

## Financial Catalyst Group

4030 Moorpark Avenue  
Suite 105  
San Jose, California 95117

Phone: 408-261-7600  
Fax: 408-273-6399

[www.financialcatalystgroup.com](http://www.financialcatalystgroup.com)

Visit our website for more articles and valuable information.

Financial Catalyst Group was founded in 1977 to help successful people articulate their goals, and realize their dreams to protect and preserve their hard-earned wealth. At Financial Catalyst Group we provide unique Wealth Architecture™ services that result in the implementation of value-added plans for the responsible transfer of wealth through the generations. We specialize in working with families that desire to provide a legacy to their families and their communities, making gifts instead of paying transfer taxes. We work closely with these families and their advisors to form a strong, results-oriented team.



# Wealth Architecture Digest

Often people do not plan because they see only what is, and they do not have a vision of what can be. Something is always possible. We believe that, with vision, the possibilities are almost unlimited.

## Special Interest

A letter was mailed to all clients in January reminding everyone that our current ADV, Part II is available to anyone interested in reviewing the latest information.

Please contact the office you would like a copy mailed to you.

The ADV document will also be posted to our Financial Catalyst Group website soon.

## Are Boomers Prepared for Retirement?

By Carol Ford

According to the Lincoln Long Life<sup>SM</sup> Survey released in October 2004, financially successful investors in their seventies (called *successful seventies*) found that controlling their finances throughout their lengthy retirement proved to be more complicated than they envisioned. Before they reached retirement 54% of those surveyed had never thought about how many years they would spend in retirement. Also less than four out of ten had a primary financial advisor before they retired versus more than one of two who currently work with advisors.

Although the *successful seventies* surveyed are one generation older than the current baby boomers, the trend is showing that the boomers are not much better prepared than their parents. In fact many boomers may be in much more vulnerable positions. Many *successful seventies* worked long enough with a single company to vest in a retirement plan that had some guaranteed base income in retirement. However, today most companies are moving away from those defined benefit plans and replacing them with

voluntary contribution plans such as 401(k) programs.

This shift is placing more responsibility on the shoulders of the workers to pad their own nest eggs. But a recent report released by the non-partisan Employee Benefit Research Institute shows that at least one fifth of new retirees are faltering under the burden. This finding comes at a time when President Bush is pushing to divert a portion of social security payroll taxes into private accounts—making investors even more accountable for their retirement savings.

Employers in recent years have stepped up their efforts to encourage employees to contribute to their 401(k) plans. Still, nearly one third of eligible workers aren't participating in their company's plan, and of those who do, many aren't putting away enough to make it through their retirement years, according to the study.

Many baby boomers have not adopted a personal savings discipline and appear to be unclear how much money they will require to maintain their lifestyle in retirement. While 80 % are

(continued on page 3)

## Economics (from page 2)

\$170,000 more than the in-and-out results. It may have been worth it to them to reduce the risk of even deeper losses. Hindsight is always 20-20. However, since all individuals react emotionally (at least to some extent) financial decisions made that way are often in error.

Generally, a well-balanced portfolio will be less volatile than the S&P 500. If we create a portfolio that has upside potential with some risk, there will be downs as well as ups. It's important to remember this now that we've had some positive results. And it will be even more important to remember to hold the course when (not if) there is another down market cycle... and *follow, follow, follow* your plan.

## Tax Corner

Tax time is just around the corner. Here are a few of the tax changes for the new year.

### Annual Limits

### Qualified Plans

	2004	2005
Elective Deferrals 401(k), 403(b), 457 & SARSEPs	\$13,000	\$14,000
Catch-up contribution	\$3,000	\$4,000
Defined Contribution (415)	\$41,000	\$42,000
Defined Benefit (415)	\$165,000	\$170,000
SIMPLE plan	\$9,000	\$10,000
Catch-up contribution	\$1,500	\$2,000
Maximum includable compensation	\$130,000	\$135,000
IRA and Roth IRA	\$3,000	\$4,000
Catch-up contribution	\$500	\$500

### Income Tax Exemptions and Deductions

Personal Exemption	\$3,100	\$3,200
Standard Deduction		
Single	\$4,800	\$5,000
Joint	\$9,700	\$10,000
Head of Household	\$7,150	\$7,300
Married filing separately	\$4,850	\$5,000
Kiddie		
Tax	\$800	\$800
Section 179 Maximum election	\$102,000	\$105,000

## Inside this issue:

The New Economy	2
Healthy Finances	3
Tax Corner	back

Spring 2005

## FCG NEWS

New Year Reflection

We all know the Holiday season is a busy time of year for everyone. In some cases, we may just be glad to have survived the melee.

However, January offers a moment to reflect on the past year's accomplishments and consider the opportunities for the upcoming year.

Our first objective this year at Financial Catalyst Group has been to establish a Client Relationship Team approach in 2005 for our clients.

Team 2005

In our on-going commitment to provide you with the highest quality service, we have established relationship teams for every client.

The team consists of your primary advisor (Ric, Carol or JP) and a client relationship administrator (Suzzette or Jess).

You should have received a letter recently introducing you to your new support team.

Each team will be reviewing the client goals, family and rela-

tionship information, servicing files and investment programs to ensure both team members fully understand our client's needs and have the ability to quickly help in any situation.

Expect a call from us soon as we update our files and introduce you to your new support team members.

We appreciate your business and look forward to maintaining a long and prosperous relationship.

Thank you from FCG



## Economic Editorial

### Try To Remember

By Richard Haas

I know the this adaptation of the Tom Jones song lyrics is a bit corny, but the message it shares is anything but that.

*Try to remember the end of September (2002)*

*when life was dreadful and oh, so scary.*

*Try to remember the kind of September  
when grass was green but terror level was yellow.*

*Try to remember the kind of September  
when you were just a sleepless fellow.*

*Try to remember and if you remember,  
then follow, follow, follow.....*

*Now deep in December it's best to remember  
that snow will follow.*

*Deep in December it's best to remember  
it's best to remember that change must come.*

It is often hard for us to “remember” how we felt at a given time, and we become controlled by the emotion of the moment. We feel positive about the world and our investments, or we feel fearful about the future. Often, driven by degrees of fear or greed, we make decisions that don’t turn out the way we intended.

Do you remember the value

of the S&P 500 Index, or the NASDAQ Composite from five years ago? How much gain or loss has occurred since the end of 1999? Do you remember the beginning of October of 2002 and what the market was doing at the time? Do you remember how you felt about the markets at that time? Confidence is back, so “try to remember.”

The past two years have given a tremendous boost to the various market indexes. The Dow Jones Industrial Average is up 29% over the twenty-four months, while the NASDAQ Composite has posted a **57% gain**. The S&P 500 Index over the same period has been up a handsome 37%. The NASDAQ Composite, while finishing 2004 up 57% for the past two years, is still down 47% from **five years ago!** At its low in October, 2002 it was off its high by a stunning 78%. The S&P 500 Index is still off 17.5% from five years ago, after recovering 56% from its October 9, 2002 low.

Why am I suggesting you try to remember? Well, over the years Financial Catalyst Group, as an investment adviser, has recommended a strategic, long-term approach to investing. Asset allocation, style allocation, consideration of “non-correlated” asset classes have all been discussed and recommended. Even so, in the very painful bear market of 2000-2002, many investors abandoned their plans due to the incredible, consistent decrease in market values. However, the result of abandoning strategic

plans led to getting out of the market *after the losses*, and returning only after a significant retracing of losses.

### The Case of John & Suzi

Let’s look at the case of John & Suzi Investor. They felt really good as they missed the whole “bubble thing” and invested in the S&P 500 on January 1, 2002. They hadn’t suffered the collapse from the beginning of 2000, and they’d avoided 9/11. They invested \$1 million which they intended to hold for at least five years and felt great that they were buying 20% below the prior year prices. Unfortunately, after seeing the values down to \$660,000 on their September statement they panicked and sold on emotion.

Although they knew they couldn’t reach their goals by staying out of the market forever, they chose to sit on the sidelines. Five months later the war began in Iraq and the markets started to move. By mid-April 2003 Baghdad had fallen and a few weeks later they saw “Mission Accomplished.” Thinking perhaps it was safe to re-enter, they bought back their position on May 1<sup>st</sup> and are today pleased to be up 32%.

Their portfolio at the end of December was worth \$880,000 – not bad, but still short of their original \$1 million.

Interestingly, had they held tight through the tough period, the portfolio would now be worth \$1,050,000. That’s not a big profit for holding on, but

*(continued on page 4)*

## Healthy Habits for a Healthy Financial Future

By JP Puette

The new year is a great time for a health status review. To save a fortune in medical bills and have a better quality of life, it’s time to make your health a number one priority.

Focus on making good decisions each day about:

- ✓ eating vegetables instead of fast food and burgers
- ✓ walking 30 minutes a day five times a week instead of sitting - in your car, on your sofa, at your desk
- ✓ coming to terms with your bathroom scale and the insurance industry weight guidelines
- ✓ treating yourself to an annual visit with your primary care physician
- ✓ taking a few minutes every month to look at and think about your body, to notice how you are feeling
- ✓ Having reasonable expectations for yourself

Remember that you have been doing the best you could

up to this point. So be nice to yourself by congratulating yourself for what you’ve accomplished so far and being realistic about any areas for improvement.

*As simple as it might seem, one of the smartest choices you can make financially is to take care of yourself.*

When you manage your health risks you live a longer and healthier life. Of course, there are risks not in your control, like genetics. If there is a family history of high blood pressure, you may simply have to control yours with medication. On the other hand, you can control what you eat and whether you get enough rest and exercise.

In ancient Chinese medicine, the Tao of healthy living gives four important criteria for good health: proper diet, exercise, rest, and relaxation. Americans tend to lump the last two together, forgetting that sleeping and doing something you enjoy

are NOT the same thing. So, head for the fresh produce section at the grocery store, ask your spouse or a friend to walk with you, get your 8 hours of sleep each night, and remember to plan a little time each day just for you. And, on a regular basis, plan special times with special people doing things you enjoy.



*“Time you enjoy  
wasting is not  
wasted time.”*

Mark Twain

### Health Tips that Could Save Your Life

- Regular checkups
- Monitor your blood pressure
- Cancer screening
- Stop smoking
- Exercise regularly
- Drink alcohol in moderation
- Buckle seatbelts
- Eat healthy
- Use sunscreen



## Retirement (from front page)

concerned about having adequate income during retirement, half said they didn’t know how much money they would need. Less than 1 in 4 said they were on track to have sufficient retirement savings. When asked about actual savings habits, only 16% of Boomers saved more than 20% of their 2003 income while 23% said they saved nothing. The survey

also found that 76% of Boomers fail to understand the impact of compound interest and 87% failed to understand realistic growth expectations for investments over time.

The survey did find that affluence and not age is a better indicator for understanding the principles of money and the financial demands of retire-

ment. This substantiates the *successful seventies* study which shows affluent seniors are generous with their advice. They mentor their children by offering much more advice and training than they received from their parents. Today 4 of 5 *successful seventies* provide financial advice to their children.

Recent books also discuss

this topic. For example, “*Rich Dad Poor Dad*” by Robert T. Kiyosaki explores what the affluent parents teach their children as compared to what the poor and middle class do *not* teach.

FCG is happy to speak to groups and individuals about how to build successful retirement strategies.