

**SPECIAL
POINTS OF
INTEREST:**

- Does being married effect retirement decisions?
- Do you fall into the Better-than-average category?
- What are Target-Date Funds? What aren't they? Plus check out the Myths!

**INSIDE
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Love and Marriage and Retirement

More than 80% of married couples ages 45 to 72 say they don't agree on when they should retire, what their retirement lifestyle should be like, or whether they will work in retirement, according to a new survey.¹

This may not come as a surprise to anyone who is married. The real news is that leaving such basic issues unsettled paves the way for confusion and missed opportunities. Funding a comfortable retirement is challenging enough without adding marital conflict to the mix.

Only 38% reported making decisions together about their retirement investments.² This could explain why 39% of couples disagreed about whether they owned annuities and 25% disagreed on whether they owned an IRA.³ When a couple pools their financial resources, they should also consider how the union will affect their combined risk tolerance and time horizon. Failing to do so could result in the couple having an improperly allocated portfolio without knowing it.

Forty-two percent don't agree on the kind of lifestyle they will

share in retirement.⁴ If she wants to move closer to the family and he wants to travel the open road, it will be difficult to determine whether they are saving enough to support their expected lifestyle because they still don't have an accurate picture of their lifestyle goals.

bility: Will each spouse begin taking Social Security benefits at 62, or should one or both wait until full retirement age? Will the older spouse's retirement age affect the younger's decision about when to tap tax-deferred retirement accounts, which carry penalties for withdrawals before age 59½?

Disagreements are natural in a healthy marriage. But allowing them to go unresolved can needlessly limit financial options and opportunities.

1–2) *The Dallas Morning News*, July 9, 2009
3–5) AARP, 2009

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SURVEY SAYS ...

- 54% of wives are less risk tolerant because of market turmoil**
- 45% of couples make day-to-day financial decisions together**
- 41% of husbands are less risk tolerant because of market turmoil**
- 40% of couples indicated that one or both spouses will work in retirement**
- 15% of couples felt confident that either spouse could take control of the finances if the other died**

Source: AARP, 2009

Sixty percent could not agree on the husband's or the wife's expected retirement age.⁵ Obviously, choosing when to retire is a personal decision, based on health and career factors. But there are other important considerations that relate to age eligi-

Beware the *Better-Than-Average* Effect

We're always hearing about the "average" person. You know, the one who is 36.7 years old, graduated from high school but probably not from college, earns between \$33,000 and \$62,500 per year in a white-collar job, owns a three-bedroom home worth about \$167,000, has 1.86 children, eats 160 pounds of sugar every year, and will live to be 78.1 years old.

That doesn't sound like you, does it? And if it seems to you that it wouldn't take too much effort to distinguish yourself from the average American, well, then, you are average, too.

Economists have found that, on average, people tend to believe that their own lives are improving at a faster rate than most everyone else's. This phenomenon, dubbed the *better-than-average* effect, shows up in studies in which individuals are asked to rate their own personal well-being and the well-being of the country.¹

Research suggests that this belief may cause investors to become overconfident, leading them to underestimate risk, trade in riskier securities, overreact to private information, underreact to public information, and trade more aggressively in periods after they observe market gains.²

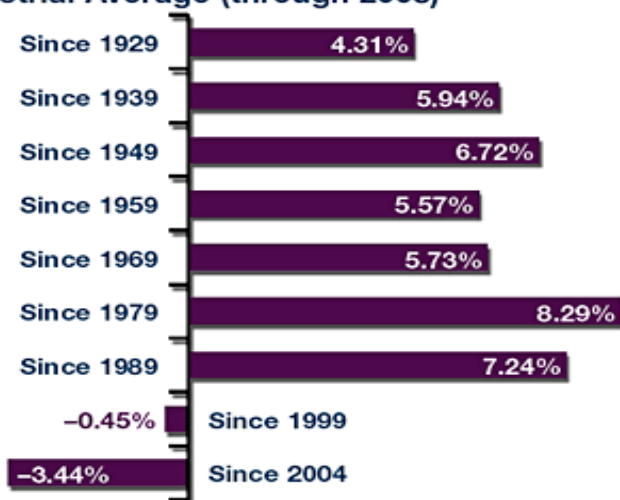
Basing your financial strategy on inflated expectations could be a



costly mistake. Imagine planning for a 12% return from a portfolio that actually yields only 6%. This type of overconfidence may cause you to save too little or spend too much. Adopting a more conservative outlook may encourage more disciplined saving. If your portfolio outperforms your expectations, you may reach your goals sooner than expected.

1–2) Federal Reserve Bank of St. Louis *Review*, May/June 2009

AVERAGES FROM THE INDUSTRIAL AVERAGE Average annual returns from the Dow Jones Industrial Average (through 2008)



Source: Thomson Reuters, 2009. Dow Jones Industrial Average for the period 12/31/1928 to 12/31/2008. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results.

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Are Target-Date Funds Off Target?

Less than 6% of investors can explain what target-date funds do, despite the fact that more than one-third of investors are contributing to such funds.¹ The popularity of target-date funds, coupled with the wide misconceptions about how these investments work and what they offer, can create a sticky situation for investors who have heard only the hype and are putting money into an investment they may not really understand.

What They Are

Target-date funds (also known as lifecycle funds) are hybrid mutual funds. *Hybrid* means they can contain assets from a variety of asset classes such as stocks, bonds, and cash alternatives. Typically, target-date funds are based on a date that corresponds to the date when the investor expects to retire or needs access to the funds. For example, an investor expecting to retire in 2030 might choose a 2030 fund. The mix of assets in the fund adjusts according to the target date and the “glide path,” a term used to refer to the formula that determines how and when assets are adjusted. In general, the mix of investments in the target-date fund gradually becomes more conservative as the date grows closer.

What They Aren't

A recent survey found that many investors had misconceptions

about target-date funds. For example, 61% incorrectly thought that target-date funds offered some sort of guaranteed return.² As with all mutual funds, the return and principal value of target-date funds fluctuate with changes in market conditions. Shares,

important for an investor to look beyond the target date to determine whether a particular target-date fund is an appropriate investment.

Pouring money into any investment that you don't understand can be especially risky. Target-date funds are not for everyone, so it's important to gather all the facts.

Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) *Journal of Financial Planning*, July 2009
2-3) *U.S. News & World Report*, May 8, 2009

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Myth-understood

The following statements about target-date funds are either partially or completely false. Unfortunately, even after receiving some education about target-date funds, many of the survey's participants agreed with these statements.

Misconceptions	% who thought this was true
You will be able to retire on the target date.	62%
You can spend less time tracking your progress toward your retirement goals.	62%
There is little or no chance that money in a target-date fund could be lost over a 10-year period.	57%
Your money will grow faster than other similar investments.	36%
You can save less money and still meet your retirement goals.	30%
There is little or no chance you will lose money after the target date.	24%

Source: *U.S. News & World Report*, May 7, 2009

when sold, may be worth more or less than their original cost.

Almost 85% of investors surveyed felt that target-date funds from different investment companies would be similar if they carried the same target date.³ It is important to note, however, that no two target-date funds with the same target date are alike. Typically, they won't have the same asset allocation, investment holdings, turnover rate, or glide path. So it is

What's New at Brandywine



From Raymond's Desk

Winter is flying by and I cannot wait until Spring! These short, dark, cold days make me want to hibernate like a bear! I hope everyone had a wonderful holiday season. I spent my holidays with friends and family, mostly my Grandfather and Mother. My cousin, Brian and his wife Kim and their two children also visited for Christmas. They recently had a baby boy named Mateo Cristian. Brian asked if I would be the God-Father to his new born son and I graciously accepted the offer. It is my first God-Child so it is quite a privilege especially not having any children of my own yet. Over the holidays I was able to spend a couple days with Mateo, he is only 6 months old and was very well behaved. He hardly cried at all! I am looking forward to his upcoming Christening in February. If anyone can think of a unique gift to give please let me know, I would like to give something special. I was thinking about opening a 529 College Fund in his name in which his family can contribute to each year for birthdays and other holidays. Any additional thoughts would be greatly appreciated.

From Jill's Desk

Looking for something better to do (instead of laying around the house) to help pass the rest of these long chilly winter months? Well I found one really great way to pass a few hours!

Last week I went with my father and my sister to see the highly praised James Cameron film, Avatar, at our local IMAX theater. If you haven't seen it yet, you are missing out on a monumental leap made in, not only technology, but movie making & viewing history. According to Mtv.com, Avatar has raked in \$41.3 million in the U.S., making it the "third-highest-grossing movie of all time domestically." If you have not seen it yet, it is probably because you thought it was going to be like all the other 3-D movies you have seen before, right? Well, it is definitely unlike anything you have ever seen before. Instead of feeling like things are coming at you, like the typical 3-D movies do, Avatar makes you feel like you are actually apart of the movie. For example, there is a scene where they are in this utopian rainforest and it actually felt like the beautiful plants and flowers were all around you and the audience. I did not have that uneasy feeling like I did from all the 3-D attractions at Disney World or the other 3-D movies I have seen.

I liked it so much I think I definitely plan on seeing it at least one more time in the IMAX theater. If you decide to check it out, I'd love to hear about your experience!