



Nexus Notes

June 10, 2013

Friends,

I do a lot of reading every day. Most of it pertains, as you might expect, to investing, the economy, taxes, and financial planning topics. This was an unusual week in that several articles came out specifically on the challenges facing upcoming retirees. Some of the headlines: “Health Concerns Top List of Retirement Worries in U.S.”. Retirement and Health Care: Bad Rx”. “The Biggest Retirement Myth Ever Told”.

It's not different this time: There have always been challenges to retirees. The article under the last headline I mentioned looks at the history of challenges that they faced. One of the biggest myths it addresses is that retirees of the past had company pensions to help them with retirement income. In fact, only about 25% of all retirees in 1975 reported pension income. The highest percentage of reported pension income occurred in the early 1990s when it was just under 40%. Looking at all reported income, 15% reported by those 65 and older came from pensions in 1975 while 20% came from pensions in 2010.

It's kind of different this time: Although the challenges remain similar, the choice of savings tools for meeting those challenges is different. Person's looking to retire in 1975 probably had no clue as to what an IRA was. Congress created the original version of the IRA in 1974. The 401(k) was not created until 1978. It wasn't commonly used by employers until the early 1980s. Common savings vehicles were savings accounts, bank CDs, life insurance policies, fixed annuities, and possibly brokerage accounts for those more educated in financial matters. Nowadays, practically everyone knows about 401ks, IRAs and their different flavors (traditional or Roth). Variable annuities, mutual funds, and ETFs have become part of many peoples' vocabulary.*

The bottom line is that regardless of what era a retiree faced or is facing, the only way to secure a more financially secure future is to set aside money that is designated for that specific goal. As for all of the different choices that now exist, there might be one best for you. Or, it may be that several are needed. We'll figure it out and adjust along the way.

**Investors should carefully consider the investment objectives, risks, fees and expenses before investing. For this and other important information please obtain the investment company fund prospectus and disclosure documents from your rep/advisor. Read this information carefully before investing.*

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