

Financially Speaking

Professional Guidance For the Future You Deserve

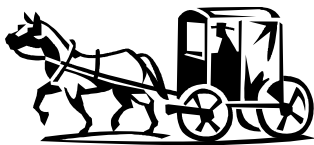
Spring 2006

Volume 1, Issue 2

\$\$\$ Gas Prices \$\$\$

It's getting to the point that I don't want to go near a gas station. Every day there's a new price, sometimes down but most often it's gone up. This got me thinking. I know how I'm reacting to the prices but I wondered what my family, friends, and clients are doing in the face of ever-increasing gasoline prices.

I had some lively, interesting, creative and common sense answers to my question, "Are you doing anything differently because of the current price of gasoline?"



The most common reaction I received to my question was a pained look followed by "I sure am." All kidding aside, the new higher prices are having a serious impact on many people's day-to-day and vacation plans.

A few of the families I spoke with have completely changed their summer vacation destinations. One family will be spending time at Disneyland instead of driving to the Grand Canyon and throughout the Southwest, while another has done the math and will fly to a family reunion in Chicago instead of driving. A retired couple I know was planning to take an RV trip through the Northwest this autumn but instead have decided on a cruise that leaves out of San Francisco. Then there are a couple of families

that will not be traveling at all, but will look for places in the area to take day trips. In each of these decisions the price of gas was pretty much the sole factor that caused their change in plans. They illustrate four ways that could save you money.

1. *Choose a vacation where you go to one place, especially one that has good public transportation.*
2. *Get there another way. Dust off your arithmetic skills so that you can compare the cost of driving (total trip miles divided by miles per gallon multiplied by the cost of a gallon of gas added to an estimate of maintenance and oil) with alternate transportation such as the train, buses or flying.*
3. *Purchase an all-in-one vacation. Cruising, tours, all-in-one packages, especially those that give door-to-door service, may offer an alternative vacation that, compared with the current price of gas, is very cost effective.*
4. *Look close to home for your travel. We live in an area that people travel to from all over the world. Become a tourist in your own back yard.*

On an everyday basis many of the people I spoke with have changed their daily driving patterns. Here are some of the ways people told me they are trying to conserve on their

gas consumption and to save money.

1. *Driving at or below the speed limit.*
2. *Carpooling or look for alternate ways to get to work including telecommuting when possible.*
3. *Keeping tires properly inflated.*
4. *Combining trips when running errands and planning the shortest route to get everything done.*
5. *Keeping the car clean and tuned up.*
6. *Trying to drive more consistently. When I asked my friend what she meant, she said she had read an article about avoiding jackrabbit starts and leaving more distance between cars so that you aren't constantly using the brakes and the accelerator when in traffic. In the same article she said they really emphasized avoiding unnecessary idling. So now when she's in line at a fast food restaurant she turns off the engine. Another thing she took away from the article was that a car runs much more efficiently when you use cruise control.*
7. *Cleaning out the car's trunk. Another friend told me that as little as 75 pounds can make a difference in fuel economy. He figured that taking out the snow chains, case of water, some tools and*

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Gas Prices, cont.

miscellaneous stuff he easily took out more than 75 pounds.

8. *Investigating cash back credit cards (only use if you pay off your cards in full every month) and discount programs at stations affiliated with grocery or discount stores.*

A few folks are planning on trading in their cars for more fuel efficient vehicles. They believe that higher gas prices are here to stay.

One cautionary note provided by the Federal Trade Commission is to be wary of "Gas-Saving"



advertising for gas additives or devices to be added your engine. For the most part the claims are completely bogus. The FTC has a web site which gives a number of real-life examples: www.ftc.gov/bcp/online/pubs/autos/gasave.htm.

What ever your thoughts are about the current state of gasoline prices and gasoline companies, there is no doubt that higher prices will have an impact on your budget. It's up to you to be proactive to limit the impact.

Financial Trivia

These are just-for-fun miscellaneous financial statistics. Remember, statistics are simple facts and are inherently neutral. Judgments, interpretations and viewpoints are applied to statistics by you. So, as you read the statistics and have reactions to them, ponder how they could impact you, your family or your friends.

► *A new word, minted in 2005, is "Kippers". It is an acronym for: Kids In Parents' Pockets Eroding Retirement Savings. Its definition is: adult children reluctant to leave their parents' nest.*

► *The IRS estimates that America is underpaid \$345 billion in taxes due to errors or intentional avoidance.*

► *In 2004, households with \$500,000 or more in investable assets donated 6% of their income on average.*

► *57 million households owned stocks directly or through mutual funds in 2005. This compares with 40 million households in 1995 and 16 million households in 1983.*

► *Savings rates are at their lowest level since 1933. One expression of this low savings rate is a decline in the average percentage of salary put into 401(k) plans. In 1999 the percent of eligible employees that participated in their company plan was 80% with a deferral rate of 8.6% of salary. By 2005 the participation rate had declined to 70% and the percent of salary being contributed had dropped to 6.9%.*

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► *In a recent survey by AXA Equitable, one out of three American workers expects to leave an inheritance to family members. The other two expect to spend all they have during retirement.*

► *In the same survey, 40% of the people already in retirement are setting aside assets for heirs.*



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Estate Planning

What will happen to Fido or Fluffy?

As a financial planner I find that one of the most difficult areas to speak to clients about is estate and end of life planning. Preparing now for what happens to your assets after you die, are sick, or hurt is hard to face, complex and emotional. In fact, many people simply resist doing their estate planning while gladly implementing all other areas of their financial plan.



As a financial planner, I try my best to get clients to act on all parts of their plan. So, when I encounter resistance to estate planning, one motivational tool I use for pet owners is to ask *"what will happen to your pets after you die or if you are hurt and can't take care of them yourself?"*

In getting organized for their pets many people are able to face their mortality and get all other aspects of their estate plan in order with an estate planning attorney. Here are a few simple steps you can take to ensure that your pets are able to live out their lives in safety and comfort.

First, identify who would be the best person or persons to

take care of each of your pets. Get in touch with these folks and ask them if they would be willing to take Fido or Fluffy and then set aside some time to talk to them about your pets personality, needs and idiosyncrasies.

Second calculate the cost to provide for your pet on a monthly and annual basis. Remember to include increased veterinary expenses as your animal grows older. If you want to make special arrangements for your pet's internment or cremation, add those costs in also. Don't forget inflation and adjust the costs upward to cover the expected life period. This is especially important if you have long-lived animals such as some turtles, reptiles, birds or large mammals.

Third, once you have determined what it will cost to maintain your pets during the balance of their lives, you may want to begin funding a savings account that will be available to your chosen caretaker to use to maintain your pets lifestyle.

Fourth it's time now to get your pet records organized. Create a file for your pet which includes your pet's name, medical conditions and history, the name of your veterinarian, favorite foods and favorite toys. Keep this file up to date and let your caretaker know where it can be found. Provide your caretaker with a letter of authorization which will allow him or her to immediately begin taking care of your pet in the event that you cannot.

Finally, make your appointment with an estate planning attorney to set up this and all areas of your estate plan. In California, you can set up a *"pet trust"* which can be included within your estate plan.



Enjoy the peace of mind that comes with securing the future of your pets.

"What will happen to your pets after you die or if you are hurt and can't take care of them yourself?"

Books of the month

Who Gets Grandma's Yellow Pie Plate?
By Marlene Stum

This is a sensible, down to earth guide on how to handle the distribution of family items from one generation to the next. The goal is to have the process be a celebration of the deceased person's life, rather than allowing emotions to harm or destroy family relationships.



The Richest Man in Babylon
By George Clason

A collection of parables written in the 1920s, this book is a timeless, inspirational work. Great advice on the subject of thrift, financial planning and personal wealth, that is just as sound today, as it was 80 years ago.

June is a month for exciting
new beginnings.....



June is a month for exciting new beginnings with weddings and graduations. Why not give the new couple or graduate a gift that will bring returns well into the future.

Books on managing money, investing and budgeting make excellent gifts.

An appointment with a financial advisor is another great way to get them on the right path.



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Reminders

*If you are on Medicare, you have until May 15 to select your Medicare Part D Prescription Plan to avoid a penalty. See our **Winter 2006 Financially Speaking** newsletter (www.marylaceygibson.com) for a detailed article which will help you decide if you should enroll; or go to the Medicare website at www.medicare.gov.*

Remember, no decision IS a decision. Be informed.

~Spring 2006 Issue~

Financial Planning: The wise integration of money in your life including the areas of insurance, retirement, taxes, debt and budgeting, investments, estate planning and college funding. Call 831-623-2126.

Thank you for your support. I really appreciate the referrals to family and friends I get from you and the trust in me that it implies. *Mary*



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~Newsletter~