

Office Calendar

Mar 9	Bruce—FPA meeting in AM
April 2-11	Bruce Vacation
April 20-27	Bruce at FPA Retreat



How Savings Beats Returns

We're hearing a lot about higher savings rates, which have risen from roughly 0% over most of the past decade to the 6-7% range since the end of 2008. Higher savings rates worry economists who want us to spend our way out of the downturn. But most financial advisors think that the return to savings habits is a terrific long-term trend.

And it illustrates a secret that financial planners and investment advisors understand all too well: investors (like you) have a lot more control than the professionals (like them) over how fast your portfolio grows. Seemingly small changes in savings rates can have far more impact on the growth of a retirement portfolio than investment returns.

Let's take a simple example. Suppose Jonathan has an income of \$100,000 per year and manages to save 1% of his total income each year for 20 years--which would have made him a champion saver during the 2000s. Let's assume Jonathan's salary goes up 2% a year with the cost of living. Finally, we'll assume that he's able to earn a very generous 8% yearly return on his portfolio. (Important caveat: all return assumptions you read here are purely hypothetical and for illustration purposes only, and should not be regarded as an indication of what we or any other advisor might achieve in the unknowable years ahead. For all we know, the markets may be more or less generous, and they will be so in unpredictable ways.)

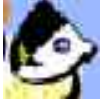
The result? In 20 years, the portfolio would be worth \$93,741.65.

Now let's suppose that a second person, Joanna, follows today's (much-improved) average savings rate and sets aside 7% of her income each year. Alas, Joanna experiences a less favorable investment time period, and her portfolio goes up just 4% a year--half of what Jonathan was earning.

Even so, after 20 years, Joanna's portfolio is worth \$373,183.84--more than three times more in retirement wealth than Jonathan's, even though Jonathan had a much higher rate of return on his portfolio.

Of course, if Joanna were to save 10% of her income--which is what most financial advisors normally recommend--and if she were to get the same rate of return as the less thrifty person with a 1% savings rate, her terminal wealth would be almost exactly TEN TIMES as much as Jonathan's.

As you know, the numbers are never this tidy, you would never earn the same return each and every year, and most of us don't receive the same salary increase from one year to the next. But the point, which can be made with much more complicated illustrations, is that, in general, savings rates matter more than rates of return, and seemingly small changes in savings habits can add up dramatically over time.



On The Light Side

More Church Bulletins

They're *baaa-aack!* Those wonderful church bulletins! Thank Goodness for church ladies with typewriters. These sentences (with all the bloopers) actually appeared in church bulletins or were announced in church services:

The Fasting & Prayer Conference includes snacks and meals.

The sermon this morning: 'Jesus Walks on the Water.' The sermon tonight: 'Searching for Jesus.'

Irving Benson and Jessie Carter were married on October 24 in the church. So ends a friendship that began in their school days.

Eight new choir robes are currently needed due to the addition of several new members and to the deterioration of some older ones.

Potluck supper Sunday at 5:00 PM - prayer and medication to follow.

The ladies of the Church have cast off clothing of every kind. They may be seen in the basement on Friday afternoon.

This evening at 7 PM there will be a hymn singing in the park across from the Church. Bring a blanket and come prepared to sin.

Ladies Bible Study will be held Thursday morning at 10 AM. All ladies are invited to lunch in the Fellowship Hall after the B. S. Is done.

Low Self Esteem Support Group will meet Thursday at 7 PM. Please use the back door.

Weight Watchers will meet at 7 PM at the First Presbyterian Church. Please use large double door at the side entrance.

A bean supper will be held on Tuesday evening in the church hall. Music will follow.

Don't let worry kill you off - let the Church help. Remember in prayer the many who are sick of our community. Smile at someone who is hard to love. Say 'Hell' to someone who doesn't care much about you.

And, finally, my favorite...

The Associate Minister unveiled the church's new campaign slogan last Sunday: 'I Upped My Pledge so up yours!



FINANCIAL PLANNING
LONG TERM: THE CAR IS CHEAPER

The Weaker Sex???

Dan was a single guy living at home with his father and working in the family business.

When he found out he was going to inherit a fortune when his sickly father died, he decided he needed to find a wife with whom to share his fortune. One evening, at an investment meeting, he spotted the most beautiful woman he had ever seen. Her natural beauty took his breath away. "I may look like just an ordinary guy," he said to her, "but in just a few years, my father will die and I will inherit \$200 million." Impressed, the woman asked for his business card and three days later, she became his stepmother.

Women are *soooo* much better at financial planning than men.

Reasons Teachers Drink

Actual answers to test questions (just a few)...

Q: What did Mahatma Gandhi and Genghis Khan have in common?

A: Unusual names.

Q: Name one of the early Romans' greatest achievements.

A: Learning to speak Latin.

Q: Name six animals that live in the Arctic.

A: Two polar bears and four seals.

Q: Where was the Declaration of Independence signed?

A: At the bottom.