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Highlights

A winning strategy
can include both active
and passive funds

3

A little bit of charity
can provide
a lot of help

3

Schwab checks up on
transfers – you check
that it's Schwab

4

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How much do you need to save to retire?

Having \$25,000 in savings is fabulous if you are 25 but potentially disastrous if you are 55. Age matters and so does the lifestyle you hope to live in retirement. So how are you doing?

Tax season is a great time to evaluate your finances because you've already collected documents containing much of the information you need. Let's put those numbers in perspective.

To get started, use your W-2 and 1099 forms to determine your household income. Then go through your year-end statements to determine the value of all your financial assets, including bank accounts, investments and retirement plans. Don't count your home.

How do your savings stack up? The typical (median) household has \$25,300 in financial assets; those in the wealthiest age group (those ages 55 to 64) have \$85,700, according to the government's Survey of Consumer Finances.

If you've done better than that, congratulations. But don't start feeling smug just yet.

Still working? Charles J. Farrell, a Denver investment adviser, has

published a set of money ratios you can use to determine whether you are on track to retire at 65 in the lifestyle you're accustomed to. If you want what he calls the "gold standard," replacing 80 percent of your income, he says you should have saved certain sums by each age milestone. To measure your progress, multiply your current gross earned income by an age factor:

0.1 at age 25
0.6 at 30
1.4 at 35
2.4 at 40
3.7 at 45
5.2 at 50
7.1 at 55
9.4 at 60
12 at 65

For example, if your household income is \$50,000, Farrell figures you should have \$355,000 in financial assets by the time you are 55 and \$600,000 by the time you are 65. The numbers already factor in Social Security, but not income from pensions, rents or other non-investment sources. You'll need to adjust the age factor if you are in between the given ages or if you and your partner are

different ages. If you're due for a pension, you'll only need to consider the income the pension won't replace. The equity in your house also may improve your situation if you are willing to sell it and downsize or take out a reverse mortgage in retirement.

For more input, go to <http://tinyurl.com/yyzdw7n> and click on the ratios calculator or get Farrell's book, *Your Money Ratios: 8 Simple Tools for Financial Security* (Avery). His benchmarks won't be attainable for everyone, but they give us something to shoot for.

The way to get there, of course, is to save a lot, invest prudently and be very careful about debt. If you find the results of this analysis depressing, decide now to save more, reduce your spending expectations in retirement or work longer — or maybe all three.

-- A version of this story appeared in the *St. Petersburg Times*. Helen is now writing a financial column for the "LifeTimes" section of the newspaper every other month.

Market pushes up as investor hopes rise



Nationally, we're seeing expansion in manufacturing, a bit more consumer spending and even some job creation.

The first quarter was an unusual one to say the least. After a disappointing January, stocks perked up in February, then did even better in March, resulting in the best first quarter for stocks in more than a decade. Although we all know markets are not entirely rational, there are two underlying reasons for the gains we've seen: an improving economy that has raised hopes for the future and low interest rates that have made alternatives less attractive.

Living in Florida, we're still feeling the recession's grip: Foreclosures are swamping the court system and unemployment is more than 12%. We might easily forget that it isn't like this everywhere. Nationally, we're seeing expansion in manufacturing, a bit more consumer spending and even some job creation. Corporate profits are improving — and not just based on cost cutting. Foreign stocks have seen some big swings recently, partly due to concerns about the potential for government debt

March 2010 Benchmarks			
	March	1Q 2010	1 year
Large-Cap Benchmarks			
S&P 500	6.03%	5.39%	49.77%
DJ US Total Full Cap	6.33%	6.24%	52.88%
Russell 1000	6.14%	5.7%	51.6%
Russell 1000 Growth	5.78%	4.65%	49.75%
Russell 1000 Value	6.51%	6.78%	53.55%
Mid-Cap Benchmarks			
Russell Mid Cap	7.07%	8.67%	67.71%
Russell Mid Cap Growth	6.84%	7.67%	63%
Russell Mid Cap Value	7.28%	9.61%	72.41%
Small-Cap Benchmarks			
Russell 2000	8.14%	8.85%	62.76%
Russell 2000 Growth	7.94%	7.61%	60.32%
Russell 2000 Value	8.32%	10.02%	65.07%
Other Benchmarks			
NASDAQ Composite	7.19%	5.91%	58.32%
MSCI EAFE	5.81%	0.22%	49.99%
MSCI Emerging Markets	7.95%	2.11%	77.26%
DJ US Select REIT	10.22%	9.81%	113.47%
DJ-UBS Commodities Indx	-1.24%	-5.03%	20.53%
BarCap US Aggregate Bd	-0.12%	1.78%	7.69%
Credit Suisse High-Yield	2.85%	4.48%	52.28%
Citigroup Wrld Govt Bd Idx	-1.70%	-1.33%	6.31%
S&P National Muni Bd Idx	-0.08%	1.30%	9.59%
Citi 3-month T-bill	0.01%	0.02%	0.13%

defaults. However, the outlook for growth abroad, particularly in China and emerging markets, is still very positive. Meanwhile, the penalty for holding cash is that you earn almost nothing. Bonds are expensive and potentially risky in the face of the expectations of higher interest rates down the road. That's all helped make stocks the place to be during recent weeks.

We'd like to think that we could see a big gain repeated each quarter, but there are sure to be disappointments as the economy works to regain its footing. It would not be a surprise for the markets to take a breather after a nice run like the one we've had. Since we can't predict what's coming when, we continue to recommend diversification.

Index or active funds? How about a combo?

The debate over indexing versus active management continues.

Last year, active fund managers had one of their best showings, with most funds beating the indexes. Small-cap and value managers turned in particularly strong results, according to the annual study by Standard & Poor's. Over longer periods, indexes beat most funds, although there's always a sizeable contingent that outperforms.

Which is better? We say it doesn't have to be an either/or decision. In fact, we use both in most client portfolios.

Here's the difference: Index funds follow a simple strategy – trying to duplicate as closely as possible the performance of the index they've been designed to track. They have the advantage of low cost and the certainty that your performance will be better than many actively-managed funds.

Active managers earn their fees by trying to better the indexes. Active

management typically involves a combination of sector selection – managers stay away from areas they expect to do poorly and overweight those they expect to do better – and individual security selection. A bond fund manager, for example, might lighten up on government bonds and buy more corporate bonds, or decide to favor bonds issued by hospitals over those issued by financial companies, or vice versa. Bond fund managers also adjust the duration of their funds based on their outlook for interest rates. They might buy shorter-maturity bonds if they expect rates to rise or longer bonds if they expect rates to fall.

Past performance is no guarantee of future results. However, we think there is merit in examining how managers performed under different market conditions and how volatile their funds have been. Some managers are conservative and some swing for the fences. It's better to know that before you invest rather than be surprised later.



Giving Tip

Congress is reviewing proposals to allow tax-free charitable donations directly from IRAs this year, so unless you need additional income, you might hold off on your required minimum distribution and charitable gifting till later in the year.

Small donations can improve lives in a big way

You don't have to be wealthy to be a philanthropist who makes a difference.

"People-to-people" Web sites offer connections to projects around the world in which even modest sums can make an impact.

At www.globalgiving.org, a \$10 gift buys two pairs of shoes for migrant children in India, school supplies for a year for an Afghan boy, three books for a library in Kenya or mosquito nets for two families in Ghana, or it feeds a Cambodian child for a week. At www.kiva.org, you can lend \$25 or more to a poultry farmer in Senegal, a retailer in the Philippines or a butcher in Nicaragua. Kiva says it's had a 98% repayment rate on its microloans, although there are no guarantees.

Other organizations offer ways to sponsor a poor person with monthly giving. At www.womenforwomen.org, sponsorships of \$27 a month can provide an African woman with financial support and job training.

At www.planusa.org, it's \$24 a month to sponsor a child in a developing country.

New York Times columnist Nicholas Kristof, who spoke in St. Petersburg this month, highlights these charities and others in a thought-provoking new book, *Half the Sky: Turning Oppression into Opportunity for Women Worldwide*, which he wrote with his wife, Sheryl WuDunn. To learn more about a charity before giving, they recommend the Web sites www.charitynavigator.org and www.givewell.net.

The goal is to pay just enough to keep the IRS happy

Did you owe the IRS a significant sum or did the IRS owe you?

Either way, it's a sign that you may need to adjust your withholding or estimated tax payments. Ideally, you will have paid 90% to 100% of your tax liability in advance.

Paying too little could subject you to interest and penalties, while paying too much is making an interest-free loan to the government. Some people deliberately have too much withheld from their paychecks because they like getting a big refund. If you're in

that camp, consider creating an alternative plan of "forced" savings. Instead of sending the money to the IRS, send it to your credit union or an investment account by payroll deduction or automatic monthly drafts from your checking account.



Pre-paying too little in taxes could subject you to interest and penalties, while paying too much is making an interest-free loan to the government.








It's okay to answer if Schwab calls, but be sure it's Schwab

Charles Schwab and other brokerage firms are now spot-checking electronic money transfer requests to help prevent fraud. That means you shouldn't be alarmed if you get a call from Schwab after making a transfer.

However, you don't want to let down your guard against identity theft. If the information you are provided is correct and the transfer is one you authorized, you certainly should verify it. However, if the caller asks you to provide personal information, that's a red flag. Schwab or any other financial institution with which you do business will already have your account numbers, Social Security number and other identifying information. It will also know the dollar amount of your transaction. Remember the rule is not to give out personal information to strangers over the phone unless you were the one initiating the call. Never provide the information by e-mail.

If you have concerns about any contacts from Schwab, you can call our office or call Schwab Alliance's customer service line at 1-800-515-2157.

Possible signs of identity theft

-  Calls or letters from creditors or collection agencies demanding payment for items that you never bought or for accounts that you never opened.
-  Information in your credit file about accounts that you never opened.
-  Calls from creditors about suspicious new accounts, a large volume of credit card activity, wire transfers, etc.
-  Unauthorized withdrawals from bank accounts.
-  Your wallet, purse or cell phone is lost or stolen. Ditto for paycheck stubs and credit card receipts.
-  Credit card or phone bills do not arrive on time. (Your mail may have been diverted to another address).
-  Replacement credit cards have not been received prior to the expiration date on previous cards.

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Read Helen's blog

www.helenhuntley.wordpress.com