REAL WORLD MONEY TIPS

Life and Money in Concert

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Retirement at sixty-five is ridiculous. When I was sixty-five I still had pimples. ~George Burns

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As uncertainty at home and abroad roils the financial markets, income-minded investors seeking protection from the bumpy road ahead may find dividend-paying stocks offer an attractive mix of features and warrant a place in their equity portfolios.

Financial Confidence a Chief Concern for Women

Women often view financial matters very differently than men. They also face unique financial challenges that can affect their financial security, both now and in retirement.

It's important for you and your partner to evaluate all of your portfolios at the same time to see whether the overall investment mix is well diversified.

Three-Step Retirement Planning Strategy for Couples

Communication is one of the foundations of a successful relationship. It also can help you and your partner structure a solid retirement planning strategy.

Planning for two can be more complex than planning for one. It's not unusual for two individuals to have very different plans and financial resources -- for example, one may have more money set aside or may be eligible to collect retirement benefits significantly earlier than the other.

If you're part of a dual-income couple, be sure to review the following considerations.

Step One: Talk About the Future

If you and your partner expect to retire at different times or need to negotiate priorities regarding how you'll spend time and money during retirement, it's important to start talking about the future now.

First, make sure your planned retirement dates are realistic. Next, estimate your combined retirement income needs as well as the amount of money you're each likely to have accumulated by retirement. If it looks like you may be facing a shortfall, try to contribute as much as possible to your employer-sponsored retirement plan while you still can.

Step Two: Make Sure You Are Properly Diversified

Within a single portfolio, diversification involves spreading your money among different types of investment options so that any losses in one area may be offset by potential gains elsewhere.[1] With two or more retirement accounts, the same theory applies. It's important for you and your partner to evaluate all of your portfolios at the same time to see whether the overall investment mix is well diversified. For example, if you and your spouse have similar investment portfolios, your overall level of risk could be higher than you realize, since a decline in one portfolio would likely be accompanied by a similar decline in the other. If that's the case, you might want to rebalance your asset allocation by shifting money that's already in your accounts to different asset classes (stock funds, bond funds, or cash investments) or by directing future contributions to the under-represented asset classes.[1]

Step Three: Get on the Same Page

When laying the groundwork for a financial future that includes your significant other, ask yourselves the following questions:

- Do you understand each other's "financial personality"? It's never too late to have an honest discussion about financial habits and objectives. Try to look past your differences and focus on shared goals.
- Have you calculated how much money you are likely to need to fund a financially secure retirement? Do both of you think this amount is realistic? It's tough to work together toward a shared goal if the two of you have different ideas about what exactly that goal is.
- Have you consulted a financial professional? Making a date to discuss your entire range of goals may put you in a stronger position financially to survive unforeseen circumstances.

Regardless of your particular situation, a little advance planning can make the transition to retirement much more pleasant for both you and your better half.

[1]*Diversification and asset allocation do not ensure a profit or protect against a loss in a declining market.*

Dividend-Paying Stocks Gaining Momentum

Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow.

As uncertainty at home and abroad roils the financial markets, income-minded investors seeking protection from the bumpy road ahead may find dividend-paying stocks offer an attractive mix of features and warrant a place in their equity portfolios.

Several factors adding momentum to the dividend-investing strategy have emerged recently. For instance, the dividend rate for the S&P 500 has risen 7% from year-end 2010 and is 15% higher than a year ago. Standard & Poor's reported that additional dividend hikes are likely in 2011 due to corporate profits that are expected to reach record levels by year-end 2011, low interest rates, and an all-time high in corporate cash.[1]

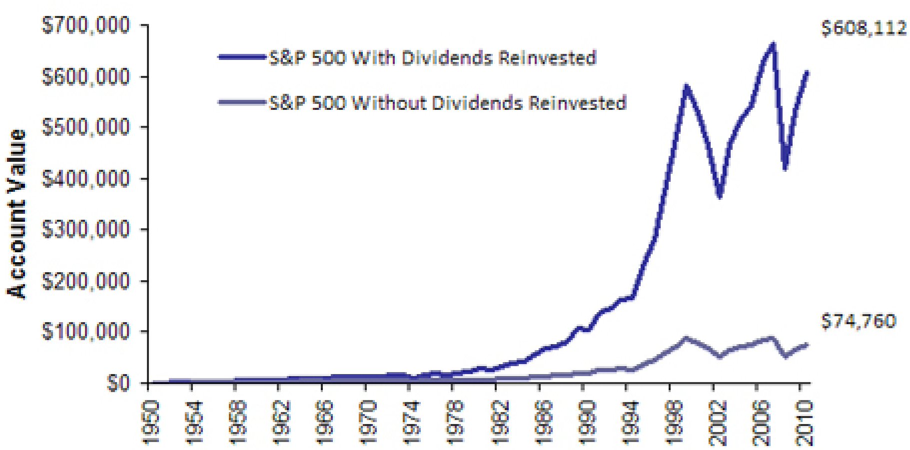
Another positive sign came earlier this spring after the Federal Reserve gave healthy banks the nod to begin deploying their cash as they saw fit. In response, six of the country's largest banks said they would issue a total of $8.7 billion in new dividend payments to shareholders.[2]

The Benefits of Dividend-Paying Stocks

If you own stock in a company that has announced it will be issuing a dividend, or if you are proactively considering adding an allocation to dividend-paying stocks, history provides compelling evidence of the long-term benefits of dividends and their reinvestment.

- **A sign of corporate financial health.** Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow. Dividends also communicate a positive message to investors who perceive a long-term dividend as a sign of corporate maturity and strength.
- **A key driver of total return.** There are several factors that may contribute to the superior total return of dividend-paying stocks over the long term. One of them is dividend reinvestment. The longer the period in which dividends are reinvested, the greater the spread between price return and dividend reinvested total return.
- **Potentially stronger returns, lower volatility.** Dividends may help to mitigate portfolio losses when stock prices decline, and over long time horizons, stocks with a history of increasing their dividend each year have also produced higher returns with considerably less risk than non-dividend-paying stocks. For instance, since 1990, the S&P 500 Dividend Aristocrats -- those stocks within the S&P 500 that have increased their dividends each year for the past 25 years -- produced annualized returns of 11.17% vs. 8.53% for the S&P 500 overall, with less volatility (14.22% vs. 15.21%, respectively).[3]

The Growth of Dividend-Paying Stocks, 1950-2010[4]



If you are considering adding dividend-paying stocks to your investment mix, keep the following thoughts in mind.

- Dividend-paying stocks may help diversify an income-generating portfolio. Income-oriented investors may want to diversify potential sources of income within their portfolios. Given current realities present in the bond market, stocks with above-average dividend yields may compare favorably with bonds and may act as a buffer should conditions turn negative within the bond market.
- Dividends benefit from continued favorable tax treatment. The extension of the Bush-era tax cuts helps to reinforce the current case for dividend stocks. The tax bill passed in late 2010 extended the 15% tax

on qualifying dividends and other forms of investment income through December 31, 2012.

Note that dividends can be increased, decreased, and/or eliminated at any time without prior notice.

[1]*Source: Standard & Poor's, Global Equity Strategy, March 28, 2011.*

[2]*Source: The Wall Street Journal, "Banks Get Fed's Nod to Pay Dividends," March 19, 2011.*

[3]*Volatility is measured by standard deviation. Past performance is no guarantee of future results.*

[4]*Source: Standard & Poor's. Stocks are represented by the S&P 500, an unmanaged index considered representative of the broad U.S. stock market. For the period January 1, 1950, through December 31, 2010. Past performance is not indicative of future results. Investors cannot invest directly in any index.*

Financial Confidence a Chief Concern for Women

For working women, employer-sponsored retirement plans, such as a 401(k) or 403(b), are probably the most important saving and investing tool they will ever use.

Women seem to be of two minds when it comes to their relationship with money and investing. On the one hand, two-thirds of women polled recently consider themselves to be the "CFOs" of their households -- strong, even dominant, managers of family finances.[1] Yet another study found that women are significantly less confident about making their own investment decisions than men.[2]

Whatever the reasons, there are real, tangible reasons why gender plays a critical role in an individual's long-term financial well-being.

The Gender Gap -- A Reality Check

Here are the facts. Generally speaking, women earn less than men, live longer than men, and often take time out of the workforce to have children or to care for aging parents. As a result, women are often playing "catch up" when it comes to saving for important life goals, such as funding their own retirement.

	Men	Women
Life expectancy at age 65	17.2	19.9
Average wage differential	$1.00	$0.77
Receive pension benefits	43.2%	29.4%
Average annual pension payout	$19,557	$12,127

Sources: CDC, National Center for Health Statistics, National Vital Statistics Report, August 2009 (based on 2006 and 2007 data); Institute for Women's Policy Research, September 2010; Employee Benefit Research Institute, "Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008" (most recent data available).

Beating the Odds

Despite these challenges, all women -- whether single, married, or divorced -- should make planning for retirement a lifelong endeavor. No matter what your age or situation, it's important to start planning for your future now. Here's how to get started.

- **Have a clear picture of your current finances.** Create a net worth statement that defines your assets minus your liabilities. In order to determine if your net worth is appropriate for your age, income, and personal circumstances, you'll need to analyze your spending and saving habits and create a workable monthly budget.
- **Save as much as you can.** For working women, employer-sponsored retirement plans, such as a 401(k) or 403(b), are probably the most important saving and investing tool they will ever use. In 2011, most individuals enrolled in such a plan can put away up to $16,500, plus an extra $5,500 in "catch up" contributions for those aged 50 or older. Traditional and Roth IRAs offer another way to save for retirement, even if you're married and don't work outside of your home.
- **Be realistic about how much it will cost to live.** The costs of health care, housing, and many other basics are rising faster than the overall cost of living, Be sure to factor that reality into your overall financial plan.

[1]*Source: Women & Co., March 2011.*

[2]*Source: MassMutual Retirement Services, March 2011.*