The Financial Edge

Published bi-monthly to promote sound financial opportunities

Insurance and Investment Consultants, Inc.

Volume 3 Issue 5

September/October 2006

The Big Choice—Saving For Your Child's College Education

When most parents have to choose between saving for their kids' college education and saving for their own retirement, it seems that retirement often comes out ahead.

According to Allstate's annual Retirement Reality Check survey, when asked to best describe how saving for college impacts their ability to save for retirement, 49% of people say they are saving equally for retirement and college, and 32% are saving mostly for retirement and putting only a little toward college costs.

Here are some ideas on how to help you focus more closely on college funding.

The first step might be to heed to the wake up call about the cost of a college degree. Despite the constant messages in the media, most people don't truly comprehend the number of dollars it takes to put a student through college. They don't understand it until the kid is getting ready to apply—junior of senior year in high school when they're getting different books about colleges, admission applications and tuition information. Most people are not prepared.

Once a parent gets beyond the tuition sticker shock, they can turn their attention to the many available college funding options.

Many people are not aware that they can borrow from their 401(k) plans to pay for college expenses, then pay it back over time. Well funded 401(k) plans won't jeopardize a student's chance for financial aid. Whe applying for financial aid, the money in a retirement plan is not included in the assets looked at. So putting more in a retirement plan will allow you to cover the shortfall of financial aid.

Another option for many people is the 529 plan. 529 plans are state-sponsored college savings plans. The after-tax money placed into the plan accumulates earnings tax-free, and is tax free at withdrawal as long as it is used for the beneficiary's college expenses. Another facet of the 529 plan is the prepaid tuition option. Parents may pay for tuition at today's cost for use by their child posibly several years down the road. This is an excellent way to lock in lower tuition costs for your child.

A more manageable approach to saving for college for some is often a mutual fund that requires only a small initial investment. The small monthly contributions may be more palatable, and the funds' compounding interest will help them see growth.

For some, a life insurance policy that builds cash value can be a good savings tool. Still protected from taxation, this cash value can be borrowed against to pay education expenses.

There are other ways for parents to prepare for the cost of a college education, including Coverdell Education Savings Accounts and IRAs opened in the student's name. The maximum allowable contribution into a Coverdell account is $2,000 per year per child. The contributions are not tax deductible.

(Source—Advisor Today March 2005)

For more information on college savings opportunities, call or fax us or visit us at:

www.insuringourworld.com

How will you plan for your child's college education?

Security—No Matter What Happens

We live in an age of insecurity. No one wants to lose what they have worked so hard for. It's important to include life insurance among your financial options. Life insurance may be an old-fashioned way to protect yourself and your family, but it is still one of the best products you can buy.

No other financial instrument will do what life insurance can do. The moment your life insurance policy goes into force, the full death benefit to your beneficiary is guaranteed, from day 1 and for as long as you continue to keep the policy in force by paying the premiums. Financial planners call this aspect of life insurance "creating an immediate estate."

Life insurance can seem complicated. There are more products than just term and permanent life insurance. Term and permanent life insurance have many riders and variations that can be added to suit your family's needs.

This is to your advantage. It means greater flexibility and many options. Therefore, a life insurance protection plan can be designed to fit the individual needs of your family.

Various types of policies can serve to protect the family's economic future. Insurers have adapted their products to augment savings and investment programs.

It's important to protect your lifestyle and well-being too. Disability income protection coverage can replace earned income (up to the amount purchased) in the event of serious illness or injury that prevents you from working.

(Source—Salesjive)

For more information on life insurance or even a free quote contact us today by fax or mail. You may also visit us at:

www.insuringourworld.com

DID YOU KNOW?

- When you cut through all the dreaming, thinking, talking, planning, and procrastinating, what remains is the action. Actions do speak louder than words. Results rule.

- The primary purpose of time is to keep everything from happening at once.

- Planning helps you to do the right things the right way right now.

- The ultimate master key to life, happiness, and success is to focus on first things first.

- It's not who you know, but who you get to know that counts.

- There is but one cause of failure and that is man's lack of faith in his true self.

- You learn more by listening, not by talking.

- If you know a lot, keep most of it to yourself.

- A man has got to know his limitations are primarily self-imposed.

- Learn from the mistakes of others. You can never live long enough to make them all yourself.

- If you think others have no problems, it is only because you don't know them well enough.

Insurance and Investment Consultants, Inc.

P. O. Box 55447
1101 Richard Arrington, Jr. Blvd. South
Birmingham, AL 35255

Phone: 205-933-2920
Fax: 205-933-2925
Email: iic@insuringourworld.com

"Your need is our opportunity."

Insurance and Investment Consultants, Inc.

We're on the web!
www.insuringourworld.com

Insurance and Investment Consultants was incorporated in 1970. Prior to that, the principle stockholder, Walter G. Barnes, had been in the financial services business as a sole proprietor since 1962. Therefore, we have been offering financial services to clients throughout Alabama, as well many other parts of the nation, for over forty years.

We are an independent brokerage agency representing many insurance companies and are free to select from any of these companies the appropriate plan or product that best meets the needs of our clients. We offer a full range of life and health insurance, as well as investments that include mutual funds and variable annuities.

Our pledge to you is - *"In all my relations with clients I agree to observe and follow the following rule of professional conduct: "I shall, in the light of all circumstances surrounding my clients, which I shall make every conscientious effort to ascertain and to understand, give them that service which, had I been in the same circumstances, I would have applied to myself."*

- Society of Financial Service Professionals

Newsletter Editor - Randy Barnes, Vice President

Alert for Baby Boomers—Don't Outlive Your Retirement Money

If you are a Baby Boomer, you will probably be able to think back a few years and remember Roger Daltry singing about his fervent wish to die before he got old. Ironically, he had no idea back in 1965 when that song was released how much of a problem longevity could be for his generation.

According to Conning Research & Consulting, a provider of insurance research located in Hartford, Connecticut, baby boomers are facing changing times because productivity gains have experienced a slow down and future wage increases will be little more than inflationary increases. Outsourcing has moved a number of jobs overseas. This makes workers less likely to change jobs even though the salary may be higher. Budget deficits have made Social Security and Medicare issues a priority since the baby boomer generation is approaching the age when they expect to receive benefits. Finally, equity market losses since 2000 have decreased many baby boomers' nest eggs, and the current feeling is that future equity market returns may be lower than those of the late 1990s.

In addition to these factors, baby boomers that retire can expect to have lower guaranteed monthly incomes in spite of their participation in defined contribution pension plans. They are going to have to manage their own assets to be sure they have an adequate retirement income. Retiree medical coverage reductions have made them vulnerable to increased healthcare costs, which places other demands on their retirement savings.
The oldest of the baby boomer generation will become eligible for Medicare and full Social Security retirement benefits in 2012. They will begin retirement with less income from defined benefit pension plans than previous retirees, but with bigger defined contribution portfolios. The decrease in their guaranteed monthly income is making this generation sit up and take notice.

What can baby boomers do to protect themselves from outliving their retirement money? Begin changing attitudes now. Assume that you and you alone are responsible for your own financial well being when you are retired. Once you have accepted that fact, then it's time to take action. This means taking one action that will guarantee future action, like automatic deposits to an individual retirement account. Automating everything about your finances, including payroll deposits to savings plans and accelerated mortgage payments, can make for a less stressful retirement. You don't have to think about it again and you don't have to worry about having the discipline that will make you save and advance pay.

Finally, look for financial products that allow you to protect yourself from this risk. An annuity is an insurance product that takes an up-front premium payment and converts it to a monthly income, such as that of a pension, which stretches over a specified length of time. A life annuity offers you the capacity to take action against the risk of outliving your assets by exchanging these assets for a lifelong stream of guaranteed income.
(*Source—Salejive*)

For more information on retirement planning contact us by fax or mail or visit us at—
www.insuringourworld.com

Make retiremnt planning simple by taking a balanced approach, save early and often, and be diligent and serious about your planning.