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MESSAGES from the Masters

FINANCIAL INDEPENDENCE by Tom Hopkins

Do you worry about money? I'd bet that at least 90% of people worry about money. Today people squabble about money, mismanage money, families are divided, divorces occur, and trouble runs amok. Money doesn't really make you happy, but it does give you the freedom and opportunity to find out what will make you happy.

Money plays a powerful role in our lives today. It influences our relationship with our spouse, children and others we associate with. It has an affect on the level of stress we experience as well as how we communicate with others. We need to get disciplined and learn how to handle this necessary commodity well in our lifetime. Controlling our finances is a simple matter--it's just hard to do! It takes a lot of discipline to sit down with all the paperwork and summarize it all in one place so you can see where you stand financially. However if you don't, years may go by and as you approach your golden years and start checking into your financial situation, you'll wonder where all your money went. Don't procrastinate.

So where does all the money go? It's not hard a hard question to answer. We can find out simply by keeping track of our personal cash outlay for one full week or month.

How does one define financial independence? My definition is: ***Living comfortably off the annual income generated by your net worth at a given date in time.*** With this definition, the amount of your financial security is up to you. To achieve your chosen level of financial security you must first determine what amount of money you would be comfortable with on a monthly basis and multiply that by 12 for the annual amount. Divide your annual amount by an average interest rate (e.g., 5%). Once you have determined this figure, you need to have a plan for acquiring it.

Discipline number one may sound rather trite, but it is true. **The first key to building financial independence is that you must spend less than you make.** How many people really live within their means? Available cash makes you financially prepared. Do this by setting up an emergency savings account. Learning to live on less than you make prepares you for "rainy days" and relieves stress.

Discipline number two I call, **"Pay yourself first."** I suggest you first write a check to yourself every month. Just like you write a check to the electric company, I want you to write a check to yourself that you save or invest.



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About Our Firm...

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).

Did You Know That Qualified Retirement Plans Tend to Discriminate AGAINST the Highly Compensated?

The restrictions placed on qualified retirement plans strictly limit the size of the benefits that can be accrued for highly-compensated employees.

When compared to the benefits provided to lower-paid employees, these limitations can produce a "reverse discrimination" effect that results in qualified retirement plans replacing an inadequate percentage of an owner's or key employee's pre-retirement income.

Reverse Discrimination in Action...

- The benefits from or contributions to each type of qualified retirement plan are limited or "capped."
- Eligible compensation that can be considered in applying these benefit or contribution limitations is capped at \$230,000 in 2008 (as adjusted for inflation).

There is, however, a solution to the inadequacy of qualified retirement plan benefits for owners and key employees...**a selective executive benefit plan** can be used to counter the "reverse discrimination" effects of a qualified retirement plan!