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FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

May 2012

"Making a positive impact on as many lives as I can." Please contact me if you have friends and family who would enjoy receiving this newsletter!

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May 2012 from Feiertag Financial Services

Job Concerns Keep Retirement Confidence Low

Concerns about job security and household debt are keeping the retirement confidence of U.S. workers at the lowest levels seen in more than two decades, according to a new report from the Employee Benefit Research Institute (EBRI). EBRI's 2012 *Retirement Confidence Survey* (RCS) revealed that most workers remain unprepared for a financially secure retirement, and that half of today's retirees left the workforce earlier than planned. Findings of the twenty-second annual survey, which highlight America's widespread retirement planning predicament, include the following:

Historically Low Confidence

Only 14% of survey respondents expressed confidence in having enough money for a comfortable retirement, compared with 27% that expressed that level of optimism in 2007. While the current number is higher than the 13% recorded in 2009 and 2001, EBRI notes it is statistically equivalent to those record lows. In addition, only 19% of workers are now very confident that they are doing a good job of planning for retirement. The same percentage indicated they are "not at all confident."

A Lack of Goal Setting

Despite the importance of retirement planning for nearly everyone, working Americans generally have no idea how much money they will need to set aside for the future. More than half (56%) indicated that neither they nor their spouse had calculated how much they would need to live comfortably during retirement.

Debt Woes

Workers' assessment of their current level of debt is essentially unchanged from last year, but the RCS makes clear that debt remains a major obstacle to retirement security. There is a clear correlation between level of debt and retirement confidence:

- Only 4% of workers with a major debt problem are very confident of their retirement outlook, versus 23% with no debt problem.
- Those with a major debt problem were three times more likely than those without one to say they are not all confident about retirement (45% versus 14%).

Unexpected Early Retirements

Americans who expect to bridge a retirement savings gap by staying in the workforce longer may not be able to do so. According to the *RCS*, 50% of current retirees stopped working earlier than they had anticipated due to circumstances beyond their control, such as health problems, downsizing, and the need to provide care to another person.

What are the takeaways from this annual measurement of where Americans stand on the road to retirement? Calculating a retirement savings goal, paying off debt, and creating a "Plan B" in the event of a forced early retirement may be strategies worth pursuing.

Together we can review your retirement plan. Please call me at 1-800-252-4276 to set up an appointment so we can review your accounts for fine tuning.
We always appreciate referrals from our satisfied clients and their friends, business partners, and family members. We welcome the opportunity to serve the people you care about. Please visit our website (www.stevenfeiertag.com) and if you like what you see, pass this on to your contacts. Thank you for your continued business and support.

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There appears to be a relationship between level of debt and consumer confidence in being financially prepared for retirement.

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Student Borrowing on the Rise

More than half of bachelor's degree recipients graduate with debt averaging more than $20,000.

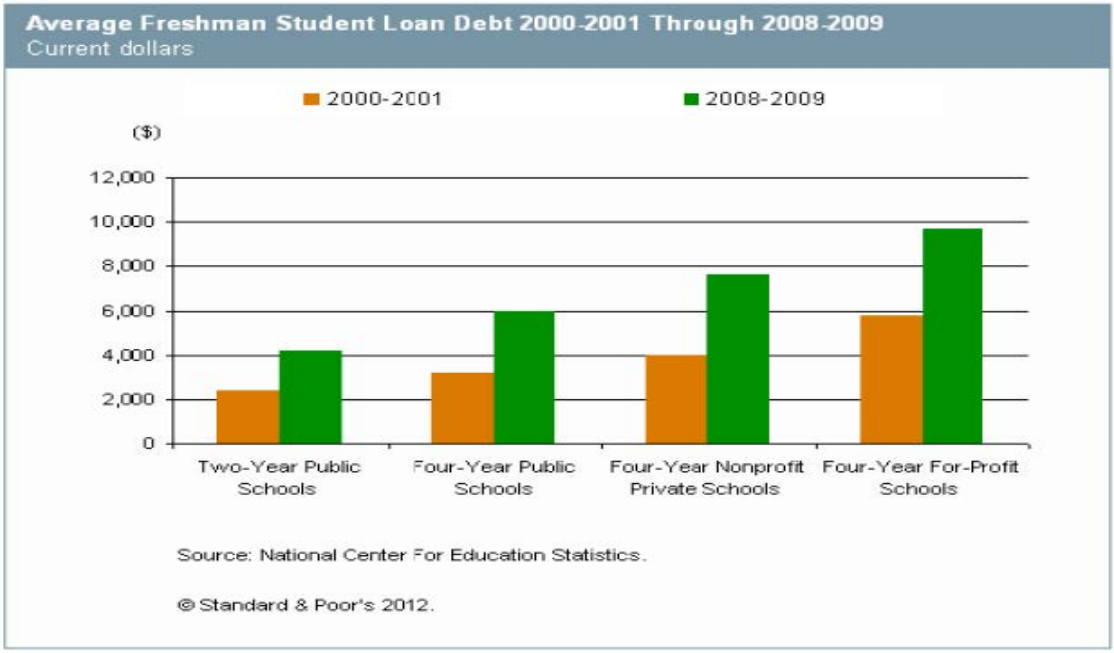
College costs have skyrocketed over the past decade, rising faster than the overall rate of inflation. According to the College Board, the average annual cost of a four-year public college, including tuition, fees, and room and board now runs $17,131. The same fee at a private school is now a staggering $38,589.[1]

The steep rise in costs has occurred at a time when household income has stagnated. A new report by Standard & Poor's, *The College Affordability Crisis: How Bad Could It Get?*, examines the difficulties students now face and suggests that the resultant ballooning level of student debt could pose issues down the road.[2]

Student Borrowing Has Exploded

After a lull during the Great Recession, when consumers began to borrow less, debt loads are increasing again, with much of the rise attributable to student loans. First-year, first-time college students are taking out nearly double the level of loans they did a decade ago, even with higher levels of scholarship and non-loan aid. Student loans at all schools for first-year students during the 2008-2009 school year, the latest year for which statistics are available, totaled $6,974, compared with $3,764 in 2000-2001. All figures are in 2010 dollars.

Currently, the College Board estimates that 56% of bachelor's degree recipients at public schools graduated with debt averaging about $22,000, and 65% of those from private schools have debt averaging about $28,000. And it is no longer unheard of for a student to borrow upwards of $100,000 to get a bachelor's degree.



What all this means for today's college graduates is an increasing debt burden in the years ahead. In an economy where fewer new entry-level jobs are being created for college graduates, it is likely that a growing number will default. Already, default rates are rising. According to the U.S. Department of Education (DOE), 8.8% of all students with Federal Family Education Loan Program or Direct Loan student loans, and whose first loan repayments were due between October 1, 2008, and September 30, 2009, defaulted before September 30, 2010. Although the DOE cautions that this figure is "a snapshot in time," the default rate in the previous fiscal year was 7%, and the 8.8% default rate is the highest since 1997.

How this translates to future defaults or how it impacts college pricing moving forward remains to be seen. But certainly it is not getting easier for today's students.

[1]*Source: The College Board, 2011/2012 academic year. Total cost includes tuition, fees, and room and board.*

[2]*Source: Standard & Poor's, The College Affordability Crisis: How Bad Could It Get? February 2012.*

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