MF Advisers

$\$ = mf^2$

THE FINANCIAL FORMULA

Giving You The Financial Information You Need

September 2011

This is the 3rd issue of our newsletter...please contact me if you have any questions - thanks!

Martin A. Federici, Jr.
MF Advisers, Inc.
CEO
marty@mfadvisers.com
570-760-6524
Fax: 570-675-7105
91 Franklin Street
Dallas, PA 18612
http://mfadvisers.com

In This Issue

Rolling Over: The Benefits of Consolidating Your Assets

A rollover allows you to transfer your money from one qualified retirement account to another without incurring any tax consequences.

If you've recently changed jobs -- or maybe changed jobs a few times over the years -- you may be juggling multiple retirement plan accounts. While it's certainly acceptable to leave your money in your former employer's plan (as long as your balance is over $5,000, your old employer can't cash you out), in many instances it might be a better idea to consolidate your assets.

Consolidation can help make administering and allocating your assets much simpler.[1] Having your entire retirement portfolio summarized on one statement makes it easier to track performance and make changes.

But before you initiate a rollover, be sure to compare the investment options and their associated fees in your old plan with those in your new plan.

- Were you able to properly diversify your assets in your old plan?[1] If your investment choices were limited, you probably want to move your old account into your new account.
- Are the investment fees higher or lower than those in your current plan? If you were paying more at your old plan, it's a good reason to move your assets to a plan with lower investment fees.
- Are you satisfied with the investment choices and fees charged in your current plan? If you're not happy with your current plan -- and weren't crazy about your old plan -- you can always roll over your old plan assets into an IRA.

Initiating a rollover isn't difficult. First, check your current plan rules to confirm that rollovers are permissible (the vast majority of plans accommodate this feature). Then contact the administrator of your old plan (you can find this information on your quarterly statement) to get the ball rolling. Some plan providers have a simple online request process, while others require completion of a paper-based rollover form. Your current plan provider or IRA provider may even furnish a rollover service for you.

It's also important to know the difference between a rollover and a distribution. A rollover allows you to transfer your money from one qualified retirement account to another without incurring any tax consequences. A "qualified" account can be either your new employer's plan or a rollover IRA.

A distribution is essentially a withdrawal from your account. If you request a distribution, the account administrator is required by law to withhold 20% of your account balance to pay federal taxes. State taxes, if applicable, are also due. If you are under age 59 1/2, you will probably be hit with an additional 10% federal early withdrawal penalty.

If you have specific questions about your retirement plan distribution options, contact your employer's benefits coordinator or a qualified financial consultant.

[1]Asset allocation and diversification do not ensure a profit or protect against a loss in a declining market.

Americans Becoming More Realistic About Retirement

The notion that the work "spigot" simply turns off once you turn 65 is a myth. Many senior citizens work well into their 70s and 80s.

More than half of American workers surveyed (57%) recently said they believe they will need to work longer than they had originally anticipated in order to fund their retirements. Only 15% believe that they are well on their way to meeting their ideal retirement date.[1]
What's more, a full 50% of Americans are not confident that they will have enough money to live comfortably in retirement, although 71% feel that they will have enough to cover basic expenses. Yet only 59% report that they are currently saving for retirement.[2]

While these results can be discouraging, it's important to realize that in your personal preparation, you don't have to become another statistic. Try to think about what you can do, prior to retirement, to be able to get by during your later years. Here are some tips to help you reach your retirement goals.

- **Contribute as much as you can afford to your retirement accounts.** For 401(k) and 403(b) plans, the maximum annual employee contribution in 2011 is $16,500. Workers aged 50 and older can contribute an additional $5,500. Keep in mind that these are federal maximums and your employer can impose lower limits. If you do not have access to an employer-sponsored plan, or already contribute the maximum, consider funding an IRA. The maximum contribution for 2011 is $5,000, plus an additional $1,000 for investors aged 50 and older.
- **Consider lifestyle choices that could potentially make a big difference.** Downsizing from your current residence into a smaller home could allow you to save on your mortgage payments and property taxes. Paying down your credit card debt and any other high-interest loans can also have a big impact.
- **Prepare to work longer, at least part time.** The notion that the work "spigot" simply turns off once you turn 65 is a myth. Many senior citizens work well into their 70s and 80s. In fact, 92% of all seniors who work say they do so because they want to stay involved and stay active.[2] Working longer can have additional benefits, such as providing access to health insurance.
- **Consult with a professional.** A financial advisor can help you determine how much you need to invest prior to retirement to live comfortably during your later years. Having a retirement savings goal -- and an expert in your corner -- may help you stay focused on how much you need to accumulate and what you need to do to pursue your goal.

[1]*Source: Aviva USA, Aviva Consumer Attitudes to Savings, February 2011.*

[2]Source: Employee Benefit Resource Institute, 2011 Retirement Confidence Survey, March 2011.

Remember that your ultimate goal is to save as much money as possible for retirement regardless of what any calculator might suggest.

Calculating Your Retirement Needs

Calculating a retirement savings goal is one of the most important steps investors can take to help determine if they are on pace to meet that goal. However, less than half of American workers have tried to figure out how much money they will need to accumulate for retirement;[1] and the wide majority of these individuals admit that they either guessed or did their own calculations. What about you?

Planning Matters

What's important to realize is that the exercise of calculating a retirement savings goal does more than simply provide you with a dollars and cents estimate of how much you'll need for the future. It also requires you to visualize the specific details of your retirement dreams and to assess whether your current financial plans are realistic, comprehensive, and up-to-date.

Action Plans

The following four strategies will help you do a better job of identifying and pursuing your retirement savings goals.

1. **Double-check your assumptions.** Before you do anything else, answer these important questions: When do you plan to retire? How much money will you need each year? Where and when do you plan to get your retirement income? Are your investment expectations in line with the performance potential of the investments you own?

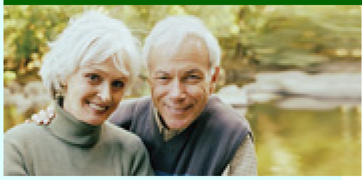
1. **Use a proper "calculator."** The best way to calculate your goal is by using one of the many interactive worksheets now available free of charge online and in print. Each type features questions about your financial situation as well as blank spaces for you to provide answers. An online version will perform the calculation automatically and respond almost instantly with an estimate of how much you may need for retirement and how much more you should try to save to pursue that goal. If you do the calculation on a paper worksheet, however, you might want to have a traditional calculator on hand to help with the math. Remember that your ultimate goal is to save as much money as possible for retirement regardless of what any calculator might suggest.

1. **Contribute more.** Do you think you could manage to save another $10 or $20 extra each pay period? If so, here's some motivation to actually do it: Contributing an extra $20 each week to your plan could provide you with an additional $130,237 after 30 years, assuming 8% annual investment returns.[2] At the very least, you should try to contribute at least enough to receive the full amount of your employer's matching contribution (if offered). It's also a good idea to increase contributions annually, such as after a pay raise.

1. **Meet with an advisor.** A financial professional can help you determine a strategy -- and help you stick to it.

Retirement will likely be one of the biggest expenses in your life, so it's important to maintain an accurate price estimate and financial plan. Make it a priority to calculate your savings goal at least once a year.

[1]*Source: Employee Benefit Research Institute, 2011 Retirement Confidence Survey, March 2011.*
[2]*This example is hypothetical and for illustrative purposes only. Your results will vary. Investment returns cannot be guaranteed.*



When Should You Collect Social Security?

A growing number of Americans have been forced to delay their planned retirement date due to job and savings losses suffered during the past five years. According to a survey, 40% of U.S. workers said they have resolved to retire later due to concerns about outliving their savings and fears of rising health care costs.[1] Postponing retirement not only means working longer, but also delaying when you start collecting Social Security. Currently, workers can begin collecting Social Security as early as age 62 and as late as age 70. The longer you wait to start collecting, the higher your monthly payment will be. Your Social Security monthly payment is based on your earnings history and the age at which you begin collecting compared with your *normal retirement age*. This *normal retirement age* depends on the year you were born.

Those choosing to collect before their normal retirement age face a reduction in monthly payments by as much as 30%.

Year Born	Normal Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

Those choosing to collect before their *normal retirement age* face a reduction in monthly payments by as much as 30%. What's more, there is a stiff penalty for anyone who collects early and earns wages in excess of an annual earnings limit ($14,160 in 2011).

For those opting to delay collecting until after their normal retirement age, monthly payments increase by an amount that varies based on the year you were born. For each month you delay retirement past your normal retirement age, your monthly benefit will increase between 0.29% per month for someone born in 1925, to 0.67% for someone born after 1942.

Which is right for you will depend upon your financial situation as well as your anticipated life expectancy. Anyone with a good pension or substantial savings may want to delay a bit. Similarly, if you're in no hurry to retire, you may want to continue working longer and collect later.

Likewise, those with a family history of longevity who expect to live a long time stand to gain more by delaying. If you think it unlikely to survive beyond age 78, you may want to start collecting at age 62. And if you expect to survive beyond age 82, you might consider a delayed collection.

Whenever you decide to begin collecting, keep in mind that Social Security represents only 38% of the average retiree's income.[2] So you'll need to save and plan ahead -- regardless of whether you collect sooner or later.

[1]*Source: Towers Watson, October 2010.*

[2]*Source: Social Security Administration, "Fast Facts & Figures About Social Security," August 2011.*