



Newsletter  
**BUMGARDNERMORRISON**

CERTIFIED PUBLIC ACCOUNTANTS  
WEALTH MANAGEMENT ADVISORS

*Empowering Peace of Mind*

Volume 2

Issue 3



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# The Importance of Financial Literacy

*Too few Americans understand personal finance fundamentals.*

Provided by J. David Bayarena, CFP®, MBA

**If only money came with instructions.** If it did, the route toward wealth would be clear and direct. Unfortunately, many people have inadequate financial knowledge, and for them, the path is more obscure.

**Are most people clueless about financial matters?** That depends on what gauge you want to use to measure financial knowledge. The U.S. ranked fourteenth in Standard & Poor's 2015 Global Financial Literacy Study, with just 57% of the country's population estimated as financially literate.<sup>1</sup>

Obviously, the other 43% of Americans have some degree of financial understanding – but it is mixed with a degree of incomprehension. Witness some examples:

\*A recent LendU survey found that nearly half of college students carrying student loans thought those debts would eventually be forgiven if left unpaid.

\*This year, Fidelity Investments asked Americans the following question in a multiple-choice quiz: "If you were able to set aside \$50 each month for retirement, how much could that end up becoming 25 years from now, including interest, if it grew at the historical stock market average?" The correct answer was \$40,000, but just 16% of respondents got it right. Another 27% guessed \$15,000 (i.e.,  $50 \times 12 \times 25$ , as if interest was not a factor).

\*The S&P 500 has returned positively in 30 of the last 35 years. Just 8% of those answering Fidelity's quiz guessed this.<sup>2,3</sup>

**Apart from these examples, consider another one at the macro level.** According to the latest National Financial Capability Study from FINRA (the Financial Industry Regulatory Authority), only about a third of Americans younger than 40 understand the basic financial concepts of compounding, inflation, and risk diversification.<sup>1</sup>

Statistics aside, think about how a lack of financial acumen hurts people's chances to build or protect wealth. How about the employee who skips retirement plan enrollment at work, mistakenly thinking that a tax-deferred retirement account is the same as a bank account? Or the small business owner puzzled by cash flow and profit-and-loss statements? Or the young borrower who fails to grasp the long-run consequences of only making interest payments on a credit card or loan?

Financial professionals continually educate themselves. They stay on top of economic, tax law, and market developments. Investors should as well. Ten or twenty years from now, you may find yourself in an entirely different place financially – who knows? The economy, the Wall Street climate, and even the investment opportunities before you could all differ from what you see today. If your financial knowledge is ten or twenty years out of date, you risk being at a disadvantage.

**Financial literacy is not about prevention, but instead about empowerment.** The more you understand about personal finance, the more potential you give yourself to make smart money decisions.

**David Bayarena may be reached at 361.575.0271.**

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## Citations.

1 - [marketwatch.com/story/should-colleges-require-a-financial-literacy-class-2017-04-03/](http://marketwatch.com/story/should-colleges-require-a-financial-literacy-class-2017-04-03/) [4/3/17]

2 - [investopedia.com/news/3-ways-improve-financial-literacy/](http://investopedia.com/news/3-ways-improve-financial-literacy/) [4/21/17]

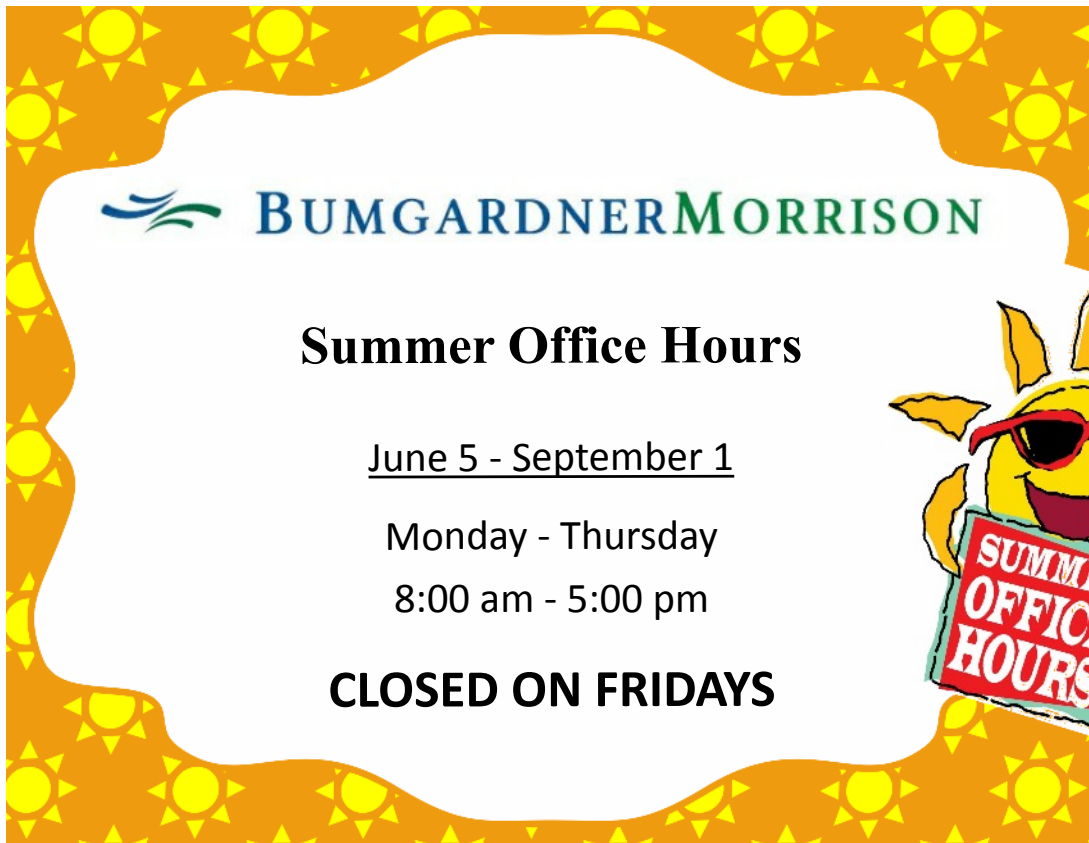
3 - [marketwatch.com/story/most-americans-failed-this-eight-question-retirement-quiz-2017-03-23](http://marketwatch.com/story/most-americans-failed-this-eight-question-retirement-quiz-2017-03-23) [3/23/17]


Employee

# TRIVIA

Which Bumgardner Morrison employee appeared as an extra on four episodes of the TV show *Friday Night Lights*?

The answer is hidden within these pages.




 **BUMGARDNERMORRISON**

**Summer Office Hours**

June 5 - September 1

Monday - Thursday  
8:00 am - 5:00 pm

**CLOSED ON FRIDAYS**



# Do Women Face Greater Retirement Challenges Than Men?

*If so, how can they plan to meet those challenges?*

Provided by J. David Bayarena, CFP®, MBA

**A new study has raised eyebrows about the retirement prospects of women.** It comes from the National Institute on Retirement Security, a non-profit, non-partisan research organization based in Washington, D.C. Studying 2012 U.S. Census data, NRIS found that women aged 65 and older had 26% less income than their male peers. Looking at Vanguard's 2014 fact set on its retirement plans, NRIS learned that the median retirement account balance for women was 34% less than that of men.<sup>1</sup>

Alarming numbers? Certainly. Two other statistics in the NRIS report are even more troubling. One, a woman 65 or older is 80% more likely to be impoverished than a man of that age. Two, the incidence of poverty is three times as great for a woman as it is for a man by age 75.<sup>1,2</sup>

**Why are women so challenged to retire comfortably?** You can cite a number of factors that can potentially impact a woman's retirement prospects and retirement experience. A woman may spend less time in the workforce during her life than a man due to childrearing and caregiving needs, with a corresponding interruption in both wages and workplace retirement plan participation. A divorce can hugely alter a woman's finances and financial outlook. As women live longer on average than men, they face slightly greater longevity risk – the risk of eventually outliving retirement savings.

There is also the gender wage gap, narrowing, but still evident. As American Association of University Women research notes, the average female worker earned 79 cents for every dollar a male worker did in 2014 (in 1974, the ratio was 59 cents to every dollar).<sup>3</sup>

**What can women do to respond to these financial challenges?** Several steps are worth taking.

**Invest early & consistently.** Women should realize that, on average, they may need more years of retirement income than men. Social Security will not provide all the money they need, and, in the future, it may not even pay out as much as it does today. Accumulated retirement savings will need



to be tapped as an income stream. So saving and investing regularly through IRAs and workplace retirement accounts is vital, the earlier the better. So is getting the employer match, if one is offered. Catch-up contributions after 50 should also be a goal.

**Consider Roth IRAs & HSAs.** Imagine having a source of tax-free retirement income. Imagine having a healthcare fund that allows tax-free withdrawals. A Roth IRA can potentially provide the former; a Health Savings Account, the latter. An HSA is even funded with pre-tax dollars, as opposed to a Roth IRA, which is funded with after-tax dollars – so an HSA owner can potentially get tax-deductible contributions as well as tax-free growth and tax-free withdrawals.<sup>4</sup>

IRS rules must be followed to get these tax perks, but they are not hard to abide by. A Roth IRA need be owned for only five tax years before tax-free withdrawals may be taken (the owner does need to be older than age 59½ at that time). Those who make too much money to contribute to a Roth IRA can still convert a traditional IRA to a Roth. HSAs have to be used in conjunction with high-deductible health plans, and HSA savings must be withdrawn to pay for qualified health expenses in order to be tax-exempt. One intriguing HSA detail worth remembering: after attaining age 65 or Medicare eligibility, an HSA owner can withdraw HSA funds for non-medical expenses (these types of withdrawals are characterized as taxable income). That fact has prompted some journalists to label HSAs "backdoor IRAs."<sup>4,5</sup>

*Continued on Page 5*

**Work longer in pursuit of greater monthly Social Security benefits.** Staying in the workforce even one or two years longer means one or two years less of retirement to fund, and for each year a woman refrains from filing for Social Security after age 62, her monthly Social Security benefit rises by about 8%.<sup>6</sup>

Social Security also pays the same monthly benefit to men and women at the same age – unlike the typical privately funded income contract, which may pay a woman of a certain age less than her male counterpart as the payments are calculated using gender-based actuarial tables.<sup>7</sup>

**Find a method to fund eldercare.** Many women are going to outlive their spouses, perhaps by a decade or longer. Their deaths (and the deaths of their spouses) may not be sudden. While many women may not eventually need months of rehabilitation, in-home care, or hospice care, many other women will.

**Today, financially aware women are planning to meet retirement challenges.** They are conferring with financial advisors in recognition of those tests – and they are strategizing to take greater control over their financial futures.

### **David Bayarena may be reached at 361.575.0271.**

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#### **Citations.**

1 - bankrate.com/financing/retirement/retirement-women-should-worry/ [3/1/16]

2 - blackenterprise.com/small-business/women-age-65-are-becoming-poorest-americans/ [3/18/16]

3 - tinyurl.com/jq5mqhg [6/8/16]

4 - bankrate.com/finance/insurance/health-savings-account-rules-and-regulations.aspx [1/1/16] 5 - nerdwallet.com/blog/investing/know-rules-before-you-dip-into-roth-ira/ [1/29/16]

6 - fool.com/retirement/general/2016/05/29/when-do-most-americans-claim-social-security.aspx [5/29/16]

7 - investopedia.com/articles/retirement/05/071105.asp [6/16/16]

**“A customer is the most important visitor on our premises.  
He is not dependent on us; we are dependent on him.  
He is not an interruption in our work; he is the purpose of it.  
He is not an outsider in our business; he is part of it.  
We are not doing him a favor by serving him;  
he is doing us a favor by giving us an opportunity to do so.”**

*Mahatma Gandhi*

## History of Father's Day

Sonora Dodd, of Washington, was one of the first people who had the idea of a "Father's Day." She thought of the idea for Father's Day while listening to a Mother's Day sermon in 1909. Sonora wanted a special day to honor her father, William Smart. Smart, who was a Civil War veteran, was widowed when his wife died while giving birth to their sixth child. Mr. Smart was left to raise the newborn and his other five children by himself on a rural farm in eastern Washington state. After Sonora became an adult she realized the selflessness her father had shown in raising his children as a single parent. It was her father that made all the parental sacrifices and was, in the eyes of his daughter, a courageous, selfless, and loving man. Sonora's father was born in June, so she chose to hold the first Father's Day celebration in Spokane, Washington on the 19th of June, 1910. Even before Dodd, however, the idea of observing a day in honor of fathers was promoted. Dr. Robert Webb conducted what is believed as the first Father's Day service at the Central Church of Fairmont, West Virginia in 1908. It was Dodd's efforts, however, that eventually led to a national observance. President Calvin Coolidge, in 1924, supported the idea of a national Father's Day. Then in 1966 President Lyndon Johnson signed a presidential proclamation declaring the 3rd Sunday of June as Father's Day.



June 18th

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*Empowering Peace of Mind*





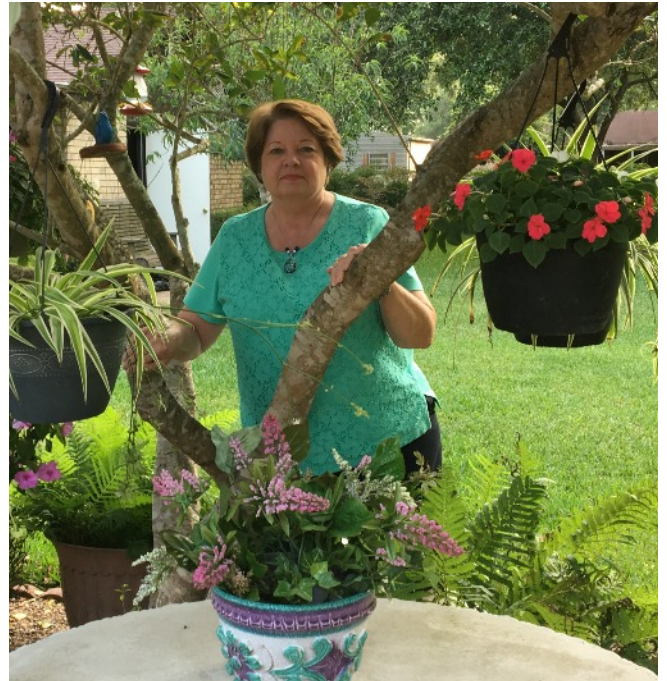
# Employee Spotlight...

## Barbara Warmuth

Barbara Warmuth joined the Bumgardner Morrison team three years ago as an Administrative Assistant. Barbara was born in Hallettsville, but grew up in Victoria along with her three sisters and one brother. She and husband Eddie have been married 41 years and have two sons, James (Maja) and Jason, and two grandchildren, Edward and Eeva, all of Victoria.

When not at work, Barbara and her husband enjoy spending time outside in their yard, which their neighborhood has voted "Yard of the Month" on several occasions. They also love to travel and have taken trips with family and friends to Mexico, Alaska, Nevada, Colorado, New Mexico, Palo Duro Canyon and many trips to the Texas Hill Country.

Family is very important to her and she is very proud of her parents who recently celebrated their 64<sup>th</sup> wedding anniversary. Just ask her about her grandchildren and she will always have a story to tell. They are a very important part of her life, along with her sons and daughter-in-law.



## Just For Grins...

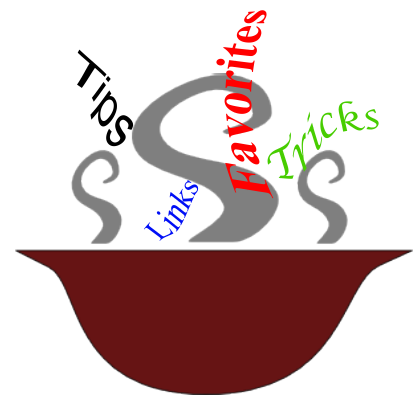


### Magic Penny

After putting their three-year-old child Brian in bed, his parents heard muffled sobs coming from his room one night. Rushing back in, they found that the child was crying hysterically when he saw them. He told his parents that he had accidentally swallowed a penny and was sure that he would die now. The father, in an attempt to sober him down, took out a penny from his pocket and pretended to pull it out from Brian's ear. The child was really thrilled and stopped crying at once. In a flash, he snatched the penny from his dad's hand, swallowed it, and then cheerfully demanded, "Do it again, Dad!"



# The Soup...



## Excel Tip:

To start a new line in an Excel cell, use the following keyboard shortcut:

- For Windows – ALT + Enter.
- For Mac – Control + Option + Enter.

## Word Tip:

To select text:

- Double-click on a word to instantly select the entire word.
- Triple-click the mouse to select the entire paragraph.
- Hitting the CTRL key while clicking the mouse on a word will select the entire sentence .

**We hope you enjoyed our newsletter. Previous issues are available at <http://www.bmccpa.com/blog>.**

**If you would like to receive a copy via email, please send your request via email to Lori Devereaux at [lori@bmccpa.com](mailto:lori@bmccpa.com).**



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Editor.....Josh Page

Layout Editor.....Lori Devereaux

Resident Extra.....Andrew Merryman