

What if Your 401(K) Plan at Work is Less Than Great?

Good financial planning requires a holistic approach to all of the spending and investing you do in your life. That means that the investing you do at work shouldn't be isolated from the investment choices you make outside the office – assuming you are making such choices. Yet that's at the crux of a big problem.

First, many workers don't do any investing outside their workplace, and second, if they do, they don't get advice on how their work investments can intersect with particular investment choices on the outside. There's a definite temptation for workers to let a company 401(k) plan sit like any passive investment without a checkup. But it makes sense to set aside time each year when you can review your retirement investments and make sure they're still right for you.

It might be particularly helpful to consult a trained financial expert such as a CERTIFIED FINANCIAL PLANNER™ professional for general advice on both your work and personal investment approach – based on your personal situation, you might be able to redirect assets elsewhere for better performance.

In 2007, the implementation of the Pension Protection Act allowed fiduciary advisers to deliver personally tailored investment advice in person, by phone or electronically for 401(k), IRAs, Archer medical savings accounts, health savings accounts and Coverdell education savings accounts. While that rule remains controversial since it allows companies who provide the investments to also provide guidance on their selection, it signals an era where more help might be available to 401(k) investors in choosing and realigning their investment choices over time.

There's no reason why you shouldn't take advantage of any advice your workplace offers on the investments you purchase there. But you will definitely need to invest outside the workplace if you are to retire successfully. It makes sense to counterbalance that information with other viewpoints on the investment, tax and savings issues you'll need to make in order for your entire strategy to be a success. Here are some key questions you should be asking internal or external advisers about your investments and actions you should be taking to make sure you're getting the most out of your money -

Do you know how all the investment choices made available to you rank against others in their class? Most investment choices offered in 401(k) plans are either mutual funds with a variety of investment goals or “stable value funds” (often composed of guaranteed income contracts) that offer stable principal. You can check to see whether these choices are competitive through organizations like Morningstar, Lipper or S&P which rank thousands of investment choices against key benchmarks.

What about fees? Always be on the lookout for how expensive various investment choices are. Morningstar is a good resource on fees, or you can look up your funds at www.personalfund.com in order to determine overall costs. (Don't forget to properly identify the share class in question.) Also, some plans use group annuity contracts and the fees may not be easy for you to determine without requesting the information from the plan's sponsor. You may think you aren't paying fees in a company 401(k) plan, but the costs of operating the plan are often balanced between direct administrative expenses, typically paid by the employer, and

asset based fees, generally charged to the participant. Your employer may or may not have negotiated reasonable fee arrangements for plan participants. You should always scrutinize fees of products offered by any investment professionals – including financial planners.

What can you do about it? If your research shows that your investment choices at work are lackluster or that fees are oppressive, you might broach the subject with your company benefits officer. But talk to a trusted co-worker or manager about it first, because you need to find both a factual and tactful approach to challenge and try to improve your company's choices. Your research will be critical in pushing for change.

What if your choices at work don't improve? Some companies simply don't or can't offer top-shelf benefits. That may be the case for any number of reasons, but generally, healthy companies offer good benefits because they want to attract and keep good workers. It might be a signal for you to change jobs in your field and go with an employer with better retirement options. But you can also confer with a financial planner outside work to make sure you have an independent portfolio that meets your personal requirements.

What if you don't balance your investments inside and outside your company? You risk serious problems in your retirement planning. Granted, more than 22 percent of eligible workers don't participate in their 401(k) plans at work, so you may be somewhat ahead of the game. But it's critical that you get outside advice on how to manage all your finances so you can deploy money for retirement in the most efficient fashion.

-30-

April 2008 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7118.

Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit www.FPAnet.org.

The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.

Before the Summer Hurricane and Tornado Season Begins, Develop Your Own Disaster Plan for Home and Business

To some, it might seem like an impossibility. How can you really plan for an act of nature? Actually, no one can truly know how storms and other weather-related disasters can affect their lives until they happen. But as we approach the third anniversary of Hurricane Katrina, it's appropriate for Americans to think how an angry Mother Nature could affect them.

Here are some key planning ideas that will help you and your family emerge more effectively from any weather-related disaster:

Call your insurance agents. We say agents in case you deal with more than one agent for home, life, health, auto and business coverages. Talk to them about whether they feel your coverage is adequate based on any number of emergency scenarios. If you had a huge medical bill, could you pay your deductible and any uncovered costs out of your own reserve funds? How's your life insurance for you and your spouse? Is your home insurance based on the highest replacement value figures for your neighborhood? If you are in a designated flood area, is your insurance up to date? While you're at it, see if your insurance will cover temporary relocation and car replacement if you need it.

Make sure your reserve fund is healthy. Think of all the people on the Gulf Coast who are still living in government-provided trailers and still fighting with their insurance companies. That may not be your situation, but if you had to temporarily relocate, could you handle the expense until your insurance funds arrived? Could you continue to pay your mortgage if a storm knocked out your place of business as well? Weather disasters usually mean huge cash flow disasters as well.

Develop a "what if" list. Be as imaginative and as negative as possible about this. Consider every possible event that could hurt you, your family, your home or your business – what hurts one automatically hurts the other. The first question – what if you died or became disabled tomorrow? Could your family continue to support themselves while they worked through the aftermath? A good way to make the list is to draw a line down the middle, and on the left side list every possible risk, while writing every possible remedy for those risks on the right side.

Set contingencies in motion. If you had to relocate to a particular relative's home, does that relative know you'd be knocking on his or her door? Would all your family members know where to meet if you were separated? Close the loop with all friends, family and service providers you'd need for support if you had to rely on them – and set up an effective communications plan to go into effect the moment trouble happens.

Plan an escape kit. If you had to leave home within 2-3 hours, what would you take? Key financial and insurance documents would be a must, but you might consider consolidating all that paperwork in one place for speedy packing. Also, it might make sense for all family members to make a list of things they'd pack in a hurry as well – put a time on your calendar each year for everyone to update their list. If you have financial or work data on computers, it's important to regularly back up that data on separate drives that could be

packed up and downloaded to a portable laptop offsite. Also, don't forget to plan for your pets if you have them – they'll need their supply of food, toys and medication if necessary.

In business, protect yourself first. If you're a good boss, you care about your employees and your customers, and we'll get to them in a moment. But the first step in a business disaster plan is to review your list of worst-case scenarios and review how you would protect your home, your health, your retirement, your kids' education and your estate priorities first. If your business fails for any reason, all of those critical necessities could be jeopardized. Make sure you have appropriate life and disability insurance coverage in addition to a current estate plan.

Protect your employees second. In a natural or man-made disaster, lives can be lost. But if you're closed for weeks or months, key employees may leave and that might be a greater long-term danger to your company. Talk to your insurance company about every physical and employment risk your staff could face in a disaster and see what safety nets are available.

Protect your customers third. If you faced a lengthy business interruption, how would you serve the customers who are depending on you? Are there specific customer service and inventory procedures in place to keep them informed, supplied, and most important, loyal once you're up and running again? Do you have options for alternate office and production space as well as resources for temporary workers?

Protect your information. You don't have to be some high-tech firm to understand the value of proprietary information that keeps your company running. From proprietary databases and research to customer credit information, these data are critical for your business. What's to keep a burglar from stealing your computers and taking all your valuable financial, inventory and customer data with them? Better yet, what's to keep a computer hacker from stealing the information and leaving the machines behind? Data security and backup procedures are increasingly important as disaster-planning priorities. Get help finding the protective measures that fit your industry.

-30-

April 2008 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7118.

Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit www.FPAnet.org.

The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.

Need to Teach Young Kids about Money? Try These Ideas

It's amazing in these times of crippling consumer debt, troubled investment markets and real estate turmoil that children don't get mandatory training in money management in school.

But until that changes, Mom and Dad, it's up to you.

Most experts agree that the younger kids get money training, the better. If you're already planning your family's financial future with an expert such as a CERTIFIED FINANCIAL PLANNER™ professional, such an expert might advise you on ways to teach your kids about money as well.

Here are some initial steps:

Determine the right allowance. As early as kindergarten or first grade, your kid is going to have to start paying for things. Try to match the allowance closely to the expenses the child is expected to cover – that way, they learn that their spending is not unlimited. Decide whether she needs to earn an amount for extras – toys and candy, for instance – then stress why working for treats is important. When kids are younger, you should keep a frequent watch over how they're handling their cash – checking in every day or so – and then spread out that oversight as they age.

Consider your own behavior. Do you drive a bigger car than you can afford? Every time you go to the store, do you pull out a credit card to pay? Do you and your spouse or partner fight openly about money at home? Your child hears all of this. Children learn all-important lessons by example – while you don't have to be perfect, think about the money behaviors you're demonstrating in front of the kids, and try to make them positive.

Buy a piggy bank. Young children need this tried-and-true symbol of saving. They need to know there's a place to put pocket change they don't spend, and they are free to tap it only to accomplish a goal that the both of you discuss. This isn't about buying stuff. It's about setting goals.

Don't miss an opportunity for a lesson. Watch your child's behavior – see what he wants to buy. Ask him how he plans to pay for things. This is your window on whether your money messages are getting through. "I want" and "I need" are always opportunities for you to teach. Some pretty serious money issues can come out of the mouths of babes. Listen for them. Also, teach your kids to make spending "wish lists" throughout the year – these are not only lessons in delayed gratification but prioritizing needs and wants.

Have them open a savings account. If small-balance passbook accounts still exist at your bank, do the old-fashioned thing and go with your child to open one. Make sure she keeps her bankbook or monthly statements in a safe place, and make sure she deposits funds at least once a month to get in the habit. You might also consider mutual funds geared toward children – the best ones have great educational value.

Handle money mistakes carefully. A child will make mistakes with money – they'll lose it, spend it on the wrong things or possibly give it away to others at the wrong times. It's generally a good idea to ask the child whether that was a right use for the funds and what they might do the next time.

Discuss charity. This may be a cultural issue within families, but increasingly, kids are involved in charitable and community activities as part of their educational process – it even figures into college applications. Teaching your children to set aside a little for those who have less than they do might be a good first lesson in what should be a lifetime of sharing with others.

Adjust the conversation as they age. As children become teens, they want more autonomy with their spending. You need to match that trust with accountability. If you deposit money in an account for them to spend on essentials and treats, talk about what you are willing to pay for in addition and make those agreements ironclad. Kids will always come to you with their hand out, but they need to know when you'll say "no."

Be open about your investments. Kids are sponges. They know if their parents have investments just by watching what's in the mail. Start talking about why you buy stocks, bonds or mutual funds to help pay for their education. If your child asks you to buy a book or subscribe to a magazine or newspaper so she can learn more, don't think twice – just do it.

Talk about college early. Even if you plan to pay your children's entire tuition, you need to talk about the financial investment college represents long before they go. You can also talk about whether your child will have to pay any expenses on his own and how he'll earn them. The massive investment college represents presents a great opportunity to discuss what the most important things in life really cost.

-30-

April 2008 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7118.

Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit www.FPAnet.org.

The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.