your area has been declared a federal disaster area, you may qualify for financial relief. If you have been injured, you might need to file for disability benefits. If you are healthy but a family member needs your care, you may be able to take as many as 12 weeks of unpaid leave under the Family and Medical Leave Act without losing your job.

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