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Save We Must: Tips for Building Financial Security

Have the stock market roller coaster and plunging home prices got you queasy? Former teachers-turned financial planners discuss how they help people weather financial turbulence, set goals, and accumulate savings for retirement, education, or other goals.

Included: [Suggestions for choosing a financial planner; debt reduction resources](#)
The plan for your retirement was to work until it wasn't fun anymore or you wanted to do something else, say, when you turned 58. Then the script called for relaxing or doing the new fun thing while your pension and some savings seamlessly kicked in to support your revamped lifestyle.

Most educators are fortunate to still have pensions, unlike the majority of Americans. But that pool of retirement money that at one time looked like it was going to last for 30 years now may be closer to running dry after 20 years -- just when you might be ready for that safari or third career. Worse, the stock market is playing ping pong with your investments. And many younger Baby Boomers and those of Generations X and Y are convinced Social Security will be nothing more than a chapter in history by the time they finally reach the ever-increasing eligibility age.

The need for people to take charge of their financial destiny has never been greater, yet consumers are faced with thousands of options and conflicting information about what to do with their money. Many people are turning to financial planners who not only can help them set up a retirement plan, but also develop long-term goals for savings.

"Financial planners help people do things that are difficult," said Dan Candura, a former teacher who now runs [PennyTree Advisers](#) in Braintree, Massachusetts. "It's someone to keep you on track and who keeps current on issues."

TEACHER CONCERNS, PERSPECTIVES

Teachers have some unique needs and perspectives when it comes to investments and retirement planning, experts told Education World. Since most are ensured a pension, they often are cautious about investing money in products that don't guarantee a return, said Dan Candura. "Teachers tend to be security-oriented," he said. "They have nice pensions -- in Massachusetts, it's 80 percent of what they earned the last three years they were working -- so they are lucrative pensions compared with the rest of the world."

"Teachers are not financially-savvy and not investment-oriented. They are savings- oriented. Annuity salespeople would come to schools and walk the halls and they would sign up for annuities."

Teachers often need some convincing to look past traditional retirement income sources, said John Wendland, program manager of investments for the [National Education Association \(NEA\) member benefits](#). The NEA provides [retirement planning resources](#) through its member benefits division.

"The key issue we do encounter is that teachers often say they have enough with their pensions and Social Security, but often they do need additional income," Wendland told Education World. "Everyone's life expectancy is increasing, and as they get older, medical expenses increase."

In Candura's experience, teachers often are wary when it comes to financial matters. "They are good at analyzing and evaluating information and are very cost-conscious," he said. "Teachers, like engineers, though, can be so skeptical that they get in their own way. They are afraid someone might be trying to sell them some things. If fees are involved, it puts them off."

At the same time, because of the duration of teachers' retirements and the make-up of the population, they need more assets. "They may have a longer retirement than most, since the teacher population is heavily female and women live longer," Candura noted. "While teachers' pensions are very good, they should still be saving for retirement because retirement will be very long, and pensions often are not adjusted for inflation."

Marilyn Capelli Dimitroff, a financial planner with Capelli Financial Services in Bloomfield, Michigan, who is chairwoman-elect of the board of directors of the [Certified Financial Planner Board of Standards, Inc.](#), said many of her educator clients are researching ways to segue into a second career.

"Many of them look to retire at a point where they have time to pursue other interests or careers, like around age 60," said Capelli Dimitroff, herself a former teacher. "They want to build into a financial plan some level of continued work after teaching. They look at their skills, their experience from teaching, and look how they can combine those with other interests." And because of their pensions, "that does allow them to have a different level of comfort when it comes to retirement."

Although lately, Capelli said, a trend she has noticed is that people are working longer. "They say, 'Oh, I'll work one more year,' and then they work another year -- it's the idea of making sure they have a good cushion."

DIFFERENT APPROACHES TO FINANCIAL PLANNING

Financial planners are in growing demand now because while more people are educated about investments than ten or 15 years ago, the number of investment options has exploded, making the financial landscape hard to navigate.

In 1982-1983, when he was largely dealing with educators, Dan Candura said he had to explain what a mutual fund was to his clients. Now there are more mutual funds than stocks on the New York Stock Exchange.

Besides monitoring market changes and making recommendations for investments, a financial planner can help a client re-balance a portfolio (or resist re-balancing it). A planner also helps people set goals, such as saving enough to buy a house or retire within in a certain number of years.

Candura also subscribes to what he calls the "blue suit approach" -- meaning there are different yet just as effective ways of investing. "A lot of people are seeking perfection -- but there are lots of things that go with a blue suit -- you don't always have to wear a red tie," Candura told Education World. "People get immobilized because they can't make a choice -- when sometimes spreading things out works well."

Financial planners usually are one of two types. Some are affiliated with a company and earn money when they sell that company's investment products, such as mutual funds. Often they do not charge a fee for their services. Other financial planners do not market products and charge a fee for financial advice and to manage portfolios.

Marilyn Capelli Dimitroff, who works on a fee-only basis, said there is good advice available no matter what the compensation arrangement is. "The person seeking advice needs to understand how the advisor is being compensated," she told Education World. "There is no right way. This way [fee-only] of doing business works the way I like to operate -- I'm on the same side of the table as the client. The only incentive is for the client to be better off."

Candura also runs a fee-only business, and said sometimes that is difficult for clients to understand. "The financial planning profession has been built up as a product distribution network -- very few just deliver financial planning services," he said. "More people want that -- just services. But many people can't afford just that advice."

A former teaching colleague came to Candura about 15 years ago, seeking advice on how to manage her assets. She had accumulated everything in cash.

"I told her there would be a one-time fee of less than one-quarter of a percent of the assets she wanted me to manage," he told Education World. "She said a friend had gone for financial planning and it was free. She couldn't get by the fee."

Capelli is trying to promote fee-only financial services by approaching companies and school districts to hire him as a resource for all their employees.

TEACHERS ASK FOR HELP

Besides retirement planning, more educators, like many people, are seeking help managing their financial commitments, said Barry Hudson, the NEA's vice president of member relations.

"We've done research over the past two or three years to get ideas of what members need," he told Education World. "And they are leveraged -- it's affecting their credit rating, ability to save, and ability to build a financial fortress."

In response to member needs, the NEA launched a [partnership](#) with the National Foundation for Credit Counseling. NEA members can get advice about managing and reducing their debt over the phone or in person for free or for a nominal charge. "They need help with paying day-to-day bills so they can look to start investing," Hudson noted.

Since the partnership began about 18 months ago, several thousand educators have sought advice and the NEA is continuing to spread the word.

One reason some educators might accumulate debt is they have high aspirations for their children, speculated Hudson. Teachers are educated and education-minded and want their children to be well-educated as well. So they spend money on college tuition the way people in higher income brackets do. "They take on more debt than most people for educational expenses," he said.

CHOOSING A FINANCIAL PLANNER, INVESTMENT TIPS

Dan Candura provided these suggestions for selecting a financial planner: Look for a certified financial planner. "But just because the person is certified doesn't mean he or she is the right planner for you."

"Look for a person with whom you are willing to get financially naked." That is, be willing to be very candid about your finances.

Look for someone who puts the client's interest ahead of his or her own.

Trust your gut, and ask yourself these questions: Is the person affordable? Do you trust him or her? Do you like the person? Are you willing to do things that will make a difference? Is he or she respectful of you?

With stock market dips making everyone a little queasy, Candura and Marilyn Capelli Dimitroff offered some general advice for managing money and investing. Save

- Live within your means
- Pay yourself first -- set aside 5 percent to 10 percent of your paycheck for your own needs.
- Set goals. "Work on about five goals at a time -- it's better than having too many," Candura said. "Focus on what's important."
- Diversify your investments. "Make sure you have a globally diversified portfolio and wait it out," Capelli Dimitroff said. "The market [turmoil] now makes us feel the need to do something, but it is better to wait it out." Candura agreed. "Not all stocks are the same. You need to spread investments across large and small companies. Put no more than 20 percent in any category. That way if something bad happens, you can't get hit that hard, and you'll wish you had bought less of something. If something good happens, you won't do spectacularly, but you'll wish you'd bought more of something."

ADDITIONAL RESOURCES

The NEA offers the [Valuebuilder program](#), which allows members to do a five-minute retirement check-up and seek investment assistance online or with an advisor. "We have agents all over America who can help with retirement. We are also developing a phone center-Internet-based program supplemental to agent work," said the NEA's Barry Hudson. NEA members also can order the booklet, [Healthy, Wealthy, & Wise: The NEA-Retired Guide to Maintaining Financial Security](#).

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