



# MACIAN

## NEWSLETTER

December 2010



[www.macian-wm.com](http://www.macian-wm.com)

## Lasting a Lifetime

### CONGRATULATIONS!

Merry Christmas! Wow... it's December already? Where did the year go? As promised, we are going to name the winner of last month's challenge. To recap here was the challenge:

*We challenge you this month to either ladder your CDs OR find other methods to fight against inflation. Let us know your most creative new method to fighting inflation and taxes and we will list the winner's concept in the beginning of next month's newsletter! As a prize for being chosen as "Macian's Fearless Fighter Against Inflation and Taxes", we will give you 50% off the first year's planning fees and 50% discount to anyone that you may refer.*

If you missed the challenge, do not worry look for upcoming ones next year. Before we proceed with our letter, the winner of last month was:

***Vernon D.***



**BIG CONGRATULATIONS** on winning the challenge! We encourage everyone to continue to be creative in ways they can save and cut back on the expenses. If you are having a difficult time with ideas or not sure if it will work for you, please contact us and we are more than happy to help you. If you have missed our past Newsletters, you can find them on our site at [www.macian-wm.com](http://www.macian-wm.com).

We hope that you enjoyed your Thanksgiving Holiday back in November. Black Friday was crazy and Cyber Monday was just as bad, but if you played it right, you not

only received some wonderful sales and deals in the stores, but your portfolio also saw a pretty nice bump from the retail sectors and precious metals. If you had any interesting stories about the shopping season or any major accomplishments in a trading area, let us know. We would love to hear all about it!

### **Lasting a Lifetime**

Are you prepared to live a lifetime? As the years come and go, Americans seem to be living longer and longer due to an increase in healthy living. We may be more interested in the yoga class that everyone seems to be

speaking about or that new cycling team in the neighborhood instead of staying at home watching TV or skipping a workout session. Food choices have also been changing. We are more aware of what we eat, no MSG, whole grain please, or organic foods only.

So, you are living better and eating healthier, what does that mean to you? You live longer! An opportunity to live until 90 or 100 can be amazing, but are you truly ready for that? Some may say yes while others will say no, but are you “financially” ready to last a lifetime?

### **What's Your Retirement Statistic?**

Whenever clients come in and meet with us, we help them discover their real retirement needs and figure out their number. Some may already know it from the past while many just state that they do not know. Many have started a 401K at work and make a little contribution to an IRA, but do not really know how much to save in the end.

A common mistake we see in many individuals is the misconception that the 401k will actually supply enough funds for a healthy retirement once you turn 65. Yet, how can we rely on this when statistics show:

54% of 401(k) plan assets are invested in stocks. Back in 2007, about 50 million Americans had a 401(k) plan that totaled \$2.4 trillion but by October 2008, those same accounts dropped down to \$1 trillion and even more have dropped since that time. In IRA assets alone also dropped another \$1 trillion. With these uncertain times, over 50% of US households are financially unprepared with their retirement savings. Many believed that the 401(k) at work or small contributions in their IRA will last forever, but the reality is that these funds will be used up in just the first few years of retirement if nothing is done to change or reallocate retirement investments.

A statistic back in 2007 showed a point at the market peak, just before assets were nearly cut in half, defined contribution accounts administered by Vanguard showed a median account balance for people ages 55 to 64 years old had an amount of \$60,740. Assuming that an individual was to retire at that time and had an annual expense of \$20,000 a year, this personal will only have funds to last for 2 ½ years after taxes. This surely will not satisfy the need of income lasting for a lifetime.

Back in March of 2009, BusinessWeek had an article

stating some information from Fidelity where the 401(k) balances had declined. This is no surprise to us since that was the time of the financial crisis, but a major factor causing this decline was that participants did not understand their investment vehicle and could not control the outcome. Some 401(k) plans allow you to trade actively and move your assets around, but many corporate plans do not allow this flexibility and your investments are truly at the mercy of their internally chosen investment manager. Even though many are beginning to invest in their company's 401(k), the amount parked in this vehicle is surely not enough to retire when the average balance stands near \$50,000. That is nowhere near the needed amount to retire. The Employee Benefit Research Institute states that 47% of American today ages 56-62 would run out of funds necessary to pay for basic retirement expenditures if they retire at the age of 65. How can you protect yourself from this lack of funds and increase of life expectancy?

### **Creating a Solution**

There is not clear cut answer, but one way is to contact your Wealth Manager and have a

heart to heart sit down and really evaluate your position. Together we can create you're a Macian Action Plan, which we call a MAP, where you are able to find a step by step answer. This conversation needs to be honest and clear for both parties for it to succeed. If you are relying on your pension plan, social security, or company retirement plans to sustain your lifestyle once you retire, that is an area that really needs to be evaluated. The future is uncertain. You must also take a look at rising costs. Costs of goods and living will always increase, just look back 10 years; gas was probably around \$1.20 per gallon, while today we suffer by paying \$3.30 a gallon! Even health care issues and expenses have increased in the medical sectors. As we all age, we will eventually need to face these issues; will you be ready to pay for these additional expenses and the unforeseen?

Let's look at a little inflation sample: if inflation rate only increase by 3% over a 30 year period it would require you to more than **DOUBLE** your annual income to maintain your standard of

living. Looking back on the healthcare issue, medical and prescription costs: health insurance premiums and deductibles rose an alarming 149% between 2000 and 2009!

What are you going to do to help make sure that you do not outlast your funds? The main secret is to be organized, understand what you are investing in and how is it going to affect your retirement needs, and to make sure your plans personal retirement, investment strategy, or estate plans are updated every year. Watching and understanding how money works will help you save a little more and ask to be in the right type of investments to reach your retirement goals and make sure that you do not outlast your 401(k) or other retirement vehicles that you have created with your wealth manager.



If you do not have someone to work with you yet, that is alright. At least start gathering your information, create files that say taxes, insurance, investments, retirement, estate documents, and other important items. If it seems to be a little overwhelming, reach out to us, we are more than happy to help. We have a portfolio organizer that can help you sort out all those pieces of paperwork. We challenge you to get organized! Do not be strangers; let us know what you are up to! If you need help or just not sure where to start, that is why we are here! We wish you a wonderful Christmas season, if we do not get to speak in December; you will see us again next year!

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Sincerely,

A handwritten signature in black ink, appearing to read 'Jadine Wong'.

Jadine Wong,  
Chairman & CEO

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