



Credit Card Relief™

SPRING 2010



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WHY YOU NEED TO SAVE, SAVE, SAVE!

According to the U.S. Bureau of Economic Analysis, the annual personal savings rate of Americans between 2005 and May 2009 ranged between a modest high of 4% to a staggering low of -1% an alarming indication of the American trend to reduce savings and increase debt in order to purchase goods and services. Although the recent global financial crisis over the last year has forced many consumers to adopt more cautious spending habits, there has not been a corresponding increase in long term retirement savings.

Why You Need to Save

While individuals should avoid high interest credit card debt like the plague and should prudently manage their cash flow, there is also a longer-term need to ensure one has adequate funding set aside for a comfortable retirement. Given historical trends in the U.S. stock market and overall economic performance, people can be lulled into becoming overly optimistic about how much they need to save and their projected life expectancy. The only trends that are relevant for the individual, however, are those that occur over the course of one's own lifetime.

Medical breakthroughs and other health-related variables have increased people's life expectancy. People are living longer but not necessarily working longer, so the number of years your retirement savings will need to last you has increased significantly. Certainly, it is better to have a conservative outlook in order to help ensure one has adequate retirement funds.

Financial Scenarios

Saving money and diverting cash away from unnecessary frills and wasteful spending into investment payments such as the stock market, very long term CDs, etc. translates to huge differences in the size of one's retirement savings over the course of a lifetime.

If you eliminated just \$100 of wasteful spending per month and instead channeled that cash into an investment vehicle that yields an annual interest rate of 5% to 10%, that translates to \$41,000 to \$75,000 over 20 years, and from \$200,000 to \$500,000 over the course of 40 years. Even with inflation eating away at some of it, the prudent person still reaps the benefits of not wasting cash on unnecessary things.

EXAMPLE 1: Starting principal balance: \$0 and then Monthly investment payments: \$100

At an Interest rate of: 5%

Future value: 20 years = \$ 41,000+/-

Future value: 40 years = \$153,000 +/-

Interest rate: 10%

Future value: 20 years = \$ 75,000 +/-

Future value: 40 years = \$632,408 +/-

And, if someone were motivated enough to find \$250 a month and put it away in the form of investment payments, the results lead to an exponential increase in comfort during one's retirement. (NOTE: With an annual rate of return of 10% over 40 years, the figure is over \$1.5 million for your nest egg; and economic pundits now say that in the near future, retirees will need an absolute minimum of \$1 million in savings if they want to retire with any comfort at all.)

EXAMPLE 2: Starting principal balance: \$0 and then Monthly investment payments: \$250

At an Interest rate of: 5%

Future value: 20 years = \$103,000 +/-

Future value: 40 years = \$383,000 +/-

Interest rate: 10%

Future value: 20 years = \$ 190,000 +/-

Future value: 40 years = \$1,580,000 +/-

Given that the federal government's social safety net programs such as Social Security and Medicare are expected to hit fiscal challenges as the baby boomers retire, such anticipated uncertainties encourage individuals to take their retirement circumstances into their own hands. Secondly, the high cost of healthcare in the United States is a primary driver for individuals and couples filing for personal bankruptcy. The power of compound interest can help one to avoid financial straits in the future.

From Wasteful Expenses to Monthly Investment

To redirect cash that might otherwise be spent on junk or unnecessary spending, explore savings opportunities that can increase your monthly contributions to your retirement accounts. These might include:

1. Fewer restaurant lunches and dinners (or carry out and "lattes") can easily save the typical professional or a family between \$100 and \$200 per month.
2. Practice "Purchase Discipline" at grocery stores and malls. A lifetime habit of short-term impulse buying has a tremendous long-term downside cost when you realize the loss of compound interest over the years.
3. If you work for a company that matches your retirement savings contributions, absolutely take advantage of it. It is basically free money. Additionally, the increase in monthly contributions translates into an exponentially larger nest egg over the course of a lifetime. (And how much more would your nest egg be if you work for a company that matches your 401(k) dollar for dollar up to a certain amount?)

BOTTOM LINE: Most people can save between a hundred dollars to several hundred dollars a month with greater spending discipline.

COMMENTS ~ QUESTIONS

Call us at: 1-866-241-3328 ~~ Email us at: ccare@ccrnw.com ~or~ Fax us at 1-317-610-4058

Professional Services Department

Credit Card Relief™ Preferred Financial Solutions, Inc. 5656 W. 74th Street Indianapolis, IN 46278

Thank you for your trust and confidence in Credit Card Relief™. We look forward to the day when your name is added to our growing list of Credit Card Relief™ graduates.

If you have any questions or problems, do not hesitate to contact the Professional Services Department at 1-866-241-3328.