Sarah Miller: And, now I’m going to turn the program over to Jane Walstedt to moderate the question and answer session.

Jane Walstedt: Thank you, Sarah, and I, in turn, am going to ask Amy, our operator, to remind us how to ask a question. Amy -

Coordinator: Thank you. If you would like to ask a question, please press *1. You will be prompted to record your name. To cancel your question, press *2. Once again, that is *1 to ask a question. One moment please for our first question.

Jane Walstedt: Amy, is anybody queuing up to ask a question?

Coordinator: No, not at this time, and once again, that is *1 if you’d like to ask a question.

Jane Walstedt: Well, let me ask a question that somebody posed. “I am taking a leave of absence from my career to raise my children, which puts me at a disadvantage financially. How do I make up for the loss of income-earning years?” Would any of our panelists like to answer that question?

Michele Schaff: I think each of us might do a good job with our own personalities being reflected in the answers. I would say, you’re not going to “make it up.” If you took time off of work, you’re going to be behind. You made a critical choice at an important point of your life. You chose to be with your children and prioritize your children over a career and money. Now that you’re back in the workforce, you pick up and you make sure that you live a prudent life and you monitor your money more carefully than ever to make sure that you prevent waste, and that’s the most important thing you can do.
One of the biggest mistakes people do is they try to get overly aggressive in their investments thinking -- “Well I’ll just earn a higher rate of return.” If you try that, you are more likely going to experience a loss. You’re going to take more risk than you can handle or you’re going to get into an investment that you don’t understand, and remember, if you have a dollar and you lose 50%, you now have 50 cents. You have to double your money to get back to your dollar.

So, losing money up front is especially damaging to a portfolio and so you have to be very careful that what you do is prudent and that would be my advice.

Jane Walstedt: Anybody else want to add?

Scott Kreger: I would just like to add -- back to the credit card companies a second – I mean, you’ve probably seen a commercial where they say “This is priceless.” Same thing when it comes to certain events. There are some events that you can’t put a dollar value on -- like raising your kids and staying at home with them. It depends [on] what your priorities are in life. I’ll tell you … you know, the other two things that I think that are out there that I think are priceless are investing in your education, as well as investing in your own health. I don’t think you could put a dollar tag on those two things.

Dayana Yochim: Yeah, I would agree. I think that if you treat your career as an asset, you want to make the most of that asset, so as you go back into the workforce maybe work on the training, do the things that are going to get you ahead and help you make the most of your earning power. And, also start saving like mad. Like Michele said, don’t expose yourself to too much risk in the market to try and make up for lost time, but do go ahead and apply that discipline of saving two-fold, more so than anybody you know, so that you can start at least making up for a little bit of that loss of asset building time there.
Jane Walstedt: One thing that could be done -- isn’t it? -- is having a spousal IRA, Individual Retirement Account?

Michele Schaff: Absolutely.

Jane Walstedt: Yeah. So one’s spouse could contribute to that. Right? [A taxpayer can make a contribution to a separate IRA for his or her nonworking spouse if the spouses file a joint tax return. See Tax Topic 451 or Publication 590 on the Internal Revenue Service Web site at www.irs.gov.]

Michele Schaff: And there are also ways to stay at home and take care of your children and still -- depending on your career -- maintain your foot in the door. If you are in a certain career field and there is a journal associated with that field, periodically write an article. Do something that just keeps you in the field and it will help you get a better position when you try to reenter full-time.

Jane Walstedt: That’s a good suggestion. Amy, do we have any questions in the queue?

Coordinator: Yes, we do have a question from Lisa Chavez.

Jane Walstedt: Go ahead, Lisa.

Lisa Chavez: From our first speaker, I missed the second point.

Michele Schaff: The second trait?

Lisa Chavez: That’s correct.

Michele Schaff: Plan and then live your plans.
Lisa Chavez: Very important.

Michele Schaff: And, as I said, you know, success is rarely going to be an accident. If you – just as you would not plan a road trip without a map, don’t expect to take a financial trip without having a map to show you how to get to where you want to go.

Lisa Chavez: Thank you.

Jane Walstedt: Amy, do we have another question in the queue?

Coordinator: Yes, Troy Fine you may ask your question.

Laura Stretch: Actually it’s Laura Stretch and I have two questions. One goes out to Scott. What was that Web site for the glasses?

Scott Kreger: I tell you what; I could work for these people. I’ve told so many people about it, you know, where you find it. I don’t know if I’m allowed to say it over the call. Am I?

Jane Walstedt: What is that?

Scott Kreger: The Web site for the $8.95 prescription glasses. You know what, you can email me and I would be glad to – I would tell you there are plenty of sites on there that do it. The point it, there’s a lot of ways out there to save. You know, the type of shirts – I mean, I have to get dressed up for work every day. The type of shirts I wear are the no dry cleaning shirts. I mean you add up how much you spend on dry cleaning during the course of the year and it’s unbelievable, and I went out and bought these shirts, and you put them in the wash, take them out of the dryer, they look better than a pressed shirt. It’s
amazing to me, so there’s a lot of little ways. And, you know what, every little bit helps.

Jane Walstedt: Thank you, Scott. We will check after the call to see if we can put the name of the Web site on. And, caller you had another question right?

Laura Stretch: Yes, I wanted to know when are you supposed to go with whole life insurance as opposed to term.

Jane Walstedt: Do any of our speakers have an answer to that question?

Michele Schaff: This is Michele. I am very much against mixing an investment product and an insurance product. I think you buy insurance for the purpose of insurance and you should have your investments separate from your insurance. Insurance products that involve an investment [whole life insurance] typically have very high expense ratios that go with them, so I would say buy what you need. If you want an insurance product, buy an insurance product. Don’t mix them together.

Scott Kreger: I’d like to add one thing. First of all here, I definitely agree with that. I would also say with the term policy for an insurance need, you get the bigger bang for your buck, which is the protection. That’s why you’re buying the insurance for the protection, not as an investment vehicle. There’s nobody out there that likes paying insurance. Unfortunately, the only way you get to reap the reward is if you stop breathing, and that’s not something you want to be doing. So, my point is, if you do your things correctly in life that some of these speakers spoke about financially, you will become self-insured and you don’t have to carry that term insurance policy for your entire life.

Michele Schaff: And, match the term to your needs. If you have a young child and you have an insurance policy that you were planning [to use] to take care of your child
if something happens to you, at the point where your child is old enough to be independent, you do not need a term policy to take care of that child. So, if your child is now ten years old, you don’t need a policy with a term of 30 years. So, buy what you need, and don’t pay for things you don’t need.

Dayana Yochim: And a little bit of homework in these areas goes a long way because, as Scott mentioned before, the financial services industry has really built its business … it’s compensated … these people are paid to sell products, so you are the person that has to determine exactly what it is that you need, so reading up a little bit about these things and looking at things like fees. I’m in complete agreement that you should not mix an insurance product and an investment product and even to go one step further – when we talk about fees when you’re buying investment products, such as mutual funds, you also want to look at the fee ratio there.

Wall Street loves to hide exactly how it’s getting paid and exactly how much it’s charging you to own into their mutual funds or their other products. You can find this out pretty simply and you can do the math.

[One source of additional information on life insurance is the publication *What You Should Know About Buying Life Insurance*, which can be accessed online at the Federal Citizen Information Center at www.pueblo.gsa.gov/acli/index.htm.]

Jane Walstedt: Thank you, and it’s a good time to mention that the questions that are posed on this call today, we will also send to the WiSe Up mentors who are listed on the WiSe Up Web site and they are free to answer them and we will post any answers we get from them. Now, Amy, do we have another question?

Coordinator: Yes, our next question comes from Juliette Charity.
Juliette Charity: Hi, I was wanting to know -- if I am in the Thrift Savings Plan and that’s my only retirement that I have scheduled for myself, should I be diversifying and getting something outside of my own job’s plan?

Jane Walstedt: Does anybody want to tackle that?

Scott Kreger: I’m sorry – you said the Thrift Savings Plan?

Juliette Charity: Yes.

Jane Walstedt: Government Thrift Savings, right – the federal government?

Juliette Charity: Yes.

Scott Kreger: The Thrift Savings Plan I think is a very, very good plan. Dayana spoke about fees, internal fees in these funds. Thrift Savings Plan is probably the least expensive plan that I have ever seen out there. As far as the investment choices in there, they have added funds over the years – they added an international bucket. I think that’s a very important part of a portfolio and that’s in there. So, I mean, is it the end-all solution to everything? Probably not, but, you know, should you be maxing out on that before you’re looking elsewhere? I would say probably yes, and if people are not giving to that Thrift Savings Plan or to their 401(k) at all, I would say, you know, you’re probably dead from the neck up.

Jane Walstedt: They’re in the [Federal Government’s] Thrift Savings Plan [TSP] -- because I contribute to it also -- there’s a stock index fund, there’s a bond fund, there’s a government securities fund, there’s the international fund that you mentioned, Scott, and there are I believe three life-cycle funds [in the TSP]. So, you have an opportunity to diversify quite a bit within that. Are you under the Federal Employees Retirement System (FERS), caller?
Juliette Charity: Yes, I am.

Jane Walstedt: So, I mean you should at least contribute what your employer will match.

Michele Schaff: Now, I have a question for you – you were asking should you do something in addition to the plan. Are you maxing out your contributions right now?

Juliette Charity: No, I’m not maxing. We have 15% that you can max up to, and I’m currently doing 12%.

Michele Schaff: Tax-deferred savings is the best way to save. [Under the Federal government’s TSP, the employee who contributes to the plan does not pay taxes on his or her contribution until the money is withdrawn.].

Juliette Charity: Okay.

Michele Schaff: Save as much as you can in a tax deferred account. If you can save additional money, by all means, do it, but save as much as you can tax-deferred because compounding is going to have a much greater effect.

Jane Walstedt: Tax-deferred being that in the Thrift we don’t pay taxes on what we contribute until we take it out.

Scott Kreger: For the non-government employees, I would say they should ask their employer if they have a Roth 401(k), which is a new retirement plan out there as of this year, which is also a good option that they should look into.

Jane Walstedt: And, Scott, can you explain the Roth [401(k)]?
**Scott Kreger:** The only difference between the Roth 401(k) and the regular 401(k) is with the [regular] 401(k), it’s pre-tax money going in. With the Roth, it’s after tax, so basically you are not getting any tax savings today, but you’re getting that same spectacular compounding and when you take the money out in retirement, it comes out completely tax free. That’s a huge advantage. Now there’s a couple of “ifs” in there. Suppose tax rates – where are tax rates going to be? Are they going to be higher when I retire or lower? I think number one, tax rates will probably be higher, but number two, even if they’re the same, I hear so many times, “Well, I’m going to be in a lower tax bracket when I retire.” Well, who wants to be in a lower tax bracket when we retire? That just means you make less income.

**Jane Walstedt:** Yeah, I mean one thing to remember about being in the Thrift or something else is to not panic and pull your money out and switch into a different fund when the fund goes down because then you’re selling when it’s low and presumably buying when it’s high. I may not be saying it very well, but Scott do you have anything [to add]?

**Scott Kreger:** Well, you’re absolutely correct. I mean, I think the strategy is important. You need to decide on your strategy for that Thrift Savings Plan and stick with it through thick and thin, and frankly I think the Thrift Savings Plan should only be part of your overall financial puzzle. It’s just one of the pieces, and it has to mix with all the other pieces of the puzzle; however, with the Thrift Savings Plan, yes, I mean when you have an allocation that you think is correct and it probably will be very heavy towards growth [not in the bond fund or the government securities fund in the TSP] if you are young, don’t be tempted to move it regardless of anything. I see people with their retirement plans that look at the previous year, how the funds have done. They move all the money out of the things that did badly and all the money into the things that did well and basically what they just did is sold out at the bottom and bought at the top.
Michele Schaff: What’s important also – I’m sorry, Scott, are you done?

Scott Kreger: I’m done.

Michele Schaff: Okay. What’s important is to make sure that the allocation [the way your money in your investments is distributed among different types of investments] that you have for your investments is something that suits your profile. If you can’t sleep at night because you’re worried about your investments, they are not invested properly. You hear about formulas regarding how to invest if you’re a certain age, and they’re age-related formulas. I think those are bogus. How you invest should be pursuant to your personality.

We have young clients who are very conservative and older clients who are more aggressive and can take it. It has to do more with what you can handle and what you’ll stick to, because like Scott said, you don’t want to be in an investment and get so uncomfortable that you pull out at the wrong time, and remember if you’re in bonds, when interest rates go up, bonds lose principal.

Long-term bonds do well when interest rates decrease. Long-term bonds are hurt when interest rates rise. We are in a rising interest-rate environment. Be sure you don’t lock yourself into some long-term bonds.

Jane Walstedt: And, of course people in the Federal Employees Retirement System [FERS] also have Social Security. It’s a tri-partite system. They also have a Federal pension, Social Security, and a Thrift Plan. Amy, do we have any other questions?

Coordinator: Yes, our next question comes from Toni Truong.
Jane Walstedt: Go ahead.

Toni Truong: Hello, thank you for taking my questions. I am single and 29, and I have two questions. The first actually carries on with your discussion of 401(k)s and Roth IRAs. So, I don’t have enough to max out both the Roth IRA and a 401(k), so what is more important? Is it first to just minimally match my employer’s [contribution] and then max the Roth IRA, or do I first max out as much as I can contribute to my 401(k) and then put whatever is left into the Roth IRA?

Scott Kreger: In my opinion, you’re correct. What you do is you first get the free money, so to speak. You put in whatever you need to do into that 401(k) to get the match from the company. That’s free money. Then you go to the Roth IRA, and once you’ve contributed the max to the Roth IRA, you go to the 401(k).

A lot of people aren’t going to be able to afford to do all of it. That’s okay. You just want to do whatever you can do and understand that there is a need for it. The limits on these things keep going up – how much we can contribute to [them]. So, I understand some people are not going to be able to max all the way, but I would take advantage of the Roth [IRA]. The Roth IRA is now permanent in our tax code. It’s nothing that we have to worry about, you know, ten years from now, with them doing away with. It is permanent.

Dayana Yochim: And the other thing that I love about the Roth is it does give you more control. You get to pick your investments, so you get to – you’re not limited to a pool of funds that are offered by your 401(k), so the advice that Scott just gave is the exact advice I would give as well. When you have a 401(k), and let’s say your choices are really crummy. Let’s say all of the funds are not good or you don’t have a good mix to choose from. Invest [with] who you get the free money [from], and then go outside and max out the Roth IRA, especially if
you are young, and start picking some of your own investments. And hey, you know, go ahead and make it a competition between you and your employer to see who has the better returns after every year.

Michele Schaff: And, I would advise that each individual’s tax situation is very different. A Roth IRA is not always the best choice for an individual. A traditional IRA may be the best choice for you. It might be worth seeing a tax specialist to have them look at your specific tax situation. I am more from the school of “No one solution is right for everybody.” Some people will have a better future putting their money in a traditional IRA, and for others a Roth is more appropriate. So, when you get into those kinds of tax issues, you really probably should spend an hour with a tax specialist.

Jane Walstedt: Thank you. Amy, I think we have time for one or two more questions before we close. Do we have any other people in the queue?

Coordinator: We have one final question.

Jane Walstedt: Okay.

Coordinator: Tess Williams you may ask your question.

Tess Williams: Yes, I have a question about insurance products and when you’re shopping for them, is there – I’m always at a loss as to whether to choose higher deductibles versus lower payments and lower deductibles, but with higher payments -- so do you have any advice on that in terms of vehicle insurance, property insurance, health insurance?

Dayana Yochim: Right, insurance is that thing that we have to buy that we hope we never, ever have to use. And, for that reason if you can self-insure like we’ve talked about before, and if you historically have not tended to make a lot of claims
on your insurance, then go for the higher deductible and pay less of an overall price for it.

I mentioned having my car stolen and only having liability insurance on that. Well, the reason for that is the cost of insuring my car over the years that it was not stolen at full price with the comprehensive coverage actually I still came out ahead not having comprehensive because my car was worth less than $2,000. So I got a new car. I actually even got a cheaper car, an older one because, you know, once you have it stolen, you’re envisioning having it happen again. Hopefully lightning doesn’t strike twice, and again, I’m choosing to self-insure, I have the savings. It’s in my emergency fund – the “emergency not planned for, hope it never happens” fund. But, it’s there, and I pay very little for car insurance because I only have to have the minimum coverage, so again look at your overall finances. Can you afford to have a higher deductible and will it help over the long term?

Michele Schaff: And the same is true of health insurance. You know, if you are healthy and you can afford to pay a higher amount for each doctor’s visit and you can afford a higher deductible -- health insurance is ridiculously expensive, so save yourself some money if you can afford the higher deductible and unless something severe happens, you will save a good amount of money over time.