FREEDOM FINANCIAL ADVANTAGE
PREPARATION FOR TODAY AND TOMORROW
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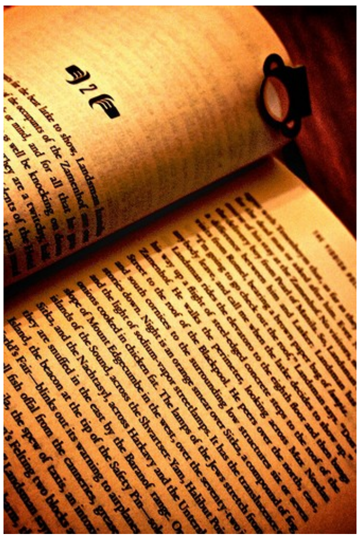
A New Chapter for Retirement by Emerald



John F. Kennedy once said, "Change is the law of life. And those who look only to the past or present are certain to miss the future." This is certainly true of preparing for retirement. If we continue to expect that the ways of the past will see us through to our futures, we will be left behind. The methods that helped prepare us for retirement are quickly disappearing, and we must start using others.

Today's companies are rewriting the retirement rules for working Americans. Traditional pension plans, which gained prominence in the 20th century, are rapidly disappearing because of the high costs involved in funding them. Some corporations are defaulting on their plans, and an increasing number of companies have underfunded or at-risk plans.

To help protect employees with corporate pensions, the federal government has enacted laws requiring employers to meet a 100% funding target for their defined-benefit plans. Companies that sponsor pension plans are also required to pay higher insurance premiums to the Pension Benefit Guaranty Corporation (PBGC), which was created by Congress in 1974 to help protect American workers from the risk of pension default. Premiums have increased because the PBGC itself is facing a deficit as a result of more companies defaulting on their pension plans.

Because of these costly requirements, it is becoming less and less attractive for companies to provide traditional pensions to retirees. Employers with underfunded plans may simply choose to eliminate them, and even companies with healthy plans may decide that defined-benefit plans are not worth the cost. As a result, it is likely that more companies will offer defined-contribution plans like the 401(k) to attract new employees and to help employees fund their own retirements.

Thus, it is important to be aware that you may have less help from your employer and will probably have to rely more on your own savings and investments to fund your retirement.

The government has tried to help by raising contribution limits to most employer-sponsored retirement plans. You can contribute money to these plans on a pre-tax basis. Your contributions and any earnings accumulate on a tax-deferred basis. Of course, remember that distributions from most employer-sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% federal income tax penalty.

A number of companies are taking steps to help workers fund retirement. Many have instituted automatic-enrollment in their defined-contribution plans to encourage more employees to participate. Some are enhancing the benefits of their plans by increasing the amount they contribute to employee accounts and/or enhancing matching contributions.

Many companies that still have traditional pension plans should be able to pay their promised benefits. But in light of recent trends, it would be wise to consider all possible sources of retirement income when reviewing your retirement strategy. With the changing retirement landscape, there may be no better time than now to size up your current situation. Your company-sponsored retirement plan will be just one piece of your retirement funding pie. Contact Freedom Financial Advantage, LLC today to help you plan the retirement you deserve.

FINANCIAL WORKSHOPS

We're Going Bowling!!!

October 20, 2012
1:00pm - 4:00pm

"From Paychecks to Paybacks: The Financial Journey"
Mondays @ 7:30pm
WGIV - Charlotte
103.3FM 1370AM
www.wgiv.net

Maggiano's Little Italy
SouthPark
3rd Sundays
January-September 2013

Follow us:
Freedom Financial Advantage, LLC

"Good things come, and I'm not just referring to riding the buses."
~Lionel Blue~

In photo: Eden Peacock Wilkinson
Granddaughter of Gilbert & Barbara Peacock

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How Long Will It Take to Double My Money? by Emerald

Before making any investment decision, one of the key elements you face is working out the real rate of return on your investment.

Compound interest is critical to investment growth. Whether your financial portfolio consists solely of a deposit account at your local bank or a series of highly leveraged investments, your rate of return is dramatically improved by the compounding factor.

With simple interest, interest is paid just on the principal. With compound interest, the return that you receive on your initial investment is automatically reinvested. In other words, you receive interest on the interest.

But just how quickly does your money grow? The easiest way to work that out is by using what's known as the "Rule of 72."[1] Quite simply, the "Rule of 72" enables you to determine how long it will take for the money you've invested on a compound interest basis to double. You divide 72 by the interest rate to get the answer.

For example, if you invest $10,000 at 10 percent compound interest, then the "Rule of 72" states that in 7.2 years you will have $20,000. You divide 72 by 10 percent to get the time it takes for your money to double. The "Rule of 72" is a rule of thumb that gives approximate results. It is most accurate for hypothetical rates between 5 and 20 percent.

The Rule of 72

Percentage	Time Until Investment Doubles
2%	36 Years
3%	24 Years
4%	18 Years
6%	12 Years
8%	9 Years
9%	8 Years
12%	6 Years

While compound interest is a great ally to an investor, inflation is one of the greatest enemies. The "Rule of 72" can also highlight the damage that inflation can do to your money.

Let's say you decide not to invest your $10,000 but hide it under your mattress instead. Assuming an inflation rate of 4.5 percent, in 16 years your $10,000 will have lost half of its value.

The real rate of return is the key to how quickly the value of your investment will grow. If you are receiving 10 percent interest on an investment but inflation is running at 4 percent, then your real rate of return is 6 percent. In such a scenario, it will take your money 12 years to double in value.

The "Rule of 72" is a quick and easy way to determine the value of compound interest over time. By taking the real rate of return into consideration (nominal interest less inflation), you can see how soon a particular investment will double the value of your money.

Freedom Financial Advantage, LLC can help you determine your compound interest investment. Contact us today for further details.

1 The Rule of 72 is a mathematical concept, and the hypothetical return illustrated is not representative of a specific investment. Also note that the principal and yield of securities will fluctuate with changes in market conditions so that the shares, when sold, may be worth more or less than their original cost. The Rule of 72 does not include adjustments for income or taxation. It assumes that interest is compounded annually. Actual results will vary.

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