



RIC EDELMAN'S

Inside Personal Finance

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#1 Independent Financial Advisor in the Nation Ranked by Barron's*

Before you take that trip, read this!

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*Barron's ranking "Top 100 Independent Financial Advisors" (Aug. 28, 2010 / Aug. 31, 2009) based on the quality of the advisors' practices, including client retention and compliance record, contribution to the firm's profitability, and the volume of assets overseen by the advisors and their teams.

Married? Watch Out for STDs

I'm talking about wealth, not health

A threat to married couples has been revealed by some recent studies — a threat the financial literacy movement is calling Sexually Transmitted Debt.

The point is this: You can suffer adverse consequences due to your spouse's financial infidelity.

Your spouse could be amassing a pile of credit card debt, student loans, even a second mortgage, about which you know nothing. Indeed, according to a December survey by the National Endowment for Financial Education, three in 10 admit that they lie to their spouses about their finances — and more than half say they hide cash from their spouses.

That's not all. The survey also found that:

- > 30% have hidden a bill,
- > 15% keep a secret bank account, and
- > 11% lie about how much they earn.

Are you one of those who lie to their spouses? If not, then the statistics suggest that your spouse might be lying to you. NEFE's data show that financial deception occurs evenly across all income levels and both sexes.

Undisclosed financial vices can have egregious effects on a relationship. In NEFE's survey, 68% said a relationship had been negatively affected by financial behavior. Indeed:

- > 42% experienced erosion of trust,
- > 20% stopped commingling their finances, and
- > 16% ended up divorced.

To help you avoid such problems, NEFE offers a six-point strategy.

Tip #1: Establish joint goals.

It's all about communication. Together, list your short-term and longer-term needs and wants. Check your progress regularly and make sure your goals remain relevant.

Tip #2: Compromise.

We all need to realize the importance of what Mick Jagger sang: You can't always get what you want. It's often difficult for newlyweds to realize that they can't continue handling their money the way they did before the wedding. A willingness to be compassionate about the other's viewpoint is essential. So, that might mean you don't get that new car this year, but it could mean you save for a vacation together.

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My goal is to teach you the fundamental principles of personal finance — everything from getting out of debt to managing substantial estates. I am convinced that you can achieve financial success through education, self-initiative and self-reliance — not by speculation or by blindly following someone's self-proclaimed "hot tips." That's what makes *Ric Edelman's Inside Personal Finance*® different from all the others — and why this newsletter will not tout stories offering "great stock tips" or get-rich-quick schemes. Instead, it is filled with practical, realistic and truly helpful information, enabling you to discover the tools and strategies you need to help achieve financial success for yourself and your family.

TELL ME WHAT YOU THINK
RicEdelman.com/comments

Jean and Ric Help Children Ride

Inspired by Jean Edelman's passion for horses and the desire to help others discover the benefits of riding, Jean and Ric have donated \$100,000 to the Northern Virginia Therapeutic Riding Program for the construction of an indoor riding ring, enabling the organization to provide services year-round.

The program helps enrich the lives of children and adults with disabilities, including cerebral palsy; spina bifida; mental disabilities; autism; learning disabilities; post-traumatic stress disorder; and vision, speech and hearing impairments; and at-risk youth. When riding a horse, students get the opportunity to feel freedom and power through movement. As the horse walks, the movement is transferred to



the rider, providing a combination of sensory, motor and neurological stimulation. This translates to stronger muscles, better balance and coordination, improved gait and — just as important — greater self-confidence and self-esteem.

TRP has been providing lessons since 1980 and now has 12 horses and ponies.

It is accredited by the North American Riding for the Handicapped Association, and lessons are taught by NARHA Certified Riding Instructors, who are assisted by as many as three volunteers per rider. Lessons include riding skills, exercises, trail or field rides, games, and vaulting, as well as horse care and grooming.

For more information about the program, visit nvtrp.org. *IPF*

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EDITORIAL 4000 Legato Road, 9th Floor, Fairfax, VA 22033-4055 or call (888) 752-6742 toll-free fax (866) 742-7222
CONTACT RicEdelman.com/comments **PUBLISHER AND EDITOR-IN-CHIEF** Ric Edelman **LAYOUT & DESIGN** Christine Janaske

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Ric Edelman is Chairman and CEO of Edelman Financial Services, a Registered Investment Adviser, and Co-CEO, President and a Director of The Edelman Financial Group (NASDAQ: EF). He is an Investment Adviser Representative who offers advisory services through EFS and a Registered Principal of (and offering securities through) Sanders Morris Harris Inc., an affiliated broker/dealer, member FINRA/SIPC.



Sanders Morris Harris Changes Name to The Edelman Financial Group

New Name Reflects Focus of Nationally Recognized Wealth Management Firm with \$18 Billion in Client Assets

Sanders Morris Harris Group Inc., a wealth management company that manages \$18 billion in client assets,¹ with 530 employees in 21 states, has announced that the firm is changing its name to The Edelman Financial Group.

“The new name reflects SMHG’s position as a nationally recognized wealth management firm,” said George L. Ball, Chairman and CEO. He noted that the new name allows the company to capitalize on the strong reputation of Edelman Financial Services, 76% of which SMHG acquired in 2005. Ric Edelman, who will continue to lead Edelman Financial Services as its

Chairman and CEO, will become Co-CEO of the parent organization.

“I believe our growth will enable us to provide even more value to our clients and shareholders,” said Don Sanders, SMHG Co-Founder and Chairman of its Executive Committee.

The name change symbolizes a new chapter in the company’s 25-year history. Having successfully divested itself of noncore businesses that did not emphasize wealth management, the firm is now focused on and poised for growth.

The firm’s stock trades on NASDAQ; its new symbol is EF. *IPF*

FACTOID

Edelman Financial Services is ranked #1 on the Virginia list of top advisors, according to *Barron’s*.²

Of the total clients served by all 25 Virginia advisors on the list, 55% are clients of Edelman Financial Services. Yep, we are bigger than the other 24 combined.

¹*Barron’s* ranking “New Leaders, Fresh Advice: 2011 Top 1,000 Advisors (State by State)” (February 19, 2011) based on data provided by over 4,000 of the nation’s most productive advisors. Factors included in the rankings: assets under management, revenue produced for the firm, regulatory record, quality of practice and philanthropic work.

²Client assets include the gross value of assets under management directly or via outside managers and assets held in brokerage accounts for clients by outside clearing firms.

Married? Watch Out for STDs ... continued from page 1

Tip #3: Set limits.

How much money do you spend before you discuss the purchase in advance with your spouse? Nearly three-fourths of those surveyed believe that spending more than \$100 without telling your spouse is unacceptable, according to CESI Debt Solutions. So when you’re considering a purchase, make sure your spouse supports the idea beforehand.

Tip #4: Make a date.

Set a specific time and place to discuss finances with your spouse. It’s okay if you feel uncomfortable or shy. The conversation certainly isn’t romantic, but addressing these issues

could be the best way to strengthen your relationship.

Tip #5: Resist the temptation to fib.

Be honest. Remember, in some states, spouses are legally responsible for the other’s debt, whether it was incurred before or during the marriage. If you have a good credit history, you don’t want your assets to be seized because of your partner’s financial mistakes.

Tip #6: Be positive.

It’s easy to blame your spouse if money is a problem. Instead of casting blame, stay focused and positive so you can move toward your joint goals.

I’ll add a 7th tip: Talk with a financial advisor.

An experienced advisor can be a great mediator for you both. Because advisors are disinterested (the money isn’t theirs) they can help you view the situation unemotionally.

If bills aren’t being paid on time, if you’re not reducing your debt or saving money regularly, or if one of you feels resentment over any aspect of the family finances, then you should talk with an advisor. Your marriage might depend on it. *IPF*

Documents:

What to Keep — What to Store — What to Shred

The financial services industry certainly produces a lot of paper! Here's what you need to keep and when you can trash it.

Start by stacking all the paper in one big pile. Check your drawers (home and work), filing cabinets, folders, boxes, glove compartments, even your safe-deposit box. Then separate the papers into these five groups:

1. Originals You Rarely Need	Store in	Shred after	Give copies to
Adoption papers	Bank safe-deposit box	Never discard	Executor, lawyer
Citizenship papers	Bank safe-deposit box	Never discard	Executor
Divorce decree	Bank safe-deposit box	Never discard	Lawyer
Lawsuits	Bank safe-deposit box	Never discard	Lawyer
Household inventory	Bank safe-deposit box	Never discard	Financial advisor
Photos of possessions	Bank safe-deposit box	Never discard	Financial advisor
Military discharge	Bank safe-deposit box	Never discard	
Veteran's papers	Bank safe-deposit box	Never discard	

2. Originals You Sometimes Need	Store in	Shred after	Give copies to
Birth certificate	Fire- and burglar-resistant safe at home	Never discard	
Cemetery deed	Fire- and burglar-resistant safe at home	Never discard	Heir
Real estate deeds	Fire- and burglar-resistant safe at home	10 years after property is sold	
Death certificates	Locked filing cabinet	Never discard	Executor
Diplomas	Fire- and burglar-resistant safe at home	Never discard	
Guardianship arrangements	Fire- and burglar-resistant safe at home	Never discard	Executor, guardian
Health records	Fire- and burglar-resistant safe at home	Never discard	Doctor
Immunization records	Fire- and burglar-resistant safe at home	Never discard	Doctor
Marriage certificates	Fire- and burglar-resistant safe at home	Never discard	Executor
Medical directive	Fire- and burglar-resistant safe at home	New one signed	Doctor, heir
Naturalization certification	Fire- and burglar-resistant safe at home	Never discard	
Passports	Fire- and burglar-resistant safe at home	Shred after you have replaced	
Powers of attorney	Fire- and burglar-resistant safe at home	New one signed	Doctor, heir
Retirement plan benefits	Fire- and burglar-resistant safe at home	Never discard	Financial advisor
Social Security card	Fire- and burglar-resistant safe at home	Never discard	
Stock/bond certificates	Fire- and burglar-resistant safe at home	When sold	
Vehicle titles	Fire- and burglar-resistant safe at home	Vehicle is sold	
Trusts	Fire- and burglar-resistant safe at home	New one signed	Executor, heir
Wills	Fire- and burglar-resistant safe at home	New one signed	Executor, heir

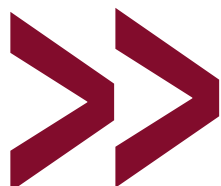
3. Other documents	Store in	Shred after	Give copies to
College financial aid	Locked filing cabinet	Ten years after loan is repaid	
Credit report	Fire and burglar resistant safe at home	New one arrives	Financial advisor
Document inventory (this list)	Fire and burglar resistant safe at home	You create a new list	Executor
Employee benefits	Locked filing cabinet	Change jobs	
Employment contract	Fire and burglar resistant safe at home	Change jobs	
Financial statements	Fire and burglar resistant safe at home	New ones drafted	
Insurance policies/invoices	Locked filing cabinet	A year after replacing policy	Financial advisor
Letter of last instructions	Fire and burglar resistant safe at home	Writing a new one	Executor
Loan statements	Locked filing cabinet	Ten years after loan is repaid	
Passwords	Fire and burglar resistant safe at home	Change password	
Property tax assessment	Locked filing cabinet	New one arrives	
Receipts (items under warranty)	Locked filing cabinet	Warranty expires	
Receipts (expensive items)	Fire and burglar resistant safe at home	Item sold or donated	
Safe deposit box inventory	Fire and burglar resistant safe at home	Updated	Executor
Social Security statement	Locked filing cabinet	New one arrives	Financial advisor
Transcripts	Locked filing cabinet	You complete another course	
Vehicle registration	Locked filing cabinet	New one arrives	
Vehicle repairs	Locked filing cabinet	Vehicle is sold	
Warranties*	Locked filing cabinet	Dispose of item	

*Note: Staple receipts to warranties.

4. Tax documents	Store in	Shred after	Give copies to
Bank statements	Locked filing cabinet	Seven years	
Canceled checks	Locked filing cabinet	Seven years	
Credit card statements	Locked filing cabinet	Seven years	
Home purchase/improvement*	Locked filing cabinet	Seven years after home is sold	
Tax return/supporting documents	Locked filing cabinet	Seven years after filing date	
Form 8606	Locked filing cabinet	Seven years after IRA is liquidated	

*Deeds, surveys, title policies, blueprints, loan papers, receipts, etc.

5. Investment Documents	Store in	Shred after	Give copies to
Annuity contracts	Locked filing cabinet	Annuity paid out	Financial advisor
Loan agreements	Locked filing cabinet	Ten years after loan is repaid	
Pension plan documents	Locked filing cabinet	Never discard	Financial advisor
Real estate purchase/improvements	Locked filing cabinet	Seven years after property is sold	
Investment account statements	Locked filing cabinet	Seven years after last investment held in account is sold	



Keeping these records stored safely, where you and others can find them, can save you time and greatly increases the likelihood that they will not get lost.

If you need help collecting and understanding these documents, contact your financial advisor. *IPF*

Top 10 Money Tips for Newlyweds



If you're recently married, congratulations! With all the incredible changes in your life, you'll soon discover that some of the most important changes involve money.

From sharing bank accounts and setting financial goals to making sure you have enough insurance, there's a lot to talk about. And because money is such an emotional issue — and a leading cause of divorce — your marriage's success could well be determined by the financial habits that you and your spouse establish from the start.

To get off to a good start, follow these 10 steps for combining your finances.

1 | Start saving. You might have emptied your bank account paying for the wedding. Now is the time to build it back up. Aim to accumulate

at least 12 months' worth of spending in reserves. Also, start funding your retirement plans at work, and invest any extra cash into a diversified portfolio.

2 | Say goodbye to separate checkbooks. When you're married, money isn't *yours* or *mine*, it's *ours*. Pool your money into one checking account and one savings account.

3 | Update beneficiaries. Change all the beneficiaries on life insurance policies, retirement plans, annuities and IRAs to the name of your new spouse.

4 | Address debt. If your spouse doesn't know about your debts yet, have that conversation now. Together, you need to decide how the two of you will pay off those loans.

5 | Figure out where your money goes. Work together to track your expenditures. It's easier to achieve financial goals when you know how you're spending your money.

6 | Create ground rules for spending. Chances are, you've both been earning and spending money for years without consulting anyone. Those days are over. Discuss your

approaches to handling money. Is one person a spender and one a saver? Make rules to handle any differences, perhaps setting a monthly spending limit for each person or promising to save a certain amount every month to achieve a joint goal.

7 | Prioritize purchases. Part of being married means jointly deciding how to spend your money. Make a list of upcoming purchases — a new car, living room furniture or a pet — and prioritize them.

8 | Consolidate your credit cards. Avoid having more credit cards than you need. This also makes it easier to track household spending.

9 | Buy life insurance. If you need both of your incomes to pay your monthly expenses — and most couples do — make sure you both have enough life insurance to protect each other.

10 | Organize documents. Make sure you both know where important documents are kept. This includes birth and marriage certificates, Social Security cards, bank and investment account information, and tax records. *IPF*

The average wedding costs about \$28,000, according to the Condé Nast American Wedding Survey — and the bride's family doesn't pay all the costs anymore. Parents of the bride pay for the wedding only 10% of the time, according to the Association of Bridal Consultants; the rest of the time, the groom's parents also chip in, or the bride and groom themselves cover all costs. And it's no longer uncommon for aunts, uncles and even friends to host rehearsal dinners and related events.

Some really **Good** News to make you smile

Long-Lost Wallet Contains Treasure Beyond Money

Forty years after Rudolph Resta's wallet was stolen from an unguarded coat closet at work, the 77-year-old and his billfold have been reunited, according to *The Daily Mail*. A security guard found the wallet behind a wall, and the documents found inside helped him locate Resta. Although the cash had been taken, his credit card, Social Security card, and employee ID card were still inside — along with its greatest treasure: pictures of his family that he had long thought were lost forever. *IPF*

Amish Ponzi Victims Look After Neighbors

When it was discovered that Amish church member Monroe Beachy had been operating a Ponzi scheme for 30 years, causing other members of the church to lose more than \$33 million, the Amish community rallied. According to *The Washington Post*, church members donated money to help victims recover their losses. Some victims even refused restitution, telling authorities to give any money found to other victims instead. Talk about amazing grace. *IPF*

Wedding by the Numbers

Portion of engaged couples who register for gifts at a store: **88%**

Average number of stores where an engaged couple registers: **3**

Top 3 registry retailers: Bed Bath & Beyond, Target and Macy's

When couples register: **6 months** before the wedding, on average

Portion of time the groom is involved in choosing the retailer(s): **70%**

Average number of items the couple registers: **151**

Average amount family members spend on gifts: **\$146**

Average amount friends spend on gifts: **\$79**

Portion of registered items the average couple has to buy themselves: **20%**



Each month we round up a group of Edelman Financial Services planners from across the country to give you an inside look at the world of personal finance.

Q What is the biggest transition you've ever helped a client through?

Life brings many unexpected twists and turns. Read on to find out how some of the Edelman advisors guided clients through some common (and not-so-common) life events.



David Lubitz Associate Director, Financial Planning, in our Howard County, Md., office

A client referred a friend of hers who was finalizing her divorce. Not only is this a very difficult period emotionally, but you're usually required to make massive financial decisions at the same time. That was certainly true in this case, and the client was simply not prepared to handle all the issues she faced. So, we started with "Financial Planning 101" — spending time with her to help her understand the issues involved and how we could best approach them. In some cases, immediate decisions were needed, while others could be delayed. In the end, we arranged for her to refinance her mortgage, created a fund to hold her cash reserves, designed a new estate plan focusing on her and her children, referred her to a tax advisor and

an estate planning attorney, and helped her (over a couple of years) determine what her new goals and objectives were. Along the way, not only did she become a lifelong client, she has become a lifelong friend. *IPF*



Alan Wheedleton Associate Director, Financial Planning, in our Howard County, Md., office

I helped a college student who had received a large inheritance following his mother's death. The attorney handling the estate suggested a friend of his who was an insurance agent. The agent recommended placing the entire inheritance into an annuity — entirely inappropriate for such a young man who would need the assets to buy a home and eventually raise a family. So, the first thing we did was talk about how it felt to be the recipient of that inheritance; often heirs regard such windfalls as "blood money" and they have acute feelings of

guilt over becoming "rich" through the death of a loved one. That was certainly the case here, so we spent some time just talking about his feelings, why his mom went to the trouble of creating assets and leaving those assets to him, and how she would want him to handle that money. He came to understand that the inheritance could be a legacy, and his proper stewardship of the funds would be a lasting tribute to his mother — and this helped him deal with the money in an effective, mature manner. So the first thing we did was set aside 18 months' worth of living expenses in an emergency fund, and we placed the remainder into a highly diversified long-term portfolio. He has since graduated from college and has embarked on his career. He has said time and time again that he is forever grateful for my advice and assistance in making the right financial decisions during such a difficult time in his life. *IPF*



Val Taddei *Associate Director, Financial Planning, in our Fairfax, Va., office*

I helped a client transition from being married to being single. She had no knowledge of financial matters because her husband handled everything. In addition to the emotional trauma of a bitter divorce, she suffered from insufficient income, too few assets for retirement, no estate plan and the possibility of having to move to another state to find a job. On top of all that, she suffered from a distinct lack of trust — which was quite understandable considering everything she was going through. That was four years ago, and today she's living in another state, has a good job, purchased a new home, is participating in her employer's retirement plan and by all accounts has once again found happiness. *IPF*



Tom Wood *Director, Financial Planning, in our Fairfax, Va., office*

I once helped a client evaluate the feasibility of making the financial transition from being employed and living in New Jersey to retired and living in Hawaii. After numerous meetings, retirement projections and (their) bitten fingernails to make double- and triple-sure that the transition would work, I'm happy to report that today, almost 10 years later, my clients are living their dream in a Hawaiian paradise of their making — paddling outrigger canoes, playing the ukulele, dancing the hula and generally loving life. *IPF*



Jennifer Sevier *Associate Director, Financial Planning, in our Silver Spring, Md., office*

I consider just about all my clients to be folks I've helped through some transition or other, so what immediately comes to mind are three people I *wasn't* able to help. In all three cases, they had never worked with a financial advisor before, two because they never trusted anyone and one because he simply liked to do things himself. And, all three called me because they'd just been diagnosed with a terminal illness, and they wanted to make sure their spouses/families would be okay. But in all three cases, they died before I could help them — in one case, just two days after our initial telephone call. Although each of these situations was far beyond my control, I lament not being able to help them. Please don't wait for a doctor's diagnosis. Get with a financial advisor today. *IPF*



Darryl Payne *Associate Director, Financial Planning, in our Tysons Corner, Va., office*

I remember working with a couple who had recently sold a business. For decades they were supremely capable business owners, but they had never really managed any investments. After all, until they sold the company, their largest (and only) investment was their business. But now they were the recipients of several million dollars, and they flat-out didn't know what to do with the money. While this seems like a dream come true, it was truly paralyzing for them. During our first meeting, they asked me if it was okay for them to spend a few thousand dollars to go to Disney World, and they wondered if they could afford to spend \$30,000 on a car. It hadn't sunk in that they were now multimillionaires! Turning to me enabled them to learn what they didn't know, in a safe environment, and equally important, helped them avoid having their lives turn into full-time "financial babysitters" during the process. *IPF*



Travel Insurance — Should You Buy It?

You make many decisions when you plan a vacation — most of them exciting and fun. But before you pay for that all-inclusive Caribbean cruise or head out to your family's favorite resort destination this summer, consider what happens if you get the flu right before the trip or your son gets hurt while wakeboarding. Are you prepared to lose the money you've prepaid if you're forced to cancel or come home early because of an illness, a family emergency or even a job loss?

Americans today are facing more complications than ever when it comes to traveling, and not only those due to illnesses or injuries that hit before or during a trip. Natural disasters, like last year's volcanic eruption in Iceland or the recent tsunami in Japan, can impact travel as well.

All these factors attribute to the rising popularity of travel insurance — roughly 120 million people have purchased policies — up 35% in recent years, according to the U.S. Travel Insurance Association. That's about one in three travelers.

A good travel insurance policy will reimburse you for money spent on nonrefundable airline tickets or hotel rooms, lost baggage, medical services or evacuation if you suffer a medical emergency while traveling. It can also include help in the event of legal problems, a lost wallet or travel documents.

Policies are available through travel agents, online travel sites and travel insurance carriers. Prices vary, but expect to pay for a policy that costs 4%–8% of your overall trip.

As with all insurance policies, use a travel insurance company that is licensed, and read the fine print carefully before you purchase so you know what is included and excluded in the policy. And before you sign on the dotted line, take the time to review what current coverage you may already have with your credit card, health, auto and homeowner's insurance policies — so you know beforehand if you're duplicating coverage.

If the possibility of unforeseen expenses makes you uncomfortable, you may want to protect yourself from the unexpected by considering travel insurance for your upcoming vacation. This way, the only financial decisions you need to make for your trip are the ones you planned for ahead of time. *IPF*



Lost Baggage Claims

What You Need to Know Before Boarding

- > If your bags are lost you'll have to file a claim with a detailed list of contents and purchase receipts (if you have them).
- > Federal rules say the maximum an airline must pay each passenger for lost bags (domestic flights) is \$3,300. *NEW rule* (effective Aug. 2011): Airlines must now refund luggage fees for lost bags.
- > Most airlines won't reimburse you for items such as jewelry, photos and electronics.

Sources: U.S. Transportation Dept., The Travel Insider.



There's more to life than money. "The Other Side of Money" is intended to help us balance our busy lives, our health and our families. Jean, a co-founder of Edelman Financial Services, holds a degree in consumer economics with a specialization in nutrition.

We don't know what we've lost until it is gone

by Jean Edelman

Noise! We don't realize what a noisy day-to-day life we have until we get away from it. Ric and I had a chance to take a break from the winter weather. We found an island that had no cars. It was so quiet we could hear the grass moving in the breeze. We were surrounded by the most amazing quiet. It took a little time for us to get used to it. The silence made me realize how much noise affects our bodies, because the mere absence of noise created an amazing state of relaxation.

To get a little scientific here, noise is any unwanted sound. (No, as Ric asks me to point out, this does not refer to your spouse talking.) Noise is measured in decibels (dB); a whisper is measured at 30 dB, a conversation between two people is 60 dB, shouting is 80 dB. Noise from 85 dB to 120 dB is painful to most ears. In 1972, Congress passed the Noise Control Act, because noise pollution was found to have a direct impact on our health: elevated stress levels, anxiety, depression, insomnia, high blood pressure, panic attacks and more, including, of course, noise-induced deafness.

Noise has an impact on our environment. It affects the balance that naturally occurs with our plants and animals. Noise affects animal communication and damages their ability to navigate. In a balanced world, the "voice" of animals would be heard over human-made sounds.

Individually, we can't reduce the noise that cars and airplanes create. But we can act nonetheless. Our first step is to resensitize our hearing. We need to expose ourselves to extreme quiet, to help us understand that when we're being bombarded with noise we expose ourselves to tension.

We need to lower the volume, turn off the radio and television, get those headphones out of our ears, and walk away from noisy environments. I've also created a new exercise that I do daily. Here's how it works:

I sit comfortably, feet on the floor, hands comfortably in my lap. I turn my attention to my ears. What do I hear immediately around me? I notice it — it might be the hum of a nearby computer or the air-conditioning system. Maybe it's a person talking nearby.

I just observe what I hear. Next, I put those sounds aside and listen for other sounds. Is that a dog barking or a lawn mower I hear? Can I hear cars going by? Or birds singing? How many different birds can I hear? I focus on those sounds.

Next, I listen for more distant sounds. Are airplanes passing by? Once I catch a distant sound, I focus on it for as long as I can. Sometimes what I'm hearing is...nothing. And that is where I find my moments of quiet. The further out I bring my hearing the more relaxed I feel. Try it. Some days you may only get to the edges of the room you are in, while on other days you'll reach much further. This exercise can be done anywhere, any time.

And to sustain this relaxation, I demand that radios and televisions near me be turned down. I even bring a set of earplugs to the movies.

This reawakening of our hearing can help us enjoy a healthier environment. Turning down the volume can help reduce stress.

I hope you can find some quiet. I know once you get comfortable with quiet, you will soon begin to crave it. ✱

Q&A

These are Ric's answers to questions sent to him by readers and asked by callers to his popular radio show.

Call 888-PLAN-RIC or go to RicEdelman.com/comments with your questions!

Q CONFIRMATION BIAS

I listen to your show, find it interesting and informative. But last week you made a comment that completely offended me. A caller asked about gold and you answered by telling the listeners that at a conference full of financial gurus, literally everyone laughed at the mere mention of gold investing today. I happen to be a client of a top-ranked advisor and hold gold and am very happy and making money. Shame on you; you came off as very condescending and insulting.

Thanks for your email. Sorry if you were offended, but please read very carefully what I'm about to tell you. This email might save you a lot of money.

You might be a victim of "confirmation bias." This is a psychological phenomenon that is remarkably common — most of us suffer from it. This bias causes us to reject information that does not conform to our own preconceived opinions. For example, liberals like to watch MSNBC, while conservatives like to watch Fox News — often merely because we all like to hear people say things that we already agree with.

In this case, you seem to be a fan of gold as an investment. So when I made a comment that opposed your view, you became "completely offended" and said I was "very

condescending" and "insulting." But all I did was report a simple fact: A roomful of the nation's top financial advisors were unanimous in their belief that gold is a very bad investment at the present time. [The event was the annual conference of the nation's Top 100 Independent Financial Advisors, sponsored by *Barron's*; as the #1 advisor on the list, I was a speaker at the event, although not at the session in question.]

I encourage you to think very carefully about what I reported. I am not trying to insult you. I am encouraging you to consider the possibility that gold, at its current price and in this current market environment, might not be as profitable an investment in the future as you seem to feel it will be.

Nor am I trying to insult your financial advisor. If he or she had told you to invest in gold back when gold was \$400 an ounce, he or she made the right call, which is obvious today now that gold, at this writing, is more than \$1,500 an ounce. But is your advisor suggesting that you should buy more gold today, at this current price? Owning gold at \$400 is very different from owning it at \$1,500 — and that is the point that the roomful of top-ranked advisors was making. No one suggests that gold hasn't been profitable; there is simply consensus that further substantial price increases are unlikely.

And that's the key point: You stated that you own gold, are very happy and are making money. Yes, you

own it, and yes, you are very happy with the profits you have made over the past few years, but that does not mean that you are, at this time, continuing to enjoy profits from gold. In fact, you most certainly are not; gold pays no dividends, and its price has been languishing for many weeks. Please recognize that "was," "is" and "will be" are three very different things.

And, it's entirely possible that you don't even own any gold at all, meaning that what you're happy with is something entirely different! Perhaps instead your advisor has placed your money into mutual funds or exchange-traded funds that own shares of stock in gold mining companies. While the metal itself might not rise in price going forward, such shares might well do so. Or perhaps you'll get a call soon from your advisor telling you that the nice ride you've enjoyed with gold is over, and it's time to sell. Will you accuse your advisor of insulting you?

Don't fall in love with an investment. It doesn't know who you are, and it doesn't love you back.

Be on the lookout for confirmation bias. It can be very costly.

Q DEBT

I've gotten myself in a bind with credit cards over the years. I've got about \$70,000 in debt. It all started when I had my daughters in private high school.

Q&A

We live in Yonkers and we can't send them to the school system. I just started falling behind and I haven't really been able to catch up even though my husband and I make almost \$100,000 a year between the two of us. My daughters are done with school, but I'm still paying \$11,000 a year for my son's high school and sometimes I end up using the credit card just to pay for groceries and make ends meet. I make the minimum payments. I try to talk about it with my husband, but he just tunes me out. Our house is worth \$575,000 and we only owe \$140,000 on it.

Your income and expenses aren't the problem. The problem is your family's attitude — especially your husband's, since he seems to have abdicated responsibility. Until the two of you recognize that your expenses are outpacing your income and you become willing to do what it takes to fix that problem, nothing much is going to change.

The first thing you need to do is understand where you are spending your money. To do this, I recommend you read Chapter 49 of my book, *The Truth About Money*. It will show you how to get out of debt, step-by-step. (Get a copy at the library; don't spend any more money.)

When you read that chapter, you'll discover something important: You can fix this. You earn an ample

income and your educational expenses won't last forever. You also have the desire to fix it, which you've demonstrated by contacting me. It's going to take some effort and an attitude adjustment, but it can be done.

One last piece of advice: Stay away from any firm claiming that it can get rid of your debt for you. They are scams. The only way to get rid of the debt is to change your habits.

Q SEMINAR
I would recommend that your firm provide food at your future seminars. Most people are traveling to get to your seminars, arriving at dinner time, and it is only proper hospitality to provide more than the meager coffee and water bottles that was the "fare" when I attended. Come on now... a \$6 billion portfolio...and this is all you can come up with?

Thanks for your feedback (if you'll excuse the pun).

The room rental fee is several thousand dollars, the coffee and sodas are \$12 per person, and every person (not merely one per couple) who attended received a free copy of my #1 bestseller, *Rescue Your Money*. Add to that the travel costs for my staff who stage the event on-site, and it's easy to see that after charging just \$20 per person (couples rate) or \$25 (single), we simply cannot afford to spend another \$40 on dinner for each attendee.

Yet, you've probably noticed that there are many financial salespeople who do exactly that. They offer "free dinner" seminars, with the meal serving as an inducement for you to attend. Once you're there, they pitch their investment or insurance products in the hopes that you'll buy. When you do, they earn big commissions — enough, they hope, to cover the costs of the event. We have never done this, and we never will. Instead, we feed your mind, not your belly, by giving you high-quality educational programs to help you improve your personal finances.

I also offer a 100% money-back guarantee. If you felt that the seminar was of no value, and the absence of a meal rendered the evening distasteful (sorry again for the pun), let me know and I will refund your admission fee.

Your email has shown me, though, that I need to improve our registration process. By making sure everyone knows that food is not provided, no one's expectations will be unfulfilled. Although you are the first person who has raised the concern, perhaps others have simply not bothered to tell me — and so I thank you for taking the time to share your thoughts with me so that I can improve our efforts.

Q COLLEGE
I have a son who is a junior in high school and we visited with a financial planner. They'd

Q&A

like to position our money so we would get the most yield out of college aid and they're talking about life insurance and annuities. What do you think?

I'm concerned.

The rules for college financial aid are byzantine. Some assets (like investment accounts) count toward a family's contributable assets, while others (like annuities, retirement accounts, home equity and insurance) don't. That creates an opportunity to engage in strategies specifically designed to increase your college aid eligibility.

The emphasis on college planning creates an opportunity for unscrupulous salespeople to exploit their clients' worries and desires — enabling them to sell investments and other products that are not in your best interests. Indeed, moving money into investments or other products that might help you increase your child's financial aid could have a disastrous impact on your overall financial and retirement planning goals.

Therefore, be very careful when considering such strategies. If an advisor suggests insurance and annuities as college planning tools, get a second opinion before proceeding.

Let's put it this way: We'd never recommend that idea to our clients. *IPF*

In Case You Missed The Truth About Money Radio Show, Here's Some of What You Missed

Ric: We're off to Bel Air. Gary, you're on the air.

Gary: My 39-year-old daughter passed away back in October.

Ric: I'm sorry.

Gary: It was really sudden. We had 15 days from the time they first diagnosed cancer 'til she was gone. But she left my wife and me her condo where she lived in Ocean City, Md., and it has, currently, a mortgage balance, between a first mortgage and second mortgage, of \$108,000. I'm 63 and my wife is 63 and...we've looked at the possibility of taking a reverse mortgage to pay off that property. We'd really like to keep it in the family.

Ric: And use it yourselves?

Gary: Yes.

Ric: Was your daughter married?

Gary: No.

Ric: Did she have children?

Gary: No.

Ric: Was there an unmarried partner that your daughter had?

Gary: No.

Ric: Okay. What was the value of the condo?

Gary: About \$250,000.

Ric: And your motivation for the reverse mortgage is to eliminate the

need for you to make mortgage payments?

Gary: Right. Because I'm 63, I'm fairly close to retirement. And there's another problem that we've been working on, and I didn't even know that this was going to come up. I found out in April last year that my wife was running up a credit card balance of \$42,000.

Ric: Oh, my goodness.

Gary: We now have it down to \$24,600.

Ric: Do you have any savings and investments?

Gary: Yes. I have a brokerage account that's worth \$630,000. Sixty percent of that is capital gains. And I have a 401(k) worth \$400,000 and IRAs worth about \$100,000.

Ric: Let me ask a question. How did your wife accumulate the credit card debt? Was it just willful spending?

Gary: Yes. I think she's addicted to QVC.

Ric: Has her behavior changed?

Gary: Yes. I mean, we're consciously now working on it and she's finally decided we need to get rid of it.

Ric: Well, a reverse mortgage on your daughter's condo is your answer. It's not your primary residence.

Gary: We were going to take the loan on our primary residence.

Q&A

Ric: Oh! Well, then, let's talk about that. What's your primary residence worth?

Gary: \$262,000.

Ric: What is the mortgage balance?

Gary: Zero.

Ric: Okay, then, you can get a reverse mortgage on your primary residence. An alternative would be to simply get a traditional loan instead, and use the proceeds to pay off the mortgage on the condo.

Gary: We were looking at that. When we talked with a mortgage person about it they were saying we still needed to cut that credit card balance down.

Ric: I would agree with that, but I don't understand why you're not doing that anyway. I mean, if you've got over a million dollars in savings and investments, why on earth haven't you paid off that credit card debt of twenty-four grand in the first place?

Gary: Well, what we're doing is slowly selling our investments.

Ric: No, Gary, get on with it. That credit card debt is likely costing you far more than what the investments are earning. And it's damaging your credit record, which is hurting your ability to get the loan. Get on with it, my friend.

Gary: Also, we can borrow from a reverse mortgage \$147,000 and...

Ric: Stop a moment, Gary. You're getting into details when you need to be sticking with broad concepts.

The "detail" is the choice between a traditional mortgage or a reverse mortgage. But the more important issue is this: Get rid of that credit card debt. There's no legitimate reason for you to be maintaining a balance of \$24,000 on credit cards when you're sitting on \$1.1 million in savings and investments. End of story.

After you get rid of the credit card debt, then you can meet with a financial advisor to discuss your plans to pay off the condo's mortgage. But don't talk only with a mortgage broker, because his commission depends on which type of loan you choose as well as the size of the loan you get. So, he's got a conflict of interest. That's why you need to meet with an independent, objective, fee-based financial advisor who can help you evaluate whether a traditional loan versus the reverse mortgage is the proper way to go.

Gary: But my wife cannot stand the idea of carrying a mortgage.

Ric: Now wait a minute...she had no problem with building \$42,000 of credit card debt, but she doesn't like the idea of a mortgage?

Gary: That's the irony!

Ric: Irony?! That's not irony, that's psychotic! We need to get your wife into counseling, and I mean that not as a pejorative comment, but as a real one, because your wife has some issues that are manifesting themselves in the form of compulsive spending. We need to learn why she feels the way she feels about money, to help her cope with the

financial implications of her behavior. And family counseling may be advisable as well, so you can help her deal with this. And along the way, she needs to recognize that, through her bad behavior, she has abdicated the right to make financial decisions — decisions such as her claim that she doesn't want a mortgage. Until she agrees to engage in proactive, positive behaviors, such as meeting with a counselor who can help her deal with the issues associated with her compulsive spending, and with her attitude about mortgages, she doesn't have the right to say, "I don't want a mortgage."

Gary: That came from her father embedding it in her head.

Ric: All our money issues come from our moms and dads. We always blame everything on them — it's always our mom's and dad's fault, right? (laughter) Let's let the psychologist or counselor figure out what's wrong and help her fix it. As a financial advisor, I just want to get you to make the right financial decisions. Your wife needs to recognize that she's part of the problem, and she has lost the right to influence the strategies at this stage. And we want to work with her to help her improve on that and help you both be better off. So, meet with a financial advisor to figure out the mortgage issue, and meet with a family counselor to help your wife deal with the issues that she's dealing with.

And I hope that works out for you very well. *IPF*

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