

Financial Well-Being

Understanding Investment Strategies for Building Wealth

SMART INVESTING 101

*Now is the
time to:*

- Learn investing fundamentals
- Plan for your future
- Protect your assets

A Moment for Disclosures...

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Securities and Insurance Products:

Not FDIC Insured • May lose value • No bank guarantee

Not a deposit • Not insured by any federal government entity

What's Your Current Tax Bracket?

Income thresholds at which each tax bracket begins for 2005:

SINGLE

\$0 - \$7,300	10%
\$7,301 - \$29,700	15%
\$29,701 - \$71,950	25%
\$71,951 - \$150,150	28%
\$150,151 - \$326,450	33%
\$326,451+	35%

JOINT/ MARRIED

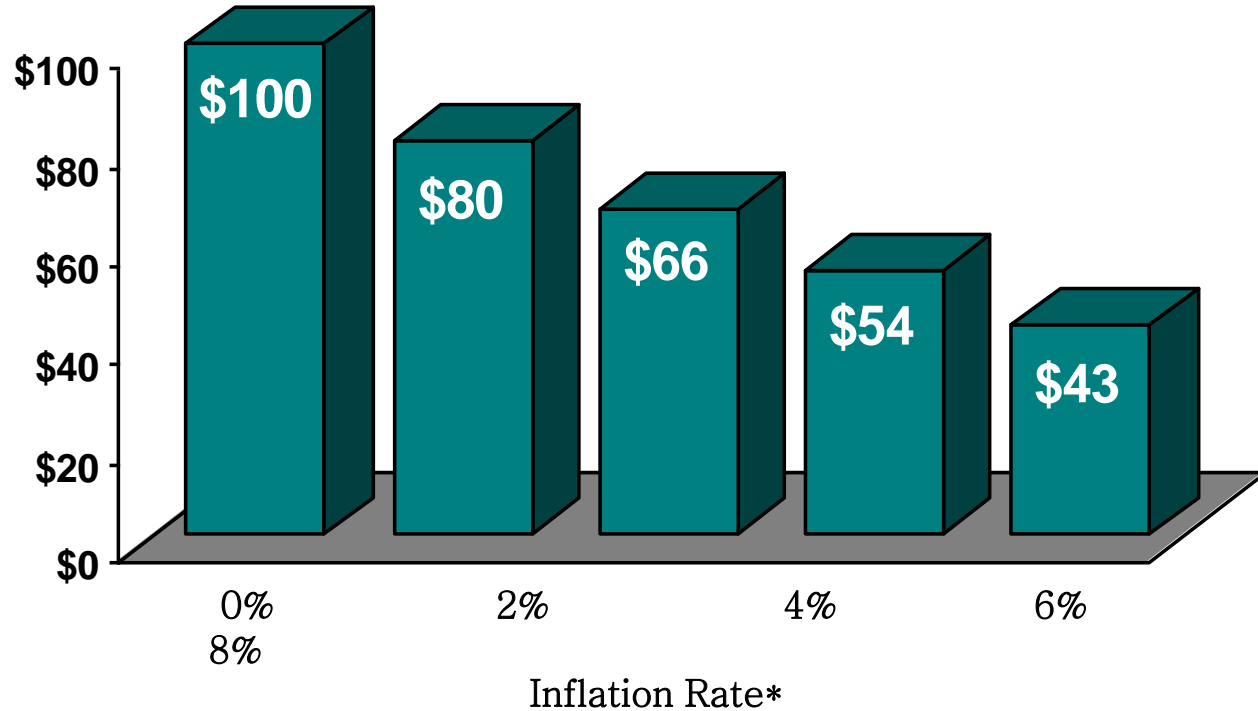
\$0 - \$14,600	10%
\$14,601 - \$59,400	15%
\$59,401 - \$119,950	25%
\$119,951 - \$182,800	28%
\$178,651 - \$326,450	33%
\$326,451+	35%

Impact of Taxes on Your Investment Income

<u>Taxable Rate of Return</u>	<u>After 28% Taxes</u>	<u>After 25% Taxes</u>
6.00%	4.32%	4.50%
5.75%	4.14%	4.31%
5.50%	3.96%	4.13%
5.25%	3.78%	3.94%
5.00%	3.60%	3.75%
4.75%	3.42%	3.56%
4.50%	3.24%	3.38%
4.25%	3.06%	3.19%
4.00%	2.88%	3.00%
3.75%	2.70%	2.81%
3.50%	2.52%	2.63%
3.25%	2.34%	2.44%
3.00%	2.16%	2.25%

Inflation's Impact

What \$100 is Worth After 10 Years at Various Rates of Inflation



*Rates are hypothetical and are not intended to represent actual inflation rates.

Just DO IT!

- **I don't need a lot of money to begin investing**
- **I will not let crisis be my motivation**
- **No one will do this for me, but I don't have to do it alone**
- **Learning follows a curve**
- **All the answers aren't out there**
- **Risk is not synonymous with loss**

You Need to Plan!

Where are
you now?

- Net Worth Statement
 - Budgeting
 - Debt Obligations
-

Where are
you going?

- Short & Long Term Goals
 - College Planning
 - Retirement Needs Calculation
-

How will
you get
there?

- Debt vs. Equity Investments
- Qualified Retirement Plans
- Tax-Advantaged Investments
- Estate Planning and Wills

Net Worth Statement:

Assets

ASSETS

Cash

Cash (checking and savings accounts)
Money Market Accounts

Total Cash

Personal Property

House (fair market value)
Cars (fair market value)
Furs, jewelry
Antiques, collectibles

Total Personal Property

Liquid Investments

Stocks
Bonds
T-Bills
*CD
*Annuities
*Employee Savings Plan

Total Liquid Investments

Non-liquid Investments

IRAs and Keoghs
401(k) plans
Company pension plan
Investment Real Estate
Life Insurance (Term)
Life Insurance (Other)

Total Non-Liquid Investments

TOTAL ASSETS

*Liquidity limited by regulations and investment type; penalties may apply

Net Worth Statement:

Liabilities

LIABILITIES

Unpaid bills

- Taxes
- Mortgage/Rent
- Insurance premiums
- Utilities
- Charge Account Balances
- Other

Total Bills

Loans

- Home Improvement/Equity
- Cars
- Education
- Mortgage
- Other

Total Loans

Mortgages

- Home
- Vacation Property

Total Mortgage

TOTAL LIABILITIES

Net Worth Calculation

Total Assets

-

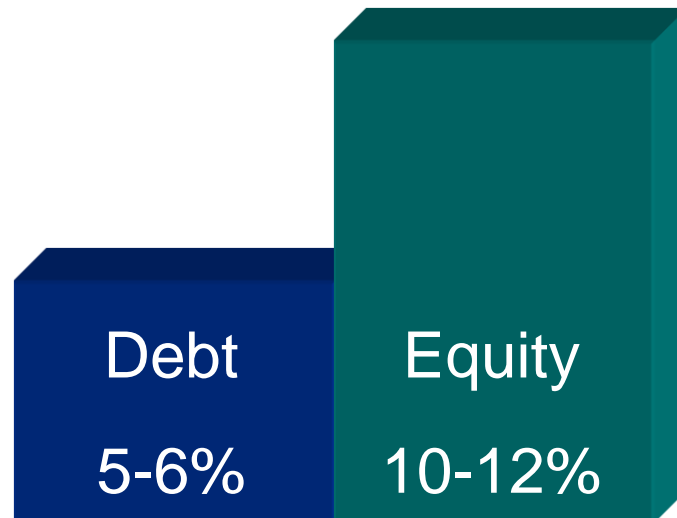
Total Liabilities

=

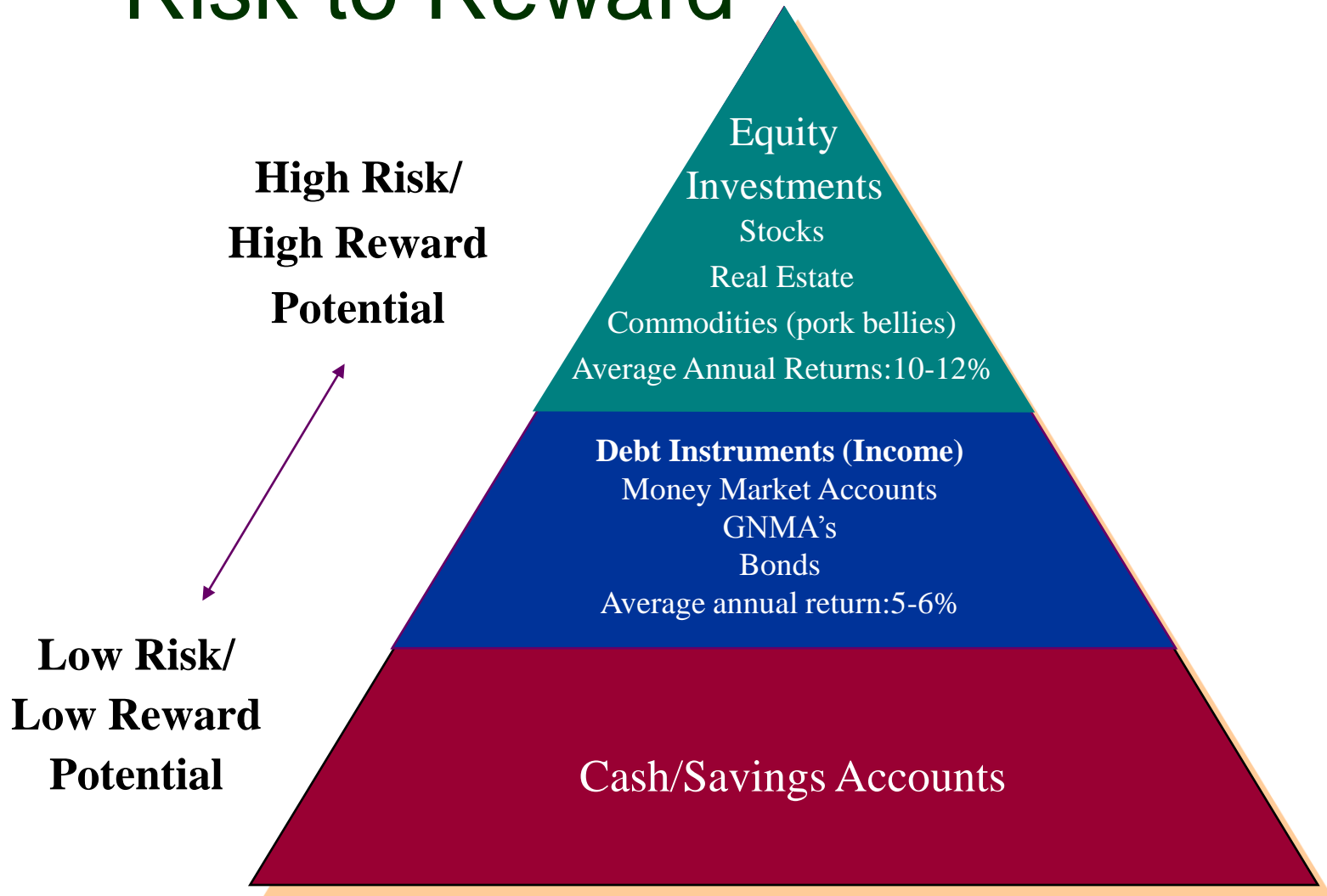
NET WORTH

Debt vs. Equity Investments

- **Debt Instruments -**
minimal risk, less growth
- **Equity Investments -**
greater risk, greater growth potential



Risk to Reward



Debt Instruments: The Inverse Relationship

Interest Rates



Asset Value



Bond Value	Interest rate	Annual Income
\$1,000	5%	\$50
\$500	10%	\$50

Smart Investment Strategies to Consider

- **Diversification**
- **Asset Allocation**
- **Dollar Cost Averaging**

Smart Points to Remember...

- **Bad market = good time to buy?**
- **Buy quality!**
- **Shorter the term, harder to earn \$\$**
- **Pay yourself first**

Basic Rules of Investing that Everyone Should Know

- **Have a long-term horizon**
- **Don't try to time the market**
- **Invest regularly**
- **Proper diversification and asset allocation is crucial**
- **Have a realistic risk tolerance**
- **Set realistic expectations**

Average Annual Returns

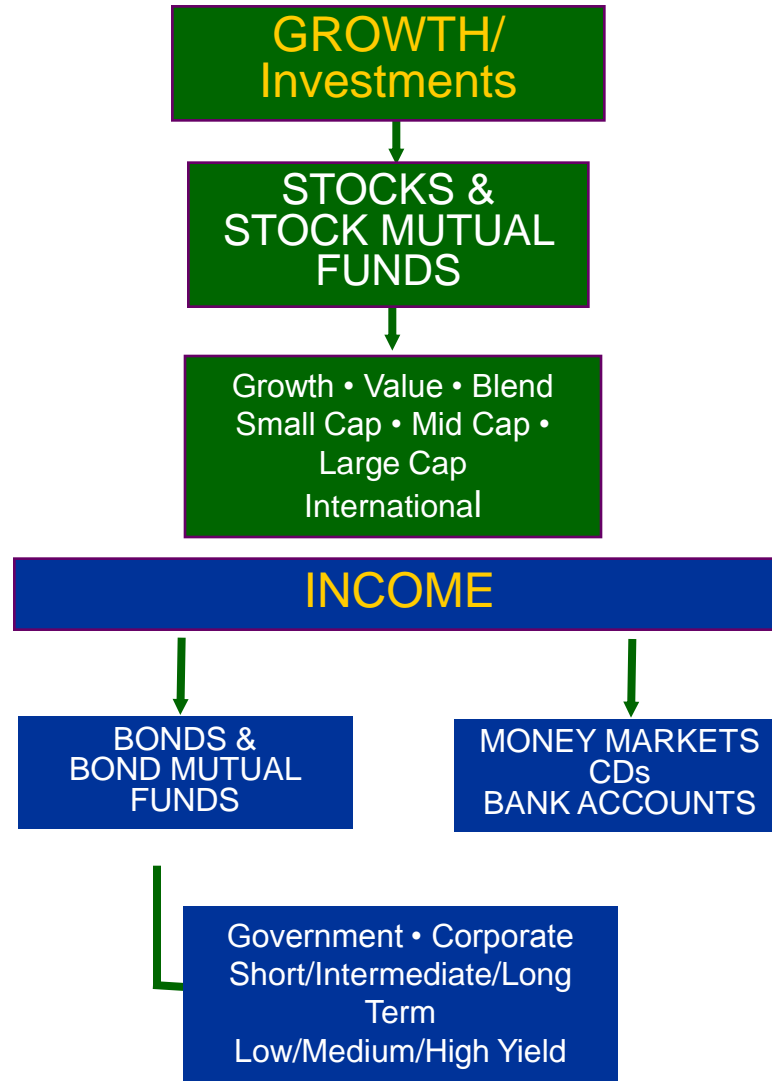
Historically, some investments have grown faster than others!

Asset Class	Average Annual Return
Common Stocks	11.6%
Long Term Gov't Bonds	5.4%
US Treasury Bills	3.9%

Differences in return may be due to investment objectives, risks, insurance features, tax consequences, liquidity, volatility.

Source: Federal Reserve database representing returns from 12/31/28-12/31/02

What's Available?



Tax-Advantaged Choices

- **401(k) plans**
- **IRAs**
- **Other**
Investments:
 - **Tax-Free/Exempt**
 - **Tax-Managed**
 - **Tax-Deferred**

Variable Annuities: An Overview

- **Tax-Deferred**
- **Accumulation vs. Payout**
- **Choice of investment portfolios**
- **Fixed rate account***
- **Guaranteed Death Benefit**
- **Guaranteed Income Protection (some)**
- **Payout Options**

*Guaranteed by the issuing insurance program

Variable Annuities: Tax Issues

- **10% penalty-free withdrawals annually***
- **Income taxes due upon withdrawal**
- **Possible 10% IRS penalty for early withdrawals before age 59-1/2 and taxes at your current income level****

* Withdrawals in excess of 10% may be subject to surrender

** Some exceptions may apply: first home, disability charges

Risky Business?

- **Inflation Risk**
- **Interest Rate Risk**
- **Economic Risk**
- **Market Risk**
- **Specific Risk**

Manage Risk Through Insurance

- **Home/Auto Insurance**
- **Disability Insurance**
- **Life Insurance**
- **Long Term Care Insurance**

The Retirement Reality

You need to save more than you think!

Year	5%	8%
1	\$1,233	\$1,253
3	\$3,891	\$4,081
5	\$6,829	\$7,397
10	\$15,593	\$18,417
20	\$41,275	\$59,295

Based on \$100 savings deposits made at beginning of each month with interest compounded monthly. This illustration is hypothetical and not indicative of any particular investment.

Future Values of \$100/Month

	10 years	20 years	30 years
Growth at 8%	\$18,335	\$59,196	\$150,252
Withdrawal at 4%	\$733 per year	\$2,368 per year	\$6,010 per year

This illustration is hypothetical and not indicative of any particular investment.

A Winning Formula

- **PLAN**
- **+**
- **SAVE**
- **+**
- **INVEST =**
- **FINANCIAL GOALS**