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NASA COATINGS COUNTDOWN

 **NACE**
THE CORROSION SOCIETY

NOVEMBER 2011



**NEVER AGAIN:
GAPS IN FIRE PROTECTION
POWER STRUCTURE SPECS
THE INSPECTOR'S TOOL BAG**

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such as fixed index annuities, which are like a savings account with an insurance company. In fact, even during the Great Depression, not one person lost money with a fixed index annuity.

They're safe, they have liquidity, and they offer better rates than most other products.

So why hasn't your broker told you about these less risky options? See Myth #2.

Myth #2: Your broker only makes money when you do.

It's nice to think that your broker only cares about you and your financial future, but that's not 100 percent true. While your broker likely does want the best for you, here's what usually happens when you let him or her invest your money. Your broker buys shares of stocks and mutual funds. The market can then go in one of three directions: up, down, or stagnant. Wall Street can't control the market, and neither can your broker.

Here's the important point: Brokers don't make money when you do. Sure, they'd like you to make money, but they actually make their money by managing your money. They make money when the market goes down; they make money when the market goes up; they make money when the market is flat. In other words, they always win. Their clients, however (and that would be you), only win in one of those three directions. Brokers win in all three directions. That's why even though you always hope for the best, all too often you end up with a cooked goose instead of the fatted calf.

Since your broker makes money by managing your money (by moving your money from fund to fund and by buying and selling shares of stocks), why would he or she want to have you invest in something boring, like the fixed index annuity mentioned before—especially since the less risky products typically offer brokers a one-time commission and nothing more? In contrast, there are big commissions in stock marketing investing. Every time your broker buys or sells stocks for you, not only do they charge you a fee (see Myth #3), but



they also get a commission. Knowing this, who do you think most brokers are really looking out for?

Myth #3: Maintaining a stock portfolio is very inexpensive.

Even though you may be putting money into your retirement account on a regular basis, hidden fees may be slowly draining your account. The disclosed fees are simple to find; look at the expense ratio, which is found in the prospectus. These fees are commonly referred to as "management fees."

Administration fees are in addition to the management fees and are much harder to find. At first, you may think that a small fee here and a nominal fee there is no big deal. After all, how much could these administration fees possibly be? Well, consider this: According to the U.S. Department of Labor's 401k fee Website, "Assume you are an employee with 35 years until retirement and a current 401k account balance of \$25,000. If returns on investments in your account over the next 35 years average 7 percent and fees and expenses reduce your average returns by 0.5 percent, your account balance will grow to \$227,000 at retirement, even if there are no further contributions to your account. If fees and expenses are 1.5 percent, however, your account balance will grow to only \$163,000. The 1 percent difference in fees and expenses would reduce your account balance at retirement by 28 percent."

That's a huge fee!

Therefore, be sure to look for and ask your broker about the following fees:

1. Plan administration fees
2. Investment fees
3. Individual service fees

Knowing the truth about hidden fees and taking action to avoid them can add thousands of dollars to your retirement savings.

Plan Your Future Today

Whether you plan to retire today or in another 30 years, you need to take control of your retirement accounts right away. Understanding how your money is invested and making sure it's working for you in the most efficient way will give you both peace of mind and future security. By dispelling the key myths of financial planning and investing a little time and energy creating your future financial plan, you can rest assured that your retirement years will be pleasurable... and prosperous. CP

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