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Retirement Myths

It is an unfortunate fact that many Americans spend less time planning for their retirement than planning for their vacations. All it takes is intelligent planning – and a clear understanding of the myths that hinder us from building a secure retirement.

Consider the following myths:

- **Myth #1: I'm too young to worry about retirement.** You're never too young to make plans. The sooner you begin saving for retirement, the less you'll need to put aside. For example, if you want to have a \$200,000 nest egg by age 65, you'll only have to save about \$26 a week if you start at age 35. If you wait until you're 55 to start, you'd have to put aside \$233 every week.

(Both cases assume that your money is invested earning a hypothetical 9-percent return. This example is for illustrative purposes only and is not intended to reflect the actual performance of any security. Investing involves risk and you may incur a profit or a loss.)

- **Myth #2: I won't need much to live on.** Many experts estimate that on average, to maintain your standard of living in retirement, you'll need 60 to 80 percent of your pre-retirement income. That income has to continue to grow enough in an attempt to keep up with inflation.
- **Myth #3: My kids will take care of me.** Most children want to lend their aging parents a hand, but many can't afford to. About the time you're ready to retire, they'll be paying their children's college tuition – and saving for their own retirement.
- **Myth #4: Social Security will take care of me.** Although it's unwise to expect Social Security to cover all your costs, you can take steps to increase your benefits. Work as long as possible. You can start collecting Social Security at age 62, but your benefits may be reduced by 20 percent. If, on the other hand, you work until age 70 you'll receive even more.
- **Myth #5: I can't afford to put money away where I can't touch it for many years.** The truth is, you can't afford not to participate in tax deferred

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retirement plans. Contributions to 401(k) and similar employer sponsored plans may reduce your current taxation. In addition, taxes are also deferred on earnings, so retirement savings have the potential to grow faster than others do. Best of all, many employers match all or part of your contributions to employer sponsored retirement plans, giving you money you would not otherwise have.

What should you do? A great place to start is to work with your financial advisor to establish a retirement spending policy that works toward balancing the desire to maintain a consistent lifestyle with the need to preserve assets for a retirement that could last 30+ years. Contact us to schedule an appointment to create your personal retirement spending policy.

This material was prepared by Raymond James for use by Tamara Sytsma, CFP® of The Sytsma Group (Raymond James Financial Services, Inc. Member FINRA/SIPC).

Managing Fixed Income Risks in Today's Environment

In the aftermath of the severe market correction of 2008 and 2009, investors have flocked to fixed income investments in record amounts. In 2009 alone, more than \$376 billion of net new cash flowed into fixed income bond funds. These recent movements, combined with current risks facing fixed income investors, make now an ideal time to re-examine your fixed income investments.

There are a number of risks currently facing fixed income investors. Interest rates have been at historic lows for an extended period of time. While the exact timing may be uncertain, they are likely to begin moving higher in the future and investors may see the value of their investments decline. Remember, when interest rates rise bond prices generally decline and vice versa. Moreover, worries about the financial condition of states, cities and agencies that issue municipal bonds have brought new uncertainty to an area of the fixed income market long considered to be quite safe.

Reflect On Your Goals

As always, what really matters is your individual financial picture, including your specific objectives and risk tolerance. For example, if your purpose for holding bonds is primarily to offset the volatility of the equity portion of your portfolio, you may be planning to hold your bonds until they mature and the full principal amount is returned. If so, day-to-day price fluctuations may be less concerning.

On the other hand, investors whose portfolios contain a heavy percentage of long-term bonds may want to consider

what can happen to the principal prices of those bonds if interest rates move up significantly. Generally speaking, the longer-term the bond, the more its price will be impacted by rising rates. Similarly, longer-term bonds tend to be more sensitive to changes in interest rates than those with shorter maturities. Therefore, these investors may want to rebalance their portfolios, moving more of their assets into short-term bonds or perhaps even considering shifting into other asset classes such as equities.

Municipal Credit Risk

Although municipal bonds have long been considered one of the safest investments, the prolonged economic slump the U.S. has endured has called that assumption into question. Many states and cities have experienced significant declines in revenues from income, sales and property taxes without a corresponding decline in expenses. Some municipal enterprises, like water and sewer or healthcare, have seen their revenues fall as well. This has caused the financial health of these issuers to decline, generating concerns that



some of them might not be able to meet their obligations. The bond market calls this “credit risk.”

While historical defaults by issuers of municipal bonds remain quite rare, the rating agencies that evaluate the credit quality of municipal issuers have issued downgrades on some bonds, leading many times to price declines. This in turn has made buyers more cautious, even on highly rated municipal bonds, contributing to a general uneasiness in the muni market.

These developments, coming on top of concerns about rising interest rates, suggest this is a good time for investors to re-examine their municipal bond holdings, especially for any significant exposure to a single state or municipal issuer. As with most investments, quality

and diversification are important with munis, particularly now. However, diversification does not ensure a profit nor protect against a loss.

Fixed income instruments have been – and remain – an integral part of a properly balanced portfolio. However, investors cannot be complacent about their bond holdings and should evaluate them given today’s risks, their specific financial situations, their expectations regarding interest rates and the overall economic environment.

Asset allocation and diversification do not ensure a profit or protect against a loss. There is no assurance any of the trends mentioned will continue in the future. The information contained herein has been obtained from sources considered reliable, but we do not guarantee that the foregoing material is accurate or complete. Investing involves risk and investors may incur a profit or loss.

Material prepared by Raymond James for use by its financial advisors.

The Sandwich Generation

Juggling Family Responsibilities

Holding down a job and raising a family in today’s world is hard enough without having to worry about keeping the three-headed monster of college, retirement, and concerns about elderly parents at bay. If you take some time now to determine your goals and work on a flexible plan, you’ll save much stress--and expense--in years to come. Planning ahead gives you the chance to take the wishes of the entire family into account and to reduce future disagreements with your siblings over the care of your parents.



Ways you can prepare now for the issues you may face in the future:

- *Start saving for the soaring cost of college as soon as possible.*
- *Work hard to control your debt. Installment debts (car payments, credit cards, personal loans, college loans, etc.) should account for no more than 20% of your take-home pay.*
- *Review your financial goals regularly, and make any changes to your financial plan that are necessary to accommodate an unexpected event, such as a career change or the illness of a parent.*
- *Invest in your own future by putting as much as you can into a retirement plan, where your savings* (which may be matched by your employer) *grow tax deferred until you retire.*
- *Encourage realistic expectations among your children; their desire to attend an expensive college will add to your stress if you can't afford it.*
- *Talk to your parents about the provisions they've made for the future. Do they have long-term care insurance? Adequate retirement income? Learn the whereabouts of all their documents and get a list of the professionals and friends they rely on for advice and support.*



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Community Event

This summer The Sytsma Group is helping to sponsor Cutlerville Community Days! The three-day festival runs from June 10-12 and includes a parade, 5k walk/run, fireworks, car & cycle show, rides, games, and live entertainment.

Bring the kids, the grandkids, or just your sweetheart and enjoy a family-friendly weekend of fun.

Something to Think About:

1. Are your retirement account and insurance beneficiaries up to date?
2. Have you reviewed your will and/or trust in the last two years?
3. Is your current level of insurance adequate for your needs?
4. Are you aware that in 2011 you can give your Required Minimum Distribution directly to your favorite charities?