INSIDE COLLIN COUNTY BUSINESS FINANCIAL SERVICES

When you retire, your resources will determine your lifestyle

Yes, you can enjoy many years of financially comfortable and secure retirement. As is true of most other life goals, achieving that objective does require some planning and some action by you preferably sooner, rather than later.

These days few people feel that Social Security and employer-paid retirement plans together will be sufficient to maintain the standard of living they want for their retirement years. For that reason, the day you stop working, your investment capital will have to go to work for you to make up your income deficit.

Sooner and Systematic

When it comes to ensuring a comfortable retirement, failure to plan too often becomes planned failure. The sooner you take sound, realistic actions to accumulate the capital needed for financial independence, the more likely you are to succeed. There are three key things for you to do:

- Start investing now so time and compound growth will make it easier to reach your goals.

B. Frank Voigt
Guest Column

- Invest systematically and often.
- Explore possible tax-deferral strategies to improve your total after-tax results.

Many people have found that by regularly investing affordable sums in carefully chosen mutual funds they can accumulate surprisingly large amounts of capital. Your investment capital becomes your passport to financial independence. (Systematic investing does not ensure a profit and does not protect against losses in a declining market. Investors should consider their ability to maintain the planned schedule of investments during a period of declining market prices.)

Suppose you want to accumulate a specific sum say $200,000 for use in your retirement. If you assume you can earn 8%, and you have 30 years to reach your goal, you would have to put aside $142 per month. If you have 25 years, the monthly amount would be $220. For 20 years, reaching your objective requires $351 per month. If you waited until only 10 years prior to your goal, you'd have to put aside a much more difficult amount each month $1,110. (The 8% return is hypothetical, and does not represent the future performance of any specific investment.)

Inflation Erodes Purchasing Power

Assume that the average rate of inflation over the past 25 year period 5.6% continues. At that rate, prices double in about 13 years. Goods and services which cost $500 this year would cost about $1,000 in 13 years, and today's comfortable retirement income would only give you half its current purchasing power.

At that rate of inflation, your dollar today would shrink to a value of only about 25 cents in 26 years. Twenty-six years from now you'd need to have four times your current income just to break even. Consider how, even if your income keeps up with inflation, you may be pushed into a higher

Bureau of Labor Statistics; average rate of inflation, 1971-1995. Actual future inflation may be lower or higher.)

What If You Live a Long Time After Retiring?

With increasing life expectancies, even 13 years is likely to be only a fraction of your total retirement years. For example, at age 65 a male has a 65% chance of living to age 80, a 45% chance of reaching age 85, and even a 26% chance of reaching age 90.

If you are a female age 65, your life expectancy is even longer. There's a 78% chance of reaching 80, a 61% chance of reaching age 85, and a 40% chance of living to age 90.

(Source: MassMutual, 1983 Table a., Society of Actuaries.)

Clearly, you will need to include an inflation adjustment when setting your retirement income goals. Otherwise you risk having the purchasing power of your income falling just at the time when your medical and/or extended care expenses are likely to climb.

Working With a Professional Makes Success More Likely

Wise asset allocation strategies may reduce the fluctuations in investment returns that occur in less well designed portfolios. You will want to choose a trained, trustworthy professional adviser for help with your investing decisions. Then there'll be a better chance you'll find the kinds of investments you really want to have working for your future.

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Mortgage rates change daily

by Michael Addison

Trying to keep track of mortgage rates these days can be a serious act of futility. With the current instability in the market place we are seeing rates fluctuate up and down significantly on a day to day basis. Mortgage rates are a living breathing thing that are affected by literally hundreds of different factors. A good day in the stock market will often times put upward pressure on

throughout a given month. For example, during the month of March we found out that February retail sales came in below expectations and put some downward pressure on mortgage rates.

In addition, the average 30-year fixed mortgage rate climbed to 7.08% for the week ending March 15 from 6.87% the previous week, according to Stephen Henley, vice president Mortgage Lending First Independent National Bank in Plano. The average 15-year fixed mortgage rate rose from 6.37% to 6.59%, and the average rate for one-year Treasury-indexed adjustable-rate mortgages crept up from 5.07% to 5.08%, Freddie Mac said. Fees and points averaged 0.7 points for all three mortgage

figures suggested an economic upturn," said Stephen Henley. "The difference between 30-year fixed-rate mortgages and one-year ARMs rose to two percentage points, the widest spread this year."

See Mortgage p. B4