



Horton Financial Services, LLC

Insights about choices
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Financial Choices TM

RETIREMENT

Retirement planning has always been a challenge for most of our population. The process requires an exercise of discipline over a long period of time. It is often accomplished most easily by those individuals that work with the same company over a long career that has one or more qualified retirement plans for its employees.

However, with the recent failure of many large company pension plans, most notable, Enron, this way seems to be largely in question. Many of the nation's largest pension plans are in trouble. To exacerbate the situation, the U. S. individual savings rate is so low that it will not do much to supplement retirement. Then there is Social Security. That fight is not over. What will Social Security look like in the future?

Chances are that we as individuals will be relying more upon how well we save and invest on our own. To add fuel to the fire, the Baby Boomers will be retiring over the next fifteen years. Yet many of them will continue working other jobs, not being financially able to retire.

While retirement planning may seem a futile process for many, with a trail of bad decisions and too many ways for one's money to be siphoned off, it is always better to start, whenever that time may be. In many families, it is not unusual for one of the biggest drains on one's nestegg is one's own grown children. This frequently happens whenever the children never become completely self-sufficient, and either a financial dependency or interdependency relationship continues throughout adulthood.

And retirement is about more than having the money to retire. Once we depart from the work scene, we need continued socialization, and not just family. Over 70% of retired persons want to go back to work. In addition to supplementing their incomes, they feel a need for more interaction with other people.

However, 40% retire because they can no longer physically meet the demands of working. The reason most given for retirement is "to do other things". And it is important to pursue activities and other interests. These "other things" help keep us alive and healthy. A positive attitude will add seven years to a retiree's life. Throw in three more years for a good sense of humor. Life expectancy is a moving target. The older we become, the longer life expectancy is extended.

The next trick is to have those retirement years enjoyed with a good quality of life. An existence is not enough. One's health impacts heavily on the quality of life, and relationships do likewise. Family and friends can be part of a support system that helps sustain retirees. For you own sake, do not be one of those persons who will spend more time planning a two week vacation than a twenty to forty - year retirement.

As time goes, more and more persons will continue to work, with a variety of other types of structure than the typical nine to five routine. More flexible time, shift changes, shorter work week, fewer hours, working from home, etc., will all come into play a bigger role. More and more persons will have to work to make ends meet. Reasons workers give for continuing work after normal retirement age:

1. Need the money
2. Desire to stay mentally active
3. Need the health benefits
4. Desire to stay physically active
5. Desire to remain productive or useful

Whatever type of retirement one has planned or is experiencing can likely be improved. There are ways to get more out of one's nestegg, and to add safety features to it. Oftentimes, retirees have options available to them of which they are unaware. An experienced *Financial Services Professional* can sometimes help one stretch his or her money and avoid some of the pitfalls that retirees can encounter.



Raymond C. Horton, Sr.
Editor & Publisher

The "*Financial Choices*" bi-monthly newsletter is dedicated to the idea of making good choices, financial or otherwise, and is distributed to our firm's clients, professional peers, potential networking professionals, and potential clients to inform and to strengthen relationships, present and future.

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Market Performance

My own 401(k) plan has a menu selection of fifty-five investment choices. I have chosen ten of these for my withholding and corporate matching contributions.

At the end of each quarter, I analyze my performance results. I look at my allocations to see if they are lined up with my own tolerances for risk and reward. Also, I try to determine if my portfolio is balanced correctly in terms of capitalization choices and whether I think the market is positioned for growth, value, or debt ownership.

In the end, the choices are a best guess, but at least they are informed guesses. I make an effort to acquire better than average returns with less than average risk. Those elements are moving targets, so it does take review from time to time.

Through perseverance, I have determined that careful attention to the management of my investments can produce better than average results, but it isn't guaranteed.

By the way...

The FBI is investigating the theft of up to 40,000,000 credit card holders' personal information among multiple brands of cards.

A computer virus attacked and seized the data from CardSystems Solutions, Inc., of Tucson, Arizona, which processes transactions for banks and merchants.

It will be interesting to see what solution is derived to handle this problem.

HEALTH CARE DELIMMA

Over the next twenty years, the population of the U. S. that is age 65 or older will swell from the current 14% to 18%. This is because the "Baby Boomers" (those born between 1946 and 1964) will join the veteran, senior group. What this will do to the health care profession is a boom of its own. Many are wondering about adequate facilities, but even more are concerned about the cost. Both of these things are open and unanswered questions to our society.

Did You Know?

- The calcium for egg shells for baby birds comes from a special tank in the mother's legs; same thing for some dinosaurs.
- Tax cheating is on the rise, creating what the IRS thinks is a \$325 billion gap, and the IRS plans to go on the offensive.
- Two members of the Senate Finance Committee want the government to assume some risk of catastrophic health problems.
- General Motors had its biggest June sales month in nineteen years, selling vehicles below dealer invoice price.
- The Property & Casualty industry showed a net underwriting loss every year since 1978, but made \$38.7 billion in 2004.
- Puerto Rico's last vote on "statehood" in 1998 was 49% for becoming a U. S. State and 51% against.
- Bears do not eat, drink, urinate or defecate in the winter.
- One-third of murders are at the hands of one's intimate partner. The weapon of choice for more than two-thirds is a gun.
- Forty-three percent of all U. S. households feel they need more life insurance.
- Seventy-three percent of consumers have no personal financial advisor.
- There are more than 9.2 million horses in the United States.
- The average CEO "golden parachute" among Fortune 500 companies in 2004 was \$16.5 million.
- One in eight persons will suffer a long-term disability (more than 90 days) each year.
- "Men have fifty percent of all heart attacks; the rest are by women" read an actual drug company brochure.
- Forty-four percent of Americans age 55 and older have saved less than \$100,000.
- 13% of all health care spending in the last fifteen years is obesity-linked, according to a study by Emory University.
- New York Medicaid fraud tops \$44.5 billion. Guess who pays for it?

OPINION

Road-building was my father's occupation. He and his three brothers were in business together or networking their individual companies with one another long before the term "networking" was conceived. All died young, in middle-age, far from retirement .

I chose not to follow in their dusty footsteps, as a result of six summers spent working on road jobs. It was hard, long, hot and dirty. Through this experience and even earlier entrepreneurs beginning at age five, I decided I would rather pursue work that required more creativity, not realizing the creative demands of road construction at the time.

As I worked the summer jobs for below minimum wage, I was always trying to think of ways to improve some of the procedures used. At age fifteen I envisioned a huge road-building machine that would move along slowly applying each step of the process in a cycle with the finished highway rolling into view from the back edge of the monster machine.

For the past year, I have been watching the highway construction in front of my new home. Although still a long way from the imaginary road-building machine, I can see an assimilation in part of the idea evolving in the numerous steps that must be completed to construct a roadbed and eventually the completed highway. I can believe that my monster road-building machine will someday be a reality.

This opinion is not "news"; just the editor's imagination.

THE ECONOMY

Since the first of the year, the Federal Reserve has raised short-term interest rates four times. At the same time, long-term rates have actually decreased. These low long-term rates have helped keep the housing market strong.

Energy has also been a key area of concern. With oil at \$60 per barrel, combined with a flattened personal income growth, consumer spending has been dampened a little.

Still, nearly all the major financial markets were up for the second quarter of 2005. Real estate investment trusts led the way, followed by small capitalization value. The S&P 500 was actually down 1.6%, but up 6.2% during the last twelve months.

Among the large capitalization market, growth outperformed value during the last quarter for the first time in a few years, which might be signaling a shift. International markets took a respite in the last quarter, down 2%.

More About China

Among the bigger financial movements around the globe today is everything China puts its massive hands upon. Reminiscent of the early 1980s when Japan was buying prime U.S. real estate and businesses, China is on the move acquiring U.S. assets.

Their objective is to promote their exports, of which we already have a great imbalance of trade, tilted heavily toward China. Other reasons are to gain American technologies and distribution channels.

When this happened with the Japanese, U.S. employment actually increased. Then, their economy fell upon hard times in the 1990s disquieting the fears of being bought out by the Japanese.

We are in a much faster economy today. The coming events will be insidious, big and soon.

Hot Ideas !

The “Hot Idea” for this issue is “DIVERSIFICATION”! Too many times investors are concentrated in a small number of stocks with histories of swinging widely. By doing this, they are assuming much more risk than their psychological profiles usually indicate appropriate.

Diversification helps spread the risk. It might reduce the peaks, but it also can reduce the valleys. The end result could be better returns without as much fear of great losses. Of course, past performance is no guarantee of future results.

There are asset allocation mutual funds that are a collection of several other mutual funds. One who had owned a few stocks may now have one to two thousand issues in such a fund, all managed by professionals. The key word is “diversification”!

10 MEDICAID MYTHS

You probably know that Medicaid will pay for your long term nursing home care if you meet certain limitations on income and assets. But, most people misunderstand the Medicaid eligibility rules. This series, “10 Medicaid Myths,” discusses the most common misconceptions.

Medicaid Myth # 7

“Annuities are now ineffective for Medicaid planning.”

Although Louisiana has recently tightened up on the use of annuities as a Medicaid planning device, the right annuity is still useful in the appropriate circumstances.

For example, if you fail to qualify for Medicaid because you have “excess” assets of \$100,000, you can still convert those excess assets to a stream of income for your spouse and qualify for Medicaid, so long as you name the Louisiana Department of Health and Hospitals (DHH) as beneficiary of the annuity. (The state will recover first the amount it paid for your long term care, and only if anything is left will the annuity benefit your family.) This works because the income of your spouse who is not on Medicaid cannot be used to disqualify you for Medicaid.

However, the annuity must meet certain stringent requirements promulgated by DHH, so extreme caution is urged. Most annuities will not qualify. The purchase of the wrong annuity will not help - you will not qualify for Medicaid and may be forced to surrender the annuity and pay a substantial penalty or suffer severe economic hardship as you and your family scurry to find assets to cover your nursing home costs.

For more details and a free booklet on Medicaid Planning in Louisiana, and/or Estate Planning in Louisiana, please call my office and ask to speak to one of my staff, or just email your request to me.

Compliments of:

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Meeting Financial Challenges Every Day!

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About Our Practice

For forty years, we have been helping people solve financial problems. The slogan of Horton Financial Services is ***"Meeting Financial Challenges Every Day"***!

Our firm is paid for distributing insurance and investment products, and the benefit of our counsel, but the nature of our business is ***"planning"***, working with each client, one at a time, to help them achieve certain financial objectives.

We have never focused upon our personal income, but upon doing the right thing for the client, always considering the income a by-product of our service.

We have impacted over 3,000 lives in a positive way over the years, and continue to grow our business, typically upon referrals from existing satisfied clients, investors and contract holders.

Our pledge to you is that we will always strive to do the right thing for you, and to merit your trust and confidence.

Raymond C. Horton, Sr.

THIS 'N THAT

- **O**ne way to test a child's maturity is to offer him or her a piece of candy and tell the child that if he or she will not eat it while you leave the room for a short while, you will give them a second piece. Then leave the room, but watch the child. If the child is patient and holds out for the second piece of candy by waiting to eat the first piece, the child is exhibiting maturity. This method is sure to frustrate the child and the adult. Most will eat the first piece of candy and still want the second.
- **M**ore than 60,000 pounds of explosives materials have been stolen from construction sites in a three year period during 2001—2004. And there are more than 1,000 known al-Qaida sympathizers in the United States.
- **M**aking love is said to have a number of health benefits, including reducing one's blood pressure, lessening depression, contributing to weight loss, and some say improving the immune system.
- **R**esearchers say that the breed of dog most responsible for bites to humans in the Doberman Pincher, ten times more than the Bit Pull. The latter, however, along with Rottweilers cause the most human deaths. Pit Bulls are aggressive toward other dogs, especially of the same gender. When people enter the area of the Pit Bull's aggression toward another animal, that is when they usually get hurt or killed. Otherwise, they are friendly and affectionate toward humans.
- **T**he housing market is still setting records. More new homes were sold in the month of June than anytime in the history of this Country. A large contributing factor is that mortgage rates are still low, even though short-term rates have been on a steady rise. In the large home market, the interest-only mortgage rates are attracting persons with good cash flow. Longer term fixed mortgages are low too.

Past Issues

Past issues of ***"Financial Choices"*** can be seen on our website, ["www.HortonFinancial.com"](http://www.HortonFinancial.com).

Sources include:

- The National Underwriter Company
- Wall Street Journal
- Fox Financial News
- The Shreveport Times
- Dow Jones
- National Assn of Ins. & Fin. Advisors
- American Health Insurance Assn.
- The Associated Press
- Million Dollar Round Table
- Cable News Network
- Society of Financial Services Professionals
- Reuters News Service
- Center for Disease Control & Prevention
- Employee Benefit Research Institute
- Fortune
- Worth
- Carillon Investments, Inc.
- Advisor Today
- Bureau of Labor Statistics
- ABC, NBC, CBS, CNBC, Fox News
- Editorial knowledge