

# THE TRUTH

We have been blessed at Equity Concepts North with many financial truths. Over the years there is one truth that we have been compiling facts, applying our knowledge and simplifying for sharing with the public. This truth is called "The Retirement Myth™". It shows in great detail why averages can be misleading. People must understand why averages can be misleading and the difference between average and actual return.

People may be making some or all of the following errors in their retirement planning by making decisions using average returns. The first two are in the accumulation stage and the last one is in the retirement stage.

- 1 First, they may be making decisions on their investments by looking at the investments' history, which is determined by using average returns.
- 2 Second, their initial retirement projections may be incorrect if their "nest egg" number was determined by using an average return.
- 3 Third, the percentage that they can use from the accumulated money at retirement may be dramatically less than expected because of the lack of understanding of average return vs. actual return.

Inside is a short summary of the third point above and how averages can be misleading. If you would like for us to share all of The Retirement Myth™ information in detail so you can make prudent retirement decisions, please give us a call or visit our website at [www.equitynorth.com](http://www.equitynorth.com).

ABOUT YOUR *future*



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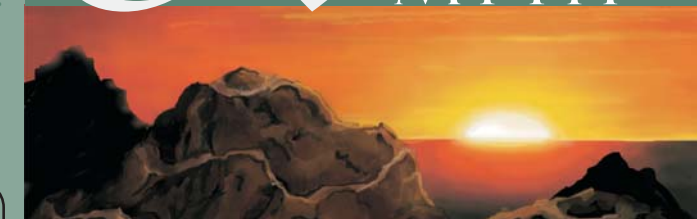
For an appointment call

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Equity Concepts was formed in 1991 to help people become the best possible stewards of what has been entrusted to them by teaching them the truth about money. Equity Concepts created a unique approach to financial management, **The PEAK Financial Process™**. This approach ensures that financial aspects are integrated and coordinated to help maximize and protect wealth. It also allows individuals to use concepts to build wealth that were mainly being used by larger institutions. In response to company growth, additional financial consultants have joined the company and Equity Concepts North, L.L.C. was established to extend our services to Pennsylvania and other northeastern states. Due to a marked awareness of the negative effect of personal debt, the company launched **The Debt Elimination Program™**. This program shows creative ways to help reduce and eliminate debt in the shortest amount of time possible. As strategies increased clients' wealth it became evident that wealth without quality of life wasn't enough. In response to this issue, **The Integrated Lifetime Experience™** was created in order to coordinate a client's personal (career, family, health and spiritual) and financial life. This program gives a plan, a path and the structure for clients to not only reach their lifetime goals, but also exceed them. We believe that these Life Enhancement Programs™ are the most unique personal and financial programs in the marketplace.

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THE *Retirement* MYTH™



RETIREMENT

EQUITY CONCEPTS NORTH, L.L.C.

*Investing In Your Potential™*

# The Retirement Myth™

## The Problem With Average Return

Amount of Investment	First Year Return	End of Year Acct. Value	Average Annual Return
Year 1 \$10,000	20%	\$12,000	20%
Year 2 \$12,000	-20%	\$9,600	0%

**So, where is YOUR \$400?**

Year 1 \$10,000	-20%	\$8,000	-20%
Year 2 \$8,000	20%	\$9,600	0%

**AVERAGE RETURN is 0%      ACTUAL RETURN is -2.02%**

**What goes down comes back slowly in the investment world.** To recoup any percentage loss, you need an even greater percentage gain. We don't know as much as we should about making a fixed pool of money last for life, especially a life that may stretch for another 30 or 40 years. A few lucky people will find they can live on interest and dividends alone. But most of us will be tapping into principal.

Our comforts are going to depend on two things: (1) our investment returns and (2) the rate at which we draw our savings down. If you take too little every month, you'll pinch your life unnecessarily. If you take too much, your savings will expire before you do. Don't rely on average annual returns when projecting your portfolio's growth. Expect to spend conservatively if you don't want to outlast your money. In a word, be realistic.

Since we can't predict the future, what's the right percentage to withdraw? Most studies suggest that a safe withdrawal rate is 4% (before-tax withdrawal rate) of a retiree's starting portfolio. 4% is also the withdrawal recommendation of many advisors<sup>1</sup>. You have to continuously monitor your progress, both before and during retirement. The secret to making money last in retirement is to discover the truth about averages now instead of when your barrel is empty!!

<sup>1</sup> *How Long Will it Last*, by Lynn O'Shaughnessy, **Mutual Funds**, November 2001; *The Exit Strategy*, by Lynn O'Shaughnessy, **Mutual Funds**, February 2002; *Making It Last*, by Jean Sherman Chatzky, **Money**, November 2002.

Are you prepared  
to live off of  
**only 4%**  
of your retirement savings?

Today in the world of investing, the performance of an investment over a period of years is often reported as an average return. But, as we all know, returns are not the same year after year. Because of this fact, we must conclude that **averages can be misleading.**

## Our Mission Statement

WE PROVIDE Life Enhancement Programs™ that are effective and energizing ways of transforming the personal and financial lives of our clients.

TO ENSURE OUR SUCCESS, these relationships are built on providing outstanding value and service today and into the future.



discover THE TRUTH

BE REALISTIC *about your*  
FUTURE