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**September 2009**

## **MESSAGES from the Masters**

### **FOUR ESSENTIALS FOR HAPPINESS by Brian Tracy**

Everything you do is an attempt to enhance the quality of your life in one or more of these areas.

#### **THE KEY TO HAPPINESS**

The first category is your desire for happy relationships. You want to love and be loved by others. You want to have a happy, harmonious home life. You want to get along well with the people around you, and you want to earn the respect of the people you respect. Your involvement in social and community affairs results from your desire to have happy interactions with others and to make a contribution to the society you live in.

#### **ENJOY YOUR WORK**

The second category is your desire for interesting and challenging work. You want to make a good living, of course, but more than that, you want to really enjoy your occupation or profession. The very best times of your life are when you are completely absorbed in your work.

#### **BECOME FINANCIALLY INDEPENDENT**

The third category is your desire for financial independence. You want to be free from worries about money. You want to have enough money in the bank so that you can make decisions without counting your pennies. You want to achieve a certain financial state so that you can retire in comfort and never have to be concerned about whether or not you have enough money to support your lifestyle. If you save and invest regularly throughout your working life, you will eventually reach the point where you will never have to work again.

#### **ENJOY EXCELLENT HEALTH**

The fourth and final category is your desire for good health, to be free of pain and illness and to have a continuous flow of energy and feelings of well-being. In fact, your health is so central to your life that you take it for granted until something happens to disrupt it.

#### **CONTROL YOUR ATTENTION**

Life is very much a study of attention. Whatever you dwell upon and think about grows and expands in your life. The more you pay attention to your relationships, your work, your finances and your health, the better they will become and the happier you will be.



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McCormick-Klessig & Assoc., Ltd. provides individuals, families, small and medium sized businesses with complete coverage of personal and business risks in all product lines: Commercial Personal Life Accidental and Health ( including group products).

I'm sure you've heard about the problem our country faces with "Social Security, corporate pensions, state pensions, county pensions, municipal pensions...virtually all defined benefit pensions." The following abstracts from an industry publication really brought it home to me. This is a must read. I'll call soon to get your thoughts.

**OUR COUNTRY'S PENSION CRISIS IN A NUTSHELL** - Pension plans that promise a specific benefit in the future are essentially a contract between current and future generations, and those future generations aren't represented at the bargaining table. As a result, they get stuck guaranteeing the retirement income of their elders while receiving nothing in return. This is the case for Social Security, corporate pensions, state pensions, county pensions, municipal pensions...virtually all defined benefit pensions! Read more at International Centre for Pension Management (<http://www.rotman.utoronto.ca/icpm/>).

**PENSION PLAN PRESS** - With IBM freezing its pension plan, a plethora of articles on the dim future of the defined benefit pension plan concept have hit the press. Here is a summation of what you need to know.

**Brief history** - The corporate pension has been around since the 19th century, but really came into its own in the U.S. in the years just after World War II. The defined benefit plans assumed lifetime jobs with a company, which seemed reasonable at the time, but has long since ceased being the American norm.

**Why is it happening?** - Companies are trying to become more competitive and adapt to changing times. They must compete with younger companies that never made pension promises or foreign companies where the government provides retirement benefits or there are no benefits at all. IBM is paying about \$270 million to make the change, but will save \$2.5 billion over the next 5 years.

**Why now?** - Pension crises at steelmakers and airlines have brought the issue to a head, but arcane accounting rules and low, long-term interest rates mean the accounting benefit for freezing a pension is higher than it would be if long-term rates rise.

**Who's most vulnerable?** - Salaried employees since companies have to negotiate to cut benefits for workers covered by collective bargaining.

**What about earned benefits?** - Companies can't cut pension benefits already earned, but the earned benefits in a defined benefit plan may be a lot less than expected.

**Who gets hurt the most?** - Workers in their 40s and 50s who have been at the company many years. Benefits build up fastest in an employee's final years at a company...50% of a person's pension may be earned in the last five years on the job. Even with bigger 401(k) contributions, these workers may never catch up.

**Who isn't hurt?** - Current retirees, younger workers and those who switch jobs frequently.

**Freezing versus terminating** - Freezing locks the pension in place where it currently stands actuarially and the company is obligated to pay in the future. When employers terminate a pension, they must pay out all of the benefits immediately, either in lump sums or by buying each worker an annuity. Most terminations are due to bankruptcy.

**Companies at risk** - Those with a large percentage of older, longtime employees; those with employees not covered by a collective-bargaining agreement; those that have already cut some retiree benefits in the past.

**GOOD RIDDANCE TO DEFINED BENEFITS** - *Fortune* sees the IBM pension plan freeze as the beginning of the end of traditional pensions in the U. S. and editorializes that "corporate pensions are an unstable, unfair and economically perverse means of paying for retirement."

The purpose of this newsletter is to provide information of general interest to our clients, potential clients and other professionals. The information provided is general in nature and should not be considered complete information on any product or concept described. For more complete information, please contact my office at Office: (715) 627-4302.