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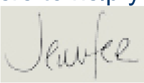
Fee-Only Financial Planning and Investment Planning

April 30, 2013 | Volume 13, #3

The theme of today's tip is focusing on the long-term. Most money mistakes are the result of thinking about today and the near future -- meeting current needs and having fun now. While that's important, of course, if you take small steps now that are the basis of larger steps later on, you'll also be able to meet your retirement needs and have fun then as well.

Good luck, and if you would like help in avoiding money mistakes, remember we're here to help you stay *On Course!*



-Jennifer Lane, CFP

Money Mistakes

While the old adages, *no one's perfect* and *everyone makes mistakes* may be true, ensure that your money mistakes don't affect your long-term financial well being. Here are five mistakes to avoid.

DON'T:

Use the Stock Market to Make Up for Bad Savings Habits

- Don't depend on historical averages to hold steady. As baby boomers retire, sell their big houses, and leave the work force, the growth rate will slow.
- Focus on a mix of investments.
- The best way to make up for not saving in the past is to put more away now -- a minimum of 20 percent of your income.

Pay Off Debt to the Detriment of Savings

- Getting rid of debt is a good thing as long as you save at the same time.
- Split your payments -- a little against debt; a little against savings, so that when your debt is gone, you have savings on which to build.
- Once your debt is gone, combine all the money you used against debt with the savings dollars to reap rewards more quickly.

Use Windfalls for Short-term Fixes

- Often windfalls such as bonuses, pay raises, lottery winnings, or large gifts go towards short-term financial fixes or fun.
- A better alternative is to put at least half (but the more the better!) of that windfall into savings to protect you in the future. It's found money so you shouldn't miss it when you put it away.

Keep Separate Accounts When You're Married

- Keeping separate accounts makes tracking overall spending and income very difficult.
- You are more likely to spend for the short-term when each of you is spending separately.
- Once a year, have a meeting to set savings and retirement goals, make a plan, and track it throughout the year with an account aggregator such as Mint.com.

Stay Home with the Kids Too Long

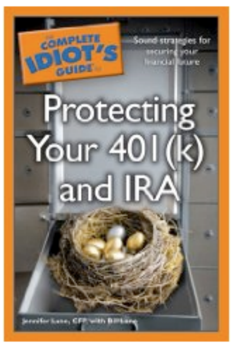
- If you determine that current income doesn't sufficiently offset the cost of child care and one of the parents chooses to stay home with the kids, then you need to plan carefully.

In This Issue

Jennifer's Hint

In the end, it's really not about how much you make that makes the biggest difference in the robustness of your retirement accounts; it's your priorities. If you decide you want to spend all your income now, that's up to you. Most people eventually reach a point in their lives when they can see further down the horizon, and long-term financial security becomes more important than short-term spending. That's when they're ready to focus on their 401(k)s and start growing their security. If you're not there yet, bite the bullet and at least contribute enough to your 401(k) to qualify for an employer match. And, once you start, you might find that seeing your account grow is addictive!

Get more tips in Jennifer's book



(click here for link)

- While we wish it weren't so, women still face discrimination in the workplace. And, it's statistically much more likely that the stay-at-home parent will be a woman. The working parent should get additional life insurance and disability income so that the stay-at-home parent will have extra support to get back into the workforce if needed due to a death, accident, or divorce.

Helpful Websites

Compound Growth Calculator

Mint.com

Morningstar.com

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Q&A

Q: I'm in my mid-twenties and feel as though I'm too inexperienced to start investing.
-- Emily, Boston, MA

A: Emily, invest, invest, invest! The earlier the better because time gives you the chance to make your money work for you. Go to Morningstar.com and look for *target date funds* and then learn all about them. Make sure that you're contributing enough to your 401(k) to get your employer match. If you make a couple of mistakes when you're young, you have time to correct them. You won't have time to make up for not saving.

What's New

- Jennifer discussed the difference between a Roth IRA and a Roth 401(k) on NECN. Click here to watch the segment on her blog.
- We now have a Facebook page. Visit www.facebook.com/AskJennifer and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.