Money Skills for Newlywed Couples

INDIANA INVESTMENT WATCH
www.IndianaInvestmentWatch.com
The transition from a single adult to part of a married couple is a monumental life change. It is the coming together of two separate lives and two separate financial histories. There will be shared responsibilities and many personal and financial decisions to make.

It is never too early for couples to discuss financial planning since attitudes about money and spending habits can be very different. The key to success is discussing finances before complications arise. Having the financial resources to deal with the unexpected will be as important as developing the communication skills needed to talk about financial matters. It is important that couples discuss financial matters early in a marriage as well as decide what they want to start saving and investing for five to ten years down the road – a home, a new car, their children’s education or early retirement.

The purpose of this guide is not to tell you how to invest your money, but to provide information to help you make intelligent and worthwhile investment choices.

Congratulations and best wishes as you invest in your future together.
Before You Get Married 4
  Here Comes The Bride... and Bickering:
  Jean Chatzky’s 5 tips to help you blissfully, happily merge bank accounts

Basics of Financial Planning 7
  Creating a Budget 7
  How to determine Your Expenses 7
  Sample Spending Plan 8

Saving and Investing 9
  Savings 9
  Investing 10
  Investment Risks 11
  Get Expert Advice 11
  Savings and Investment Options 12

Sharing Financial Responsibilities 14
  Finances and Buying a Home 15
  Finances and Family Planning 17
  Finances and Education 20
  The Time Value of Money 21
  Thinking Ahead for Your Future 22
  Tips for Retirement Planning 23

Beware of Investment Fraud 24
  Profile of a Con Artist 25
  Common Types of Fraud 26
  Signs of Fraud - Outrageous Promises 27
  Signs of Fraud - Financial Professionals 28
  Signs of Fraud - Investment Myths 28
  Signs of Fraud - Red Flags 28
  If You Have Been a Victim 29

Useful Investor Education Links and Resources 30
Consider the following important decisions before preparing a financial plan:

Here comes the bride . . . and bickering?

Jean Chatzky’s 5 tips to help you blissfully, happily merge bank accounts

Wedding season is officially in full swing, and couples everywhere are combining lives — bringing together their families, homes and sometimes even their bank accounts.

It’s not my nature to be a downer, but it’s that last merger — the bank accounts — that can really get you in trouble. Money is a point of contention in almost every marriage. It’s consistently on the top-two list of topics that are sure to trigger a fight. The other one fluctuates between sex and in-laws, but money has been hanging on to its spot for years.

Why do finances cause so much tension? First of all, we don’t like to talk about them — not with our family, not with our friends and not even with our spouses. The other complicating factor? You are likely to settle down with someone who handles money a little differently than you do, saving or spending to different extremes.

“If opposites don’t attract right off the bat — and they usually do — they’ll create each other eventually. Even if you have two spenders who marry, they’ll end up polarizing. One will become the super spender and one will become the hoarder by comparison,” says Olivia Mellan, a Washington D.C.-based therapist who specializes in money psychology and couples communication.

Here’s what you can do to protect your new union from the money blues. Even if you’re long married, you may want to keep reading. It’s never too late to blot some of the tension out of your life.
Talk

Sounds simple, right? It is, if you come in to the conversation with the right attitude -- that is, one that isn’t judgmental or guarded. You should be having conversations about money long before you walk down the aisle. Talk about your saving and spending habits and any outstanding student loan, credit card, or other debt. But try to dig a little deeper, too. “Sit down and share with money was like in your family growing up, what money messages you might have inherited from there and what money personality you tend to have,” advises Mellan. Have these money talks at a place and time where you both feel comfortable, and try to leave other subjects off the agenda.

Make time to discuss

Once you’re married, and you know your spouse’s student loan balance by heart, it’s still a good idea to schedule a financial conversation a couple of times a month so you both stay in the loop. To get things off on the right foot, start with the positive: How are you doing saving for the next big vacation? Are you close to a down payment on a house? The excitement of closing in on these goals is something you can both share. Talk about any new goals as well, and how you’ll start planning for them (don’t forget retirement!). Then move on to any major expenses that are around the corner, like a rent increase or a bigger-than-normal credit card bill, and how you’re going to cover them. If you’re having trouble opening the lines of communication, consider bringing in a professional in the form of a couples therapist or financial planner who can help you work through the issues.

Be understanding

As Mellan says, chances are good that one person is going to be the spender in comparison to the other. The important
thing is to recognize your habits and try to reconcile them whenever possible. “It’s not a question of pointing fingers, but of building bridges so that people can talk to each other,” she says. The last thing you want to do is micromanage how much the other person spends with every swipe of his debit card -- who has the time, let alone the patience, for that? Instead, draw a line in the sand by picking a number that makes sense for your financial situation, and agree not to spend more than that out of shared accounts without a discussion. If you agree $150 is OK, but $1,000 isn’t, purchases of that size should always be talked about ahead of time.

Share the workload

Chances are you split other tasks around the house, so one person isn’t always stuck with the cleaning, laundry and shopping. Why not divvy up the financial chores as well? Understand, the person controlling the checkbook not only has the power that goes along with managing the finances, but the worry. And neither member of a couple should have the lion’s share of either one. So either sit together and pay bills as a team, or split up responsibilities so that each person takes charge at least a few times a year.

Consider a three-pot system

A lot of people balk at the idea of keeping separate bank accounts — they seem to always picture fights over the dinner check — but it can really work to your advantage and even significantly cut down on arguments. Each partner has his or her own checking and savings accounts, and then a joint account is shared for expenses like bills, vacations and evenings out — including those restaurant tabs. If your salaries are comparable, you each cushion the joint account with an equal amount, or you can contribute a percentage if one partner is a bigger earner. The best part? If you splurge on a new pair of shoes or a widescreen TV, you only have to answer to yourself.
After discussing the article on the previous pages, it is essential that you and your partner create a detailed financial plan and budget, as well as set specific goals for your future.

- Figure out your finances, what you each own and what you owe to lenders.
- Prepare a budget. Determine what your family will earn, and project your monthly expenses.
- Define long-term and short-term financial goals.
- Outline your comfort level and risk tolerance.
- Determine what you want and what you need today and in the future.
- Create a time line to chart the dates by which you hope to achieve that goal.

### Creating A Budget

Successful spending plans are simple and easy to manage. To ensure success, keep your budget and spending plan simple. Find an easy way to create and maintain your list. If using a computer is easier for you, create your list on it in a program like Microsoft Excel. If you prefer, use paper and pencil. When it comes to making your budget, you want to find something you can stick with; so, use the method that best suites you.

### How To Determine Your Expenses

List each of your regular expenses. Include rent, food, utilities, transportation costs, credit card bills, entertainment and social expenses, clothing, and any other miscellaneous expenses you may have like home improvement costs or loans you make regular payments on such as student loans. If you are completely new to a spending plan, below is an example of how much you should expect to spend on each portion of your budget each month. This is just a recommendation. Your spending plan may differ according to your needs.
### Sample Spending Plan

<table>
<thead>
<tr>
<th>Income</th>
<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Monthly Income</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Rent</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Loan payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Food</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas and periodic oil changes</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other car repairs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Medical expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Phone and cable</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Savings/Investments</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Charity</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
The best choice for you depends on when you will need the money, your goals and the risks you are willing to take.

**Savings**

Savings accounts allow you access to your money at any time. Savings can help meet unexpected expenses or allow you to acquire an item without taking out a loan or using a credit card. The account can serve as an emergency fund for you and your family. It is recommended that savings accounts contain three to six months of income to ensure it is there when needed for situations such as unemployment or illness.

Any money you have in a savings account or in a certificate of deposit (CD) at a federally insured institution is considered a deposit and is insured by the Federal Deposit Insurance Corporation (FDIC). You usually can obtain a refund of all of your money from a CD before it matures, though you will have to pay a penalty for early withdrawal.

Savings accounts are considered a “safe” place to deposit your money, however, they offer lower interest rates, which may not keep pace with inflation. Some people put money in savings but also invest for higher returns.
Securities investments carry some degree of risk. When you invest, you have a greater chance of losing your money, but you potentially could earn more money than when you save.

Before you invest your hard-earned money, you should define your investment goals and understand the product you are buying. If an investment affects your ability to meet your regular living expenses, it may not be suitable for you and your family. Consider how a loss would affect your budget should the investment fail to perform as expected.

Keep in mind, men and women tend to have different investment styles and viewpoints. One spouse may want to invest in high-risk stocks while the other would be more comfortable investing in mutual funds, which may offer more diversity and less risk. Although women are more likely to handle household finances (paying bills, balancing the checkbook, and maintaining the family budget), women tend express less confidence in their investment abilities and are generally more cautious with investment risk. As a result, women are less likely to handle the investment issues in their households. However, an understanding from both partners on investing and risk can allow you to work as a team and use your different investing styles to your advantage.

Women who do invest often outperform men. When they invest, women are more likely to research their options thoroughly and stick with their decisions over the long-term. Men, on the other hand, tend to be more confident in their investment abilities and make decisions based on this confidence. They will take on more risks and will not hold onto investments as long. The research shows that men and women offer various strengths and weaknesses when dealing with investment decisions, and a money-smart couple would be wise to marry their ideas about investing and risk so as to move forward together. Generally, having different strengths and weaknesses proves to be an asset. Together, you can make a great time in life and in investing.
Investment Risks

(Risk vs. Reward)
Several key elements to consider before investing are:

• The greater the potential for profit, the greater the risk.
• Securities investments (stocks, bonds, mutual funds, etc.) are not federally insured against a loss in market value.
• Investments in securities issued by companies with little or no operating history or without published information may involve more risk.
• The past success of a particular investment is no guarantee of its future performance.

Remember – Investing is a life-long commitment, not a get-rich quick fix. Prepare a long-term investment strategy to make your money grow.

Get Expert Advice

Indiana law requires securities and the people selling them to be registered by the State or to have the benefit of an exemption from registration.

Call the Indiana Secretary of State’s office at 1.800.223.8791, or go online to www.IndianaInvestmentWatch.com to find out if your investment professional is registered and to check their disciplinary history. Find a brokerage firm and investment representative who you can trust to meet your individual needs.
**Certificate of Deposit (CD):**
Banks and credit unions sell CDs, which are similar to U.S. savings bonds in that investors are lending money to an institution for a set period of time – six months, one year, two years, etc. The longer the term, the higher the return on an investment.

**Corporate Bonds:**
A corporate bond is a loan to a company that the company agrees to pay back within a set period of time, at an established interest rate. The longer the term, the higher the interest rate paid to the investor.

**Money Market Accounts:**
These are very similar to checking accounts but they offer a higher interest rate. Typically, a minimum deposit – $1,000 and higher – is required to open a money market account.

**Municipal Bonds:**
These are bonds issued by states, cities, counties and towns to fund public capital projects such as roads, schools, bridges and operating budgets. They are exempt from federal taxes and from state and local taxes for an investor who resides in the state where the bond is issued.

**Individual Retirement Account (IRA):**
An IRA is a tax-deferred personal account that allows employed individuals to set aside money for retirement. The 2008 IRA Contribution limits - 100% of taxable compensation, or $5,000, whichever is less. IRA owners age 50 and older may make additional catch up contributions of $1,000.

There are two types of IRAs, traditional and Roth. Earnings from a traditional IRA are tax deferred until withdrawals begin at age 59 ½ or later. Funds invested in a Roth IRA are pre-taxed, which means the earnings are tax free upon withdrawal at age 59 ½.
**Mutual Fund:**
A mutual fund pools money from many investors and uses the money to invest in a portfolio of investments. Mutual funds can contain a variety of investments, including stocks, bonds and CDs. Mutual funds can be a great investment choice because investors enjoy the benefits of diversification without having to make all the buy/sell decisions, which are left to the mutual fund manager.

**Real Estate:**
Buying property is an increasingly popular investment, but it can also be very risky.

**Savings Account:**
Bank and credit union customers deposit their money, essentially lending it to the financial institution. In return, customers earn interest on their deposits.

**Stocks:**
Stocks represent ownership interests in a company. Companies issue stock to raise money, usually for start-up costs or to expand operations. Investor who buy the stock own a part of the company. This investment can have a higher element of risk because your return is dependent upon the success of the company, which in turn is vulnerable to a variety of market challenges.

**U.S. Savings Bonds:**
These are more formal than a savings account because a bond is a formal agreement with the federal government whereby the investor loans the government money in return for interest on the loan. The government agrees to pay interest after a set time period. A penalty fee is charged if an investor cashes in the bond before it matures.
Men and women should be equally responsible for financial decisions and record keeping so that both are educated and prepared to deal with financial matters in case of an illness or death of their spouse or a dissolution of the marriage.

It is particularly important for women to plan and take charge of their financial future. All women should be prepared in case they are responsible for their own finances at some time in their lives. According to a recent study in the Journal of Marriage and Family, a woman’s household income drops by a third after divorce, while a man’s declines by only 10 percent. After divorce, the percentage of women living in poverty increases from 20 percent to 30 percent, while men’s poverty level remains relatively unchanged.
Whether it is appropriate for a newlywed couple to take on the major financial decision of purchasing a home will vary greatly from one couple to the other. Only the two of you truly know if you are ready – both financially and personally – to take on this responsibility. You are already making one major life commitment as you begin a life together as husband and wife, and it is important to weigh all of the costs and benefits of homeownership in your personal situation before taking on yet another major life commitment. Following are some things you should consider as you think about buying a home together:

**Saving for a down payment**
You will avoid extra fees in the homebuying process if you are able to put down 20% of the purchase price. Having said that, there are many other options available to couples who are have less than 20% to put down but are otherwise prepared for the costs of homeownership.

**Have your other financial responsibilities in check**
Make sure you have read, understand, and resolved any distributes on your respective credit reports. You can obtain annual free credit reports from www.annualcreditreport.com. Additionally, you should have a handle on all forms of debt you currently owe before taking on the added debt of a mortgage. A good rule of thumb is that your total monthly debt (including your new home) should not exceed thirty-five percent of your gross income.

**Consider your spending habits**
If you are going to make a major purchase such as a new home in the near future, you may want to keep yourselves in check with other kinds of spending. Taking on new debt can hurt you when applying for a mortgage (e.g. a new major car payment), and you will want to have extra money on hand when you do finally purchase your home; so, saving
instead of splurging is a good idea when you’re considering homeownership. Also, couples should attempt to put away three-to-six month’s worth of income as an emergency fund, which will provide a cushion in the event of job loss, major medical problems, or other life emergencies.

**Consider your employment history**
A mortgage lender likes to see a stable employment history; so, if you have recently changed jobs or are considering a career change in the near future, you may want to consider how this will play into your decision to buy a new home or what a while.

**Understand the mortgage process**
Taking on a new mortgage is a complicated process and a major financial decision. As homebuyers, you should thoroughly research and understand your options together. The better you understand the process, the more comfortable you will be when you do finally make the decision to purchase your home. Do not be afraid to ask questions and hold your mortgage professionals accountable. For more detailed information on understanding the mortgage process, please visit our website at www.IndianaInvestmentWatch.com. There, you will find a PowerPoint presentation entitled “Mortgage Awareness,” as well as our “Consumer’s Guide to Loan Brokers,” which offers information on using the services of a mortgage broker.

**More information**
In addition to the Indiana Investment Watch resources, the Department of Housing and Urban Development (HUD) is an excellent resource for homebuyers. More information on their resources can be found at www.hud.gov.
If you are considering adding a bundle of joy to your family in the near future, have you sat down and considered whether or not you are financially prepared to have a child? The US Department of Agriculture estimates that the average middle-income family will spend $250,000 raising a child until age 18 years - and that doesn’t include private school tuition.

Brace yourself. You will be spending much more than expected to buy things you never even considered. Start planning financially for having a baby as soon as you can - before conception if possible.

According to www.SureBaby.com, you can easily spend between $9,000-$11,000 (for diapers, formula, baby furniture, clothing, baby gear, etc.) in your baby’s first year alone. If you go back to work right away, childcare can cost as much as $3,000-$4,500 in your baby’s first year.

And don’t forget about the delivery! It easily costs between $5,000-$8,000 for a normal delivery, up to $12,000 for a cesarean delivery and much more if there are complications. If you are covered by insurance, it may cover most of the cost.

For formula (up until your baby is one-year-old), expect to spend between $1,000-$2,300- depending on whether you use powder in a can or ready-to-pour liquids. Breastfeeding is completely free and will cut your costs dramatically. Decide on disposables or earth-friendly cloth diapers. Cloth diapering is relatively simple and financially rewarding, saving from a minimum of $2,300 to upwards of $5,000 in all until your child is potty-trained.

Baby clothing can cost anywhere from $500 to $1,200 for the first year of a baby’s life. One recommendation from www.mommysavers.com, a site for mothers who want to “live well for less,” is to buy clothing second hand, especially at garage sales. Because babies grow so quickly, they barely have time to wear
out their cute little outfits. Often times, you can pick up used clothes in great condition for a dollar or even less. Parents receive so much baby clothing, that some still have the tags on clothing that have never been used. Don’t be hesitant about buying “used” clothing. After all, it’s a lot easier to watch your child spit up on his $1 sleeper than one you bought for $15.

How much do you need to save now? As much as you can save. Any funds left over make a great starter for a college fund. If you’ve amassed a considerable amount well before the due date, you can invest in a short-term CD or other insured investment. But don’t tie up your entire fund in investments. Babies will not sign contracts, and they have not agreed to your schedule.

Set aside as much as you can every month in a savings account. The actual event of birth can be expensive as well as all the first time purchases you’ll make. Don’t forget to save some money for your maternity or paternity leave. This is usually unpaid time off work.

Have a brainstorming session with an experienced parent to figure out all the things you need to purchase before the delivery. It will be extremely helpful to have most of what you need before the baby is born.

When your baby is born, your financial picture changes drastically. Now it’s more important than ever to create, maintain and stick to a budget. You now have someone depending on you to keep the family financial matters in order. A well-thought-out budget will be your most valuable tool in managing the family money.

Don’t throw away your old budget. You can use it as a starting point for a new budget. Go through each of your expenses to see if they will change with your new baby. For example, your rent or mortgage will probably stay the same. But electric bills might increase if one person is planning to stay at home every day. Add all the extra costs of raising a child into your budget. Another parent can help you identify what extra expenses might come up on a regular basis and what you can expect to spend on them.
Here’s a starter list for possible first year expenses.

This is a break-down of the average prices for baby items. Not all of these items are a necessity, and many can be purchased in great condition second hand.

- **Diapers** - (pack of 48) $16.23, $0.34 each
- **Crib with mattress** - $160-$750 (Meeting the highest safety standards)
- **Crib bedding set** - $35-$270
- **Crib blankets (4-6)** - $8-$40 each
- **Fitted crib sheets (2)** - $8-$20 each
- **Water-proof mattress cover** - $10-$20
- **Bassinet or cradle** - $35-$260
- **Changing table** - $70-$600
- **Changing pad & cover** - $25-$50
- **Dresser** - $90-$650
- **Rocker or glider** - $90-$500
- **Car seat** - $35-$280 (You can’t even take the baby home without one!)
- **Stroller or travel system** - $30-$300
- **Playpen or porta-crib** - $60-$180
- **Swing** - $45-$130
- **Play center or walker** - $50-$125
- **Baby carrier or sling** - $20-$140
- **Monitor** - $20-$230
- **Baby gate** - $35-$250
- **Bouncer seat** - $30-$90
- **Toy box** - $25-$90
- **High chair** - $45-$240
- **Diaper bag** - $10-$60
- **Diaper pail** - $20-$45 Refills - $15-$20 (3 pack)
- **Thermometer** - $10-$90
- **First aid supplies (kit)** - $20-$30
- **Bottles 8 oz & 4 oz (8-10)** - $10-$20 (3 pack) or $20-$40 (starter set)
- **Sterilizer** - $30-$70

**Smaller items:** Washcloths, diaper rash ointment/powder, nail clippers, nasal aspirator, baby wash/lotion/oil/shampoo, pacifiers, extra nipples for bottles, bottle brush, breastfeeding pads, burp cloths/ lap pads, bibs, receiving blankets, car seat head support (for newborns), toys & more toys.
One of the largest expenses a family will incur is the cost of a college education. Each year the rate of increased costs of higher education outstrips the rate of inflation. It is estimated that the cost to send a newborn to a public university could be as high as $170,000. Private institutions may cost as high as $350,000. These numbers illustrate how important it is to begin saving for your children’s education as early as possible.

The Indiana CollegeChoice 529 Investment Plan is an education investment vehicle that combines attractive tax benefits while offering flexible investment options. The earnings on a CollegeChoice Plan are exempt from federal and state income taxes when used for qualified expenses. And now, Hoosiers have an extra incentive to begin preparing for their children’s futures.

Hoosiers who contribute to a CollegeChoice 529 Investment account are eligible to receive a 20% state tax credit of up to $1,000. That’s an immediate 20% direct return on your investment! In addition to receiving the best tax advantage in the nation, Hoosiers also receive a number other benefits as well. For instance, the State Authority fee is waived for residents as well as the sales charges for those that enroll in the age-based investment option without the use of a financial advisor. Finally, the account maintenance fees for residents are reduced and if you set your account up for systematic investments, the account maintenance fees will be waived all together.

Even if you can’t save enough to cover the complete cost of their education, you can help your child leave school with far less debt on graduation day than those who must borrow all of their college tuition and fees. College can be within reach if you begin to invest that money today, through an Indiana CollegeChoice 529 Investment account.
If you just graduated from college or are about 22 years old and put $100 a month in an IRA that grows at 10% a year, you will have around $865,000 at age 65 when you retire. So for putting aside about $23 a week or $3.30 a day you will be close to being a millionaire.

If you contribute the full $4000 a year allowed right now (rising to $5000 in 2008), you would have $2,600,000. For about $11.00 a day, you would have a small fortune.

If you didn’t take your chance with the stock market (because it does go down sometimes), you would still have over $600,000 if you could get a 5% return.

Time and the power of compound interest are on your side. It is crucial to start thinking about retirement as young as possible. Every day you procrastinate is another day your money is not working for you.

However, most new couples need money for other important things, like student loans to pay off, children to raise, and a mortgage. But if you prioritize your life and stick to a budget, $11.00 a day is definitely doable. Consider that most Americans save only one and a half percent of their income each year, thus having to work part-time jobs well into their late retirement years. If you save and invest, other people are paying you to use your money.

It gets much more difficult to amass wealth as you get older. If you wait until you are 32 and put away $4000 a year at 10% interest, you would have about $975,000, still a great amount, but less than half of what you would have had if you’d started ten years earlier - $2,600,000.
At age 42, you’d only be able to accumulate approximately $350,000. If you’re 50 and can start putting $5000 (those over 50 are allowed “catch up contributions”) away today, you’ll have around $175,000 when you retire at age 65.

Everyone knows that Social Security is not going to allow for a comfortable retirement. Even if the plan can continue to pay out forever, which is extremely questionable right now, the money you receive will be far from generous and is subject to taxation.

If you have a Roth IRA, you can withdraw the money tax-free after age 59 ½. Imagine having a million tax-free dollars you can play with. It will well make up for the small sacrifices you have made over the years to get there. No matter what your age or the amount of money you can contribute to a retirement account, start saving what you can now. Even if you only amass $100,000, you will be much better off than most people who are entering retirement today.

**Thinking Ahead for Your Future**

Even if retirement is years away, you should consider what type of lifestyle you hope to maintain and plan for it.

Many employers offer pension and retirement plans, and investing in IRAs is an excellent option. It will take a lot of determination to start saving and investing for your retirement, but vigilant planning now will ensure future financial rewards and satisfaction.

The Securities and Exchange Commission’s roadmap to saving and investing says, “Traveling down the right road to achieving financial well-being is one of the most important trips that you’ll ever make in life. You don’t have to be a genius to do it… and you don’t have to be rich… you just need to hit the road and get started.”
1. **Save as much as you can as early as you can** - Though it’s never too late to start, the sooner you begin saving, the more time your money has to grow. Gains each year build on the prior year’s -- that’s the power of compounding, and the best way to accumulate wealth.

2. **Set realistic goals** - Project your retirement expenses based on your needs, not rules of thumb. Be honest about how you want to live in retirement and how much it will cost. Then calculate how much you must save to supplement Social Security and other sources of retirement income.

3. **A 401(k) is one of the easiest and best ways to save for retirement** - Contributing money to a 401(k) gives you an immediate tax deduction, tax-deferred growth on your savings, and -- usually -- a matching contribution from your company.

4. **An IRA also can give your savings a tax-advantaged boost** - Like a 401(k), IRAs offer huge tax breaks. There are two types: a traditional IRA offers tax-deferred growth, meaning you pay taxes on your investment gains only when you make withdrawals, and, if you qualify, your contributions may be deductible; a Roth IRA, by contrast, doesn’t allow for deductible contributions but offers tax-free growth, meaning you owe no tax when you make withdrawals.
“If it sounds too good to be true, it probably is!”

Most investments are legitimate and the majority of sales people are honest. However, fraud is always a possibility, even with regulated investments. Con artists attempt to steal money by selling nonexistent or worthless investments, using misleading information and lies.
Profile of a Con Artist

Have I got a deal for you! I can double your money in just ninety days, guaranteed. What? You don’t trust me? You think this must be some type of scam right? Well, you’re right. Put your money back in the bank because you’re not getting rich overnight.

In 1920, a man named Charles W. Ponzi invented a phony investment plan that promised investors enormous profits. He lived up to this promise initially with the first few investors who got others to sign on. But in just a few months, the shady con artist was indicted on multiple fraud counts. The simplicity and grand scale of his scheme became linked to a type of fraud, now commonly referred to as a “Ponzi scheme.” Still, before Charles Ponzi’s investment scheme collapsed, an estimated 40,000 people had entrusted an estimated fifteen million dollars (about $140 million in U.S. funds today) in Ponzi’s scheme.

Ponzi schemes are still widely used today. Unfortunately, being able to spot a con artist isn’t getting any easier than it was back in 1920. Con artists come from very diverse backgrounds, and no two have the same sex, ethnicity, education or economic situation. What does set a con artist apart is the natural ability to manipulate people, often without any guilt or remorse. They are self-educated, know how to be sociable and charm others, and can make many people trust them after only a few minutes of conversation.

It’s important to know that con artists choose their victims carefully. Con artists will stalk anyone whose weakness can be used as an advantage, which is why they often prey on the elderly, who tend to be more vulnerable and easily persuaded. Read below to learn about common types of fraud and to see the phrases a con artist might use to lure you in.
Common Types of Fraud

**Affinity Fraud:**
A name for a type of scam that targets members of a specific demographic group. Perpetrators may attempt to relate to or exploit characteristics common to the demographic group. Targeted groups can include the elderly, ethnic groups, and religions. Perpetrators attempt to portray themselves as members of this group or people who can relate to the members of the group in order to gain trust and eventually money. Ponzi schemes and pyramid schemes are sometimes combined with affinity fraud.

**Insurance Agents/Unlicensed Agents:**
Anyone selling securities or providing investment advice about buying or selling securities in the State of Indiana must be appropriately licensed and registered with the Indiana Secretary of State’s office. Anyone engaging in these activities without a valid license to do so should be a red alert for investors. Con artists also bypass stringent state registration requirements to pitch viatical settlements, pay telephone and ATM leasing contracts, and other investment contracts with the promise of “limited or no risk” and high returns.

**Internet Fraud:**
Scamsters continue to take advantage of technology to lure investors into “pump-and-dump” stock schemes. Be wary of investments being pitched through unsolicited e-mails, instant messages, and phony websites.

**Investment Seminars:**
Promoters of unsuitable investments are increasingly seeking potential investors, particularly seniors, by offering seminars, many of them promising a free meal along with “higher returns and little or no risk.” Unfortunately, in many of the cases that securities regulators see, it’s just the opposite: high risk and no returns, just disastrous losses.
**Ponzi Schemes:**
Named for swindler Charles Ponzi, who in the early 1900s took investors for $10 million by promising 40 percent returns, these schemes are a perennial favorite among con artists. The premise is simple: promise high returns to investors and use money from previous investors to pay new investors.

**Prime Bank Schemes:**
Often promising high-yield, tax-free returns, promoters of these schemes offer to let the “little guy” in on what they claim are financial instruments from elite overseas banks usually offered only to the world’s wealthiest investors. Prime banks do not exist and the scam artists have no intention of creating a profit for anyone but themselves.

**Promissory Notes:**
A written promise to pay a specified sum of money to a designated person or to his or her order, or to the bearer of the note, at a fixed time or on demand.

**Unscrupulous Brokers:**
What might be a suitable investment for one investor might not be right for another. Securities professionals must know their customers’ financial situation and refrain from recommending investments that they have reason to believe are unsuitable.

**Signs of Fraud - Outrageous Promises**

- Double your money in ninety days!
- This is a risk-free guarantee
- High reward with low risk
- You are lucky to be getting in on the ground floor
Signs of Fraud - Financial Professionals

• Unsuitable investments
• Poor investment advice
• Fraudulent broker acts
• Insurance agents/unregistered agents

Signs of Fraud - Investment Myths

• High reward with no risk.
• Scams do not happen to smart people.
• .com and pharmaceutical companies are a sure bet
• This investment is guaranteed/insured.
• No written information is available.
• No securities license or registration is necessary to sell this.

Signs of Fraud - Red Flags

• This offer is only good today/this is a limited-time opportunity.
• Your credit card and checking account number are required.
• This is only available to a select group.
• I get nothing out of this deal.
• Do not tell anyone -- not even family.
• I will come to you; you don’t have to come to me.
• Foreign banks pay great interest rates / have no taxes associated with them.
• This is “insider” information.
If you have been the victim of investment fraud of any kind, report it to the Secretary of State’s office by calling 1.800.223.8791 or by going online to www.IndianaInvestmentWatch.com and choosing ‘File A Complaint.’ The Secretary of State’s office will try to recover your lost assets, if possible, and determine if an illegal action took place. Your report will also help to protect other consumers who could be vulnerable to similar schemes.

**Get Expert Advice**

*Beware of the following:*
- High pressure sales tactics
- Offers good for today only
- Very high profits with little or no risk
- Inside or secret information
- Unusual arrangements for collecting funds from investors
- Delayed delivery of products or profits

**Remember:**
High return always means high risk.

**INDIANA INVESTMENT WATCH**

www.IndianaInvestmentWatch.com
Indiana Secretary of State’s Office
www.IndianaInvestmentWatch.com
Securities and Exchange Commission
www.sec.gov
Federal Trade Commission
www.ftc.gov
North American Securities Administrators Association
www.nasaa.org
New York Stock Exchange
www.nyse.com
Investor Protection Trust
www.investorprotection.org
Financial Industry Regulatory Authority
http://www.finra.org/InvestorInformation/index.htm
Alliance for Investor Education
www.investoreducation.org
Save and Invest
www.saveandinvest.org
U.S. Financial Literacy and Education Commission
www.mymoney.gov
AARP
www.aarp.com
The Council for Better Business Bureaus
www.bbb.org
VISA’s Practical Money Skills for Life
www.practicalmoneyskills.com
Choose to Save
www.choosetosave.org