MF Advisers
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THE FINANCIAL FORMULA

Giving You The Financial Information You Need

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I hope this educational resource proves helpful. I believe an educated investor is a better investor. Please call me if you have questions.

Martin A. Federici, Jr.
MF Advisers, Inc.
CEO
marty@mfadvisers.com
570-760-6524
Fax: 570-675-7105
91 Franklin Street
Dallas, PA 18612
http://mfadvisers.com

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If you ask this one question at the beginning, you'll know whether you can continue the discussion or end it right there and start looking elsewhere: "Are you held to the suitability standard or the fiduciary standard when dealing with your clients"?"

If you ask this one question at the beginning, you'll know whether you can continue the discussion or end it right there and start looking elsewhere: "Are you held to the suitability standard or the fiduciary standard when dealing with your clients"? Want to know what the difference is? Read further...

Suitability means that the investments your advisor selected had to be "appropriate" given your risk tolerance and capacity, age, goals, and time horizon. Notice that it was only "suitable" - meaning the investment could have been more expensive than some other similar choices, or it could have generated the "advisor" (I use that term loosely in this context) a higher commission or payout than other investments with a lower payout (and could have been better for you).

Sounds sketchy at best - how do you know if your "advisor" (notice the quotes again) truly has your best intentions in mind? And can he offer products without any "handcuffs"? Is he only able to sell certain products - some of which may not be the best investments possible to choose from? Possible conflicts of interest - without a doubt (you are possibly the "advisor's" meal ticket - how does that make you feel?)!

Now, let's look at the fiduciary standard - "to always act in the best interest of the client, putting the clients' interests above your own." Hmmm - that means the best possible investment selections and advice are given taking into account your total costs, fees, expenses, risk tolerance and capacity, age, goals, time horizon WITHOUT having to compromise what you can invest in. By the very definition you should have a near limitless amount of options to pick from to invest in BUT still your advisor will guide you to the **BEST** possible investments for your specific situation.

Usually these fiduciaries are working for RIA firms, which by definition must always act in the best interests of their clients. It is the PREFERRED WAY for you to do business with an advisor - typically no commissions for suggesting certain investments. They are typically paid a percentage of what assets they manage for you, an hourly fee for planning and/or advice, or a combination of both. This eliminates many of the conflicts of interest that an "advisor" who works for a big brokerage firm cannot escape in their world. They are usually selling, NOT advising.

So, at the end of the day, do you just want to deal with an "advisor" who may only recommend what is suitable for you or an advisor who acts in your best interests? Seems pretty simple to me - perhaps many others will soon understand the difference. I hope you now know & understand the differences between an "advisor" and a **TRUE** advisor. That difference can possibly save you a lot (and make you a lot) of money over time.

For more information, please visit http://www.mfadvisers.com, email marty@mfadvisers.com, or call (570) 760-6524.

About ***MF Advisers, Inc.***

MF Advisers, Inc. is a full-service, fee-only RIA firm and fiduciary based in PA & FL specializing in wealth management, investment advice, and financial planning.

With 20+ years of licensed experience, over 10 years of professional education, and an unwavering commitment to improving your financial situation, MF Advisers is the advisory firm to best serve YOU.

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Martin A. Federici, Jr. is the CEO of MF Advisers, Inc. and MF Tax & Accounting, Inc., and is the author of this article. *This article may not be used or published without expressed permission from the author.*

Retirement Planning: Three Steps Can Pay Off

An employer-sponsored retirement plan and an IRA can help to build retirement savings.

When planning for retirement, certain external factors, such as stock market returns or the rate of inflation, are beyond the control of investors. But there are issues that preretirees can control that may be helpful in building retirement assets. According to academics and others who study retirement, working longer, increasing savings, and living with economy in mind may be helpful strategies.[1]

Working Longer

Even a small difference such as one or two more years in the workforce can make a significant impact when building a nest egg. More years on the job can mean more time to make contributions to an employer-sponsored retirement plan. Taking classes to keep skills current and networking with people in a given profession can be helpful strategies when trying to work longer. Even part-time or seasonal work could reduce the need to tap retirement assets.

Increasing Household Savings

An employer-sponsored retirement plan is a convenient way to invest for retirement. Many employers permit plan participants to contribute a maximum of $17,000 to an employer-sponsored retirement plan for 2012. Those aged 50 and older can make an additional $5,500 catch-up contribution. The availability of the catch-up contribution means that preretirees can escalate their retirement savings rate considerably if they so choose. Note that you are first required to contribute the $17,000 employee maximum before making the catch-up contribution.

When evaluating how much you can afford to contribute, remember the tax benefits. With a traditional 401(k), contributions are taken out of your paycheck before taxes are assessed, which reduces taxable income during the year the contribution is made. Qualified withdrawals during retirement are taxable.

Living More Efficiently

With gasoline approaching $4 a gallon and monthly Internet/cable television bills averaging $166 per household, saving money is a challenge.[2] But compiling a budget is a helpful exercise to see where a household's money goes. Some families are able to drive a more economical vehicle, limit restaurant meals, cut memberships they do not use regularly, and take similar steps to reduce spending and start saving more.

It is easy to be discouraged by an uneven economy and other factors outside of any one individual's control. But many households do control how much they invest and, in many areas, how much they spend. With a plan, you may be able to build retirement assets.

[1]*Source: www.financial-planning.com, "New Advisor Challenge: Convincing Boomers to Curb Spending at Age 50," September 19, 2011.*

[2]Sources: *AAA Daily Fuel Gauge Report*, April 23, 2012; the American Institute of Certified Public Accountants, "AICPA Survey: Technology Has Made It Easier to Spend, Not Save," April 18, 2012.

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Consider your exposure to interest rate risk when evaluating your portfolio.

Near-Zero Interest Rates: Trade-Offs for Investors

The Federal Reserve's recent announcement that it will maintain the federal funds rate in a range between 0.00% and 0.25% through December 2014 has generated the usual analysis about whether Chairman Bernanke and his colleagues are doing the right thing. But the Federal Reserve's policy may be less about right versus wrong than about the trade-offs for investors and consumers.

When the Federal Reserve makes a determination about movements in interest rates, it bases its decision on prospects for economic growth and whether existing growth can be sustained. The Federal Reserve considers the outlook for inflation, the federal budget, consumer finances, corporate earnings, and a variety of other factors. Maintaining interest rates at a historically low level, which has been the Federal Reserve's policy since December 2008, is a tool for stimulating economic growth.

A Domino Effect

The fallout from the Federal Reserve's actions can be significant. The federal funds rate influences the prime rate, which in turn has a bearing on rates that lenders charge for consumer and corporate borrowing. When the prime rate is relatively low, lenders may offer lower rates for mortgages, credit cards, and other forms of credit than they otherwise would. It is important to remember that consumer demand and a household's creditworthiness are also significant factors in interest rates assessed by lenders.

There are other plusses associated with low short-term rates. Borrowing costs are relatively low for corporations, which can impact earnings and escalate stock market returns.[1] In addition, with banks offering marginal returns on savings products, investors have a strong incentive to add to equity allocations with the goal of earning higher returns.

A Flip Side

Just as low short-term interest rates bring certain benefits, there may be drawbacks for investors and also for the broader economy. When short-term rates eventually go up, the situation is likely to be a negative for bondholders because of the inverse relation between interest rates and bond prices.[2] Historically, rising interest rates have caused the prices of existing bonds to decline because newly issued bonds carry higher rates, which push down the value of previously issued securities. Holding a bond until maturity, when an investor can recoup principal, can lessen interest rate risk.

Low interest rates also are a potential negative for savers, in particular retirees who depend on savings products to finance living expenses. In addition, there remains the question of whether low short-term interest rates encourage certain investors to gravitate to assets that are relatively risky given the investor's tolerance for volatility and time horizon. A recent blog post noted that flows into high-yield bond funds have exceeded those for ultra-short and U.S. government bond funds.[3]

Economic policy frequently presents both plusses and minuses, and low short-term interest rates are no exception. You may want to evaluate your exposure to interest rate risk and think about how you will cope with the situation when Federal Reserve policy changes.

[1]*Investing in stocks involves risks, including loss of principal.*

[2]*Bonds are subject to market and interest rate risk if sold prior to maturity. Bonds are subject to availability and change in price.*

[3]*Source: www.vanguardblog.com, "Why Investors Should Ignore the Fed," April 19, 2012. Lower-quality debt securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.*

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