

## WHEN IS THE RIGHT TIME TO SAVE?

**Today. You may have already heard this around the proverbial water cooler, but it's true: most Americans are not properly looking out for themselves and their futures. The statistics are bleak.** 42% of Americans over the age of 45 don't have any savings. The savings rate in the U.S. is at an all-time low of minus 2%, which means Americans on average are borrowing more than they are saving. Moreover, the average savings for married persons over the age of 45 is approximately \$52,000 (\$32,000 for unmarried persons of the same age) according to the Congressional Research Service's report to the U.S. Congress on January 29, 2007.

Needless to say, most Americans are financially ill prepared for their likely expanded life expectancies. With 10,000 "boomers" retiring daily in the U.S., and with lengthening life expectancies stretching the retirement stage to an excess of 20 years, such "retirees" will, in many cases be forced to go back to work just to sustain a lifestyle that may still not match what they have experienced over the past ten years of their employment. While the Government is well aware of this aging of America, and the associated concern for financing it, they are clearly not viewing Social Security as the solution. Most of the provisions of the Pension Protection Act of 2006, for example, were aimed at putting more control over a person's retirement savings into the hands of the person himself. In fact, 'self-directing' was actually encouraged by some of the changes dictated by angry World Com and Enron pensioners who lost it all. Retirees today can expect to receive approximately \$1,200 per month (someone earning \$25,000 annual income) to \$2,200 per month (for someone earning \$1 million) from Social Security. Clearly, the millionaire, accustomed to \$83,000 in monthly income, is going need a lot of savings to sustain the lifestyle he or she is used to!

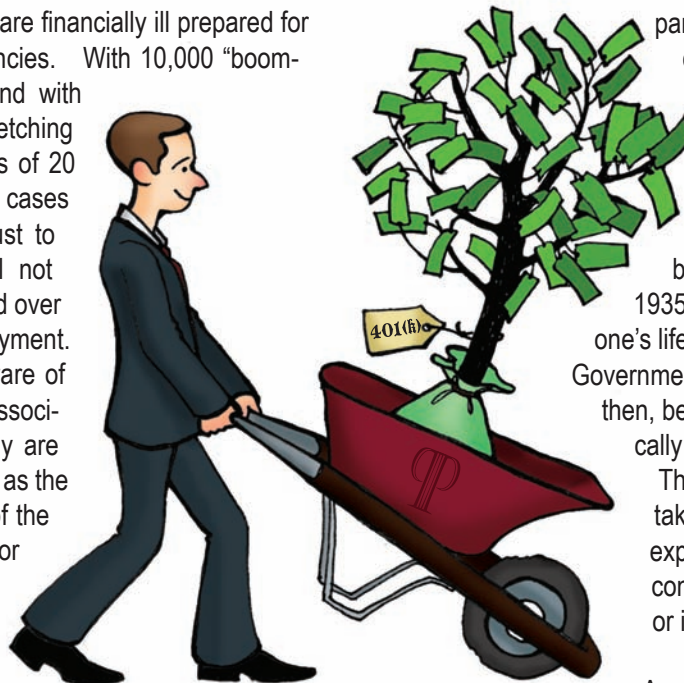
So what can you do if you are eyeing a similar predicament? Well, the first thing is to not give up hope. Secondly, start saving more today, particularly in tax-deferred or tax-free savings vehicles like IRAs and Roth IRAs [and a Solo(k) if you are a sole practitioner]. Perform an inventory analysis of all your retirement accounts, dusting off old 401(k)s left dormant, or small

IRAs you may have long forgotten. Then consolidate them into your existing PENSCO Trust account, so that you can more readily put your money to work. The sooner your money goes to work for you, the more you will benefit and earn in tax-deferred compound growth accounts. For example, a person age 40 who is contributing \$4,000 per year and generating 10% yields (e.g., through trust deed or mortgage investments), would accumulate \$480,400 by age 65. If that same person had started at age 21 on the other hand, they would have \$3,163,185 by age 65! Besides the effect of tax-deferred compound growth, what does this tell you? It tells you that you need to start your children saving too, particularly through Roth IRAs!

Most of us "boomers" were unfortunately lulled into parking our IRAs with mutual fund companies and ignoring them. Additionally, very few of us focused on the need for personal savings because when our parents were alive, Social Security was all that people counted on, and defined benefit plans were the standard. In 1935 when Social Security was created, one's life was expected to end at age 65. The Government didn't expect to pay for you back then, because on average, you were statistically dead by the time you were eligible! The game has changed. And while it's taken a turn for the better in terms of life expectancy, it requires that you take control of your extended future and start or increase your savings today!

Another reason to take charge is the fact that our expanded life expectancies have all but killed corporate defined benefit plans because corporations can no longer afford to pay their retirees for 20 years after they leave their employ. Whereas 30 years ago, the vast majority (two thirds) of pension plans were defined benefit (e.g., life-time annuities), just the opposite is true now, with defined contribution plans dominating the scene. For example, Fidelity Investments, one of the most profitable companies in the U.S., just terminated their own defined benefit plan. For those not familiar with define benefit plans, they function much like Social Security is supposed to; that is, the company you work for (not you personally) puts aside money for you each year so that when you retire it can pay you a fixed annuity (or 'benefit') that increases based on the length of your employment. With defined contribution plans,

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companies tell their employees how much they and the employee can contribute, with no guarantee on the payout when you are ready for retirement. The additional problem with defined contribution plans is that they are generally restricted to one asset type (stock market instruments), which reduces diversity and increases risk. Self-directed retirement accounts are becoming the preferred vehicles for saving because they facilitate investment into a virtually unlimited range of asset types, thereby improving diversification and often, decreasing risk.

**So what is the upshot? Save more, sooner; diversify; keep investing; and take an active attitude towards your retirement planning. ■**

## New System Announcement

**Spring is in the air and PENSICO Trust is Spring cleaning. PENSICO, Inc., PENSICO Trust's parent and servicing agent, is in the process of throwing out the old and bringing in the new regarding our systems platform that has served us well over the past 18 years.** After the addition of hundreds of thousands of lines of code, our system has grown weary under their weight and we are now actively in the business development stage of our new system implementation plan (called CTAP for Customer Transaction and Accounting Platform). Scheduled for completion in early 2008, this project is lead by a crack team of PENSICO Trust IT professionals, who together with the rest of our staff will implement a system we expect will significantly improve our competitive advantage and service to our customers. Many of you have offered suggestions for improvement over the years (e.g., direct deposit of contributions and distributions), and we have incorporated most of the ideas we have received. But if you haven't already voiced your constructive suggestion(s), please feel free to email us at [clients@pensco.com](mailto:clients@pensco.com).

Our new system will feature improved customer information, advanced technology, customer point-of-contact functionality through the Internet, and many efficiencies that will better support our 30% annual growth rate. All of us at PENSICO, Inc. and PENSICO Trust are dedicated to the highest levels of customer service and we are excited about the CTAP project and the promise it represents in terms of meeting your and our objectives. Stay tuned as we update you about our progress over the next twelve months! ■

## \$2 Billion in Client Assets!

**PENSICO Trust has recently reached and now exceeded our milestone of attaining \$2 billion in client assets under administration.** We'd like to send a special thank you out to our clients and P2s for helping us reach this momentous goal!



## Tom's Column

**Q.** *If I am a sole proprietor with a Solo(k), can I max out the annual contribution amount at the beginning of the year to accelerate my earnings?*

**A.** If you have enough income at the beginning of the year to meet the maximum contribution limit,

unless your plan stipulates otherwise, you can make the full contribution as soon as you are able.

**Q.** *I wanted to fund a Solo(k) for 2006, but I now understand that you have to open the Solo(k) in the year for which you wish to make a contribution and I failed to do so. Is there any way I can make a Solo(k)-like contribution now for 2006 and later put into my 2007 Solo(k)?*

**A.** Yes, sort of. You can open a SEP IRA before April 17th of this year, plus any extensions you may file, and then fund it up to the limit: \$44,000 for 2006 or 25% of adjusted gross, whichever is less. Then, after you establish your Solo(k), you can roll the SEP IRA into it. Take note, however, that this only works for pre-tax contributions – not the new “Roth style” after-tax type that you are able to make into a Solo(k). ■

## 2007 MINI-SYMPOSIUM SERIES FREE EVENT FOR PROFESSIONALS

**We are continuing to host a series of 1-day advanced training sessions for professionals who want to learn more about self-directed IRAs.**

### Sessions will include information on:

- ✓ How to avoid prohibited transactions, including enabling and self-dealing
- ✓ How to use land trusts as an asset protection tool
- ✓ How to invest your IRA into real estate using LLCs
- ✓ Effective low-cost marketing strategies for incorporating self-directed IRAs into your practice, including the Internet, Blogs and PR
- ✓ Leveraging an IRA using non-recourse loans
- ✓ 1031 exchanges and more

### 2007 Dates and Locations:

**May 17th** - Dallas, TX

**Oct. 25th** - San Francisco, CA

**June 14th** - New York, NY

**Nov. 15th** - Chicago, IL

**Sept. 20th** - Boston, MA

**For more information and to register go to:**

[penscotrust.com/symposium/mini\\_symposium.asp](http://penscotrust.com/symposium/mini_symposium.asp)