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In this issue: Retirement crisis, PFPG news, LTC insurance, car buying tips

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Is there a retirement crisis?

The median U.S. household headed by someone 55 – 64 has around \$100,000 saved for retirement. Given the aging population and the projected depletion of the Social Security trust fund in the 2030s, does this constitute a crisis? A *Wall Street Journal* article, "[Is There Really a Retirement-Savings Crisis?](#)," presented the views of two experts who reviewed the same data. They reached (are we surprised?) different conclusions.

Expert A concluded that because a.) people are living longer; b.) traditional pensions are going the way of the dinosaur; c.) 401(k)s aren't being funded aggressively enough (assuming an employee even participates in an employer savings plan, and roughly half in the private sector don't); d.) Social Security's long-term deficit may lead to serious benefit cuts in the future; and e.) interest rates have fallen, about half of current working households, especially middle- and lower-income households, will be unable to maintain their current standard of living after they retire. Crisis!

Expert B says that a.) seniors have the lowest poverty rates, and tend to spend less as they age; b.) 75% of retirees polled say they have enough to be comfortable; c.) more working-age citizens are saving in a retirement plan (61% of singles, 80% of couples) than in the past; d.) retirees' incomes rose by 58% between 1984 – 2007, thanks to increased benefits from private retirement plans. 75% of Americans are saving enough. No crisis!

What the two experts *do* agree about is the need for Social Security reform to shore up the system; increased protections for lower-income households; adoption of mandatory enrollment in 401(k)s; and workers working longer, saving more in retirement vehicles, and delaying collecting Social Security as long as possible to collect the maximum benefit.

PFPG news

In September, we enjoyed a leisurely and delicious afternoon with some of our PFPG clients on a guided Old Port Culinary Tour led by Maine Foodie Tours. Not only did we learn about Portland's history, we sampled a variety of goodies at Baristas and Bites, Dean's Sweets, Sonny's, Stonewall Kitchen, Tiqa, and Vervacious. In October, we enjoyed a food experience of a different kind by helping to prepare and serve lunch at the [Soup Kitchen at Preble Street](#), an organization PFPG supports regularly. The thank-yous of their clients provided us with plenty of nourishment.

Thinking about long term care

As financial planners, long term care insurance is a topic we sometimes find challenging to address with clients. Most people don't like thinking about, much less preparing for, the possibility of needing long term care. Also, LTC insurance is costly relative to other kinds of insurance. Our client informational handout provides statistics about the chances of needing long term care, median costs of nursing homes, types of policies, what triggers benefits, etc., but it's pretty dry stuff.

We recently read an article by Kerry Peabody, CSA, CLTC, published in the *CLTC Digest* that

provided a more human portrayal of why long term care insurance may be an option you should consider. (In the interest of full disclosure, we have referred clients to Kerry, but as fee-only advisors we have no financial interest in doing so.) If you are unsure about the need for LTC , read the article on his [blog](#). Discuss it with your financial advisor. You may or may not decide that LTC insurance is the right choice for your situation, but the article makes clear that establishing good communication among family members *before* an event necessitating long term care occurs is absolutely essential.

Car purchasing tips

Many people find buying a car stressful. Here are a few suggestions to help you through. We'll assume you've done your due diligence by reading reliability reviews in *Consumer Reports* or similar publications; checking prices and rebates on [Edmund's](#), [TrueCar](#), and [Kelley Blue Book](#); and considering current financing rates and how anticipated monthly payments fit your budget. Decide on the target price you are willing to pay. Get pre-approved [financing](#) to speed the process. If you've taken our advice and frozen your credit reports, be prepared to thaw one or more for a few days before heading to the dealership if you'll be applying for an auto loan.

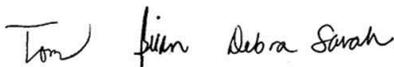
The best times to buy are: at the end of the month, when dealers are trying to meet sales quotas; when new models come out, since you may get a good discount on an older model; towards the end of the work day; and Black Friday, when most people are focusing on other purchases. If purchasing a used car, look for [signs that it might be flood-damaged](#).

Since Americans don't have a haggling culture, you may approach the [money dance](#) at the dealership with trepidation. Behave like a polite but taciturn stone. Have your price firmly in mind, and don't be afraid to stick to it. The salesperson's job is to entice you to spend more, but at the end of the day, they would prefer to close a deal. You may be offered longer loan terms (avoid more than 4 years if possible), incentives and upgrades, and be asked to provide information so they can run a credit report on you (don't comply until you are ready to finance). Be prepared to 1.) provide little information, 2.) say no politely, and 3.) walk away if you're not satisfied with the price. When the dealer's offer is getting close to your target, mention that you have a trade-in and ask what kind of a deal the dealer will give you, including fees.

Yes, there may be the marches back and forth to the manager's office and the implication that you are being unreasonable, but roll your eyes, hang tough, remain polite, and *don't* discuss your strategy with your partner while the dealer is out of the office – [the intercom may be on!](#) Looking as if you are ready to walk out the door any minute can bring negotiations to a swifter conclusion.

Come prepared to make a 20% down payment (after trade-ins, rebates). Cash is very attractive. If the negotiation is finally getting to the place you want, but the salesperson is balking, the appearance of cash in your hand (but keep it in your hand) may seal the deal. Once the price is "set", you'll be offered more and possibly expensive options, such as extended warranties and Scotchgarding, that you should feel free to refuse.

Best wishes for a happy autumn,



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