CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

What's Your Retirement IQ?

Courtesy of Craig Willeke, LUTCF, CLTC

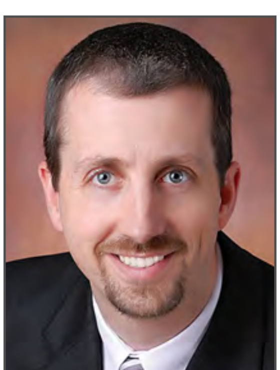
In a recent survey by The American College of Financial Services, only 20 percent of Americans aged 65 to 75 with at least $100,000 in assets were able to pass a basic quiz on the steps they need to take to secure their finances after retirement.

Over half of the respondents underestimate life expectancy, which means that they probably don't realize how long their retirement nest eggs need to last.

Just 54 percent realize that Social Security retirement benefits increase each year that a worker delays to claim until age 70. Only 30 percent understand that lifetime Social Security benefits can increase more by working two years longer or by deferring for two years than by increasing contributions just prior to retirement.

Respondents were either unaware of or overly ambitious when it comes to a "withdrawal rate," which is the percentage that retirees can safely withdraw from their assets annually without depleting their nest eggs.

Here's the kicker of the survey: "Despite the failing grades, many Americans are confident about their post-retirement income. More than half of those surveyed consider themselves well-prepared to meet their income needs in retirement, and 91 percent are at least moderately confident in their ability to achieve a secure retirement."



Willeke Financial Group, LLC

1221 N. Street
Suite 800
Lincoln, NE 68508

(402) 483-6656
www.willekefinancialgroup.com

Filing an insurance claim can make a home owner's premiums jump by an average of 9%, according to insurance expert Laura Adams. The biggest increases tend to be in Wyoming, averaging 32%, followed by Connecticut (21%), Arizona (20%), New Mexico (19%) and California (18%). Always ask your insurance agent or insurance firm how much your premium might rise if you file a claim and consider whether filing is worth the extra cost.
Source: Bottom Line Personal magazine

Save money when insuring a teen driver by increasing your deductible at the same time that you raise your coverage levels. Higher coverage is important, because if a teen has an accident, the injured party's lawyer may come after the teen's parents' assets. But simply adding coverage can raise premiums significantly — you can minimize the cost increase by raising your deductible, which means you pay more out-of-pocket in case of a claim. Always add a teen to your policy as soon as he/she gets a license or learner's permit — otherwise he may not be covered. Talk with your insurance agent about how to keep premium hikes as low as possible and about any discounts you may be entitled to.
Source: Money.MSN.com

"Wealth is the slave of a wise man. The master of a fool."
— Seneca (5 BC - 65 AD)

Customer-funded Models Help Get Businesses Off The Ground

By Elliot Raphaelson, Tribune Content Agency

Many people aspire to start their own business. They may have an excellent business concept and the skills and knowledge to excel, but founder on this reality: There is a very high rate of failure for newly started small businesses.

One major reason for such failures is insufficient financing. Too many individuals underestimate how much capital will be required early on. Most traditional financial institutions will not lend money to small businesses without proven profitability.

John Mullins, associate professor of management practice at the London Business School, has written an informative book, "The Customer-Funded Business" (Wiley), that discusses excellent options for small business owners who need financing, based on both research and his own success in establishing businesses.

He describes models that help many small businesses overcome a lack of capital. Here's a summary of the models:

Matchmaker model: The business, with limited or no initial investment, brings buyers and sellers together, never owning the product being sold. Some examples include real-estate brokers, eBay, Expedia and Angie's List. They earn their commission as middlemen. The book presents the case history of Airbnb, which started in 2008 and has grown into a global booking system that monetizes people's extra space. The company now offers more than 800,000 listings and has served more than 18 million customers in 192 countries so far.

Subscription model: The customer agrees to purchase an item that is delivered repeatedly over an extended timeframe. Newspapers and magazines ask you pay up-front for subscriptions weeks, months or years in advance. Other examples are maintenance contracts on your cars, appliances and computers. The book cites India's TutorVista, which helps more than 10,000 students per month with homework in their own homes.

Scarcity model: What's offered for sale is restricted to a limited quantity for a limited period, and the seller's supplier is paid after the sale is made. After the merchandise is sold, no more is available. Mullins cites the "flash sales" concept pioneered in France by Jacques-Antoine Granjon, in which the unwanted inventory of high profile brands is sold. Using this concept, Granjon was able to create a business selling more than 200,000 items across eight European countries.

Service-to-product model: Businesses start by providing a customized service and eventually use their expertise to deliver stand-alone packaged solutions. A good example is Microsoft. Bill Gates and Paul Allen initially had a contract with IBM to develop an operating system for IBM's personal computer. Subsequently, they won contracts with other PC manufacturers. Then they started delivering packaged software products, transforming their service business into a product business.

I should add that if you are considering starting, enhancing or expanding a business, it also makes sense to contact your local chapter of SCORE, an organization dedicated to mentoring entrepreneurs. SCORE chapters are located nationwide and staffed by counselors who have been successful running their own business. I have volunteered with the organization and can attest that it has made a crucial difference for many fledgling enterprises.

The Folklore Of Finance

By Anne Kates Smith, Kiplinger's Personal Finance

Affinity groups tend to share a folklore, a system of common beliefs that governs their behavior and shapes their worldview. The denizens of Wall Street are no exception. But new research from State Street's Center for Applied Research (CAR) suggests that the folklore is flawed and can lead investors to make unhealthy decisions.

Start with the folklore that centers on time, says Suzanne Duncan, the CAR's global head of research. Investors tend to evaluate success assuming too short a time frame — often just one year — when a decades-long perspective would make more sense. Plus, we tend to give a lot of weight to past performance, even though it's a poor indicator of future results, and to future forecasts, despite their abysmal track record.

Some investing folklore causes us to take "false comfort" in easily quantified benchmarks. When center researchers asked investors how they measured success, participants talked about beating the market and posting gains with no losses — measures that were either impossible or irrelevant to meeting their personal goals, says Duncan.

The folklore of knowledge relates to a subconscious faith in what we think we know. For example, professional portfolio managers tend to take credit for successful investments and blame the duds on external factors. Individual investors are merely overconfident. Nearly two-thirds of those polled by center researchers rated their level of financial sophistication as advanced, but they scored an average of 61 percent, or barely above failing, on a financial literacy test.

It's time for a new folklore, says Duncan.

The first step is to become aware of the behavioral biases that plague us as investors so that we can identify our weaknesses.

The next step is to change behavior, and Duncan's group has a host of recommendations:

- Incorporate a devil's advocate into your decision-making process to avoid falling victim to groupthink.
- Keep a diary of your investment decisions so you can track what ultimately led to success or failure.
- Develop a trading discipline with rules for buying or selling: a checklist for each investment decision will ensure you cover every angle and stick to your process.
- Tweak your asset allocation to suit your own psychological tendencies. Investors who cut and run in the face of losses might need less exposure to volatile investments, for instance, even if it means sacrificing some gains.
- Most important, start measuring performance in a personalized way, based not only on how much a portfolio beats the market or its peers, but also on how well it meets your needs, whether for income, downside protection or simply to fund your initial investment goal.

"I finally put something aside for my retirement. I put aside my plans to retire!"

IRA funds can be transferred after divorce from one spouse to the other without incurring penalties. After the divorce is final, a transfer is allowed and is not considered a taxable distribution. Transfers also can be made after a legal separation agreement is approved by a judge. Retirement accounts run by an employer, such as pensions and 401(k) plans, can be transferred only using a court order called a Qualified Domestic Relations Order (QDRO). A QDRO can be part of a divorce decree or, if not, should be drawn up at the same time as the divorce settlement or immediately afterward.
Source: The Wall Street Journal

Hotel business-center security risk: Hackers have been installing keystroke-logging malware on hotel computers so that they can monitor users' sessions and steal passwords, financial information and identities. Thieves use stolen credit cards to register as hotel guests, then go to business centers to install the tracking malware. *Self-defense:* Use hotel and other public computers only for Web browsing, not for anything personal or password-protected.
Source: KrebsOnSecurity.com

"Make all you can, save all you can, give all you can."
— John Wesley
(1703 - 1791)

CRAIG WILLEKE'S
FINANCIAL NEWS
DIGEST

1221 N Street, Suite 800
Lincoln, NE 68508

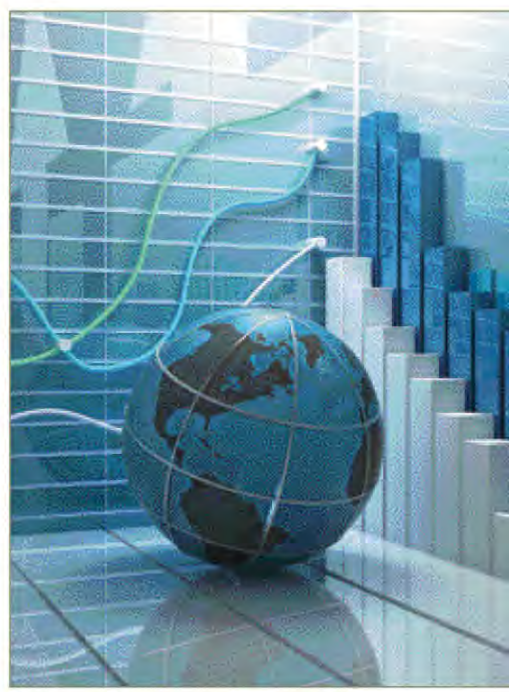
Map Out A Financial Strategy

By Jane Bennett Clark, Kiplinger's Personal Finance

Whether you figure on working well past retirement age or kicking back on day one, anticipate how you'll handle your expenses. Start with a budget that includes necessary expenditures, such as food, housing and health care, as well as nice-to-haves, such as travel and trips to see the grandkids. Match the need-to-haves with guaranteed income, such as Social Security, pensions and an annuity, and plan to tap your retirement portfolio to pay for the wants.

Many professionals recommend that you withdraw no more than 4 percent of total assets the first year and the same amount, adjusted for inflation, every year after that. Working longer, however, will let you leave more of your savings intact and make it easier to defer Social Security (and collect a bigger benefit).

But not everyone can delay taking Social Security. Be aware that your benefit will be reduced based on the number of months you take it before full retirement age. Start taking it as soon as you turn 62 and it gets dinged by 25 percent. If you keep working after claiming Social Security but before you reach full retirement age, you'll also be subject to an earnings test, in which $1 is deducted from your benefit for every $2 you earn above the annual limit — $15,720 in 2015. (In the year you reach full retirement age, $1 is deducted in benefits for every $3 you earn above a higher limit, which is $41,880 in 2015.)



Keep your options open by funneling money into a Roth IRA. As long as you're older than 59 1/2 and have had the account for at least five years, distributions, including earnings, are tax-free (you can withdraw contributions tax-free at any time). If most of your money is in a tax-deferred account, consider paying the necessary tax bill to convert a chunk of that money each year into a Roth.