Your FINANCIAL HEALTH

of money management tactics for the family physician September 2000

How much money must you put aside each month to have $1 million waiting at age 65?

Age	30	35	40	45	50
Monthly Savings	$435	$670	$1051	$1698	$2890

Assumed 8% average after-tax rate of return, compounded monthly.
The chart is hypothetical only and not indicative of any particular investment or performance.

Who wants to be a millionaire?

If your final answer is "Me!" forget Regis Philbin or the big-bucks lottery. The best route to the Millionaire's Club (and the parking lot is filling up fast) is not luck, but a steady plan and good advice.

The number of households with net worths in excess of $1,000,000 keeps climbing. Today, 5 million (4.9%) of the approximately 103 million households in this country are worth $1 million or more[1]. This is up from 3.5 million (3.5%) in 1997, and a mere 350,000 (0.5%) in 1975[2].

What are these people like? How did they acquire their wealth? Thomas J. Stanley, researcher and author of *The Millionaire Next Door* and *The Millionaire Mind*, compiled in-common information on the characteristics of today's millionaires.

How they became affluent: Following are just some of the traits of today's millionaires:

They are first-generation affluent. Forget the myth about inherited money. The majority of today's wealthy earned it themselves.

Medicine & Millionaires: While the majority of millionaires surveyed by Thomas Stanley for *The Millionaire Mind* were business owners, he reported that 9% of his respondents were physicians.

They focus on accumulating wealth, not spending it. They live comfortable, though not extravagant, lifestyles. As Stanley explains: "Millionaires, by definition, are accumulators of wealth. Not so for most people in America — they spend all or most of their income. As a result, nearly three in ten American households have a negative net worth."

The affluent generally do not flaunt lavish lifestyles. They tend to live below their means. "Moderation in consumption and a healthy, disciplined lifestyle are the hallmarks of the affluent in America," writes Stanley.

They are not "credit dependent." They borrow money when necessary to achieve goals, but not as a routine means of making purchases.

They invested in their own educations. Fully 90% of millionaires surveyed by Stanley have college or professional degrees.

They work hard and attribute self-discipline to much of their success. As one subject told Stanley: "The harder I work, the luckier I become." Stanley adds: "A disciplined person sets his or her sights on a lofty target, then figures out productive ways to reach the target.... If you lack discipline, the chances of ever accumulating wealth are very, very small."

They are not workaholics. While they work hard, most lead balanced, fulfilling lives. Stanley found that the top two social activities of millionaires are to enjoy the company of their families and to entertain their friends (not working 80-hour weeks followed by exotic, pricey vacations).

They value integrity, tend to have strong religious beliefs and conduct their affairs in an above-board manner. As one interviewee told Stanley: "Never tell one lie."

They rarely gamble or buy lottery tickets. While they may take investment or business risks, "not one millionaire I interviewed had anything nice to say about gambling," writes Stanley. Additionally, he found that "the higher a person's net worth the less likely he is to ever play the lottery."

They enjoy their work. Many millionaires are self-employed or business owners. Others are

[1] "The Millionaire Mind" by Thomas J. Stanley (Andrew McMeel Publishing, 2000)
[2] "Number of Millionaires is on the Rise," National Center for Policy Analysis, 1997 (Web: http://www.ncpa.org/pd/economy)

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Making the most of your employer-sponsored benefits

Employer-provided life insurance, disability insurance, health insurance and other benefits can be worth thousands of dollars each year. These benefits help provide your family's financial security.

However, it can be a dangerous oversight to rely too heavily on employer-sponsored coverage. Even a quality benefit package may contain gaps that could leave you exposed to serious financial risk.

There are many advantages of employer-sponsored benefits. These include:

• **Low group rates.** Coverage is often purchased collectively under a master policy. This generally means lower sales and administrative costs than those for individual policies.

• **Less restrictive underwriting standards.** Many people who might otherwise be ineligible for coverage may be able to obtain insurance through their employer's group policies.

•**Strength in numbers.** Once you are covered under your employer's group plan, the insurer cannot single you out for a premium rate increase or refuse to renew your coverage over "excess" claims. All decisions are made on a group basis.

However, there are drawbacks to employer-provided group benefits:

• **Coverage is generally not based on individual needs.** Insurance may be off-the-rack in design, with benefits having little in common with your actual needs and situation.

Make sure you're fully protected and your protection can go where you go!

• **Minimum protection amounts.** Life insurance benefits may be limited to one or two times your annual salary. Also, with disability coverage, even if yours is a long-term plan, the "own-occupation" definition of total disability may be restricted to a two- or five-year benefit period. After that, if you are able to perform any work, even if not that of a physician, your benefits may be discontinued.

•**Benefits may be reduced when other benefits begin.** Under a disability "coordination of benefits" provision, benefits could be reduced dollar-for-dollar when you collect from Social Security or a personally-owned policy.

• **There may be tax consequences.** The cost of employer-paid life insurance in excess of a $50,000 death benefit is taxable to you as "other compensation." With disability insurance, if your employer pays the premiums, it is likely that you will pay income taxes on your benefits[3], leaving you with far less disability income than expected.

• **Coverage may terminate** or benefits reduce at retirement...the very time when life insurance and health insurance can be needed most.

• **Your coverage may not be portable.** It may terminate if you change employers.

• **Your employer can terminate the plan at any time**...a serious potential problem these days, especially in the health care field, with providers merging, closing their doors or exploring other cost-cutting options.

The biggest risk: Employer-sponsored coverage can create a false sense of security. These benefits provide a valuable safety net for millions of employees in this country. However, while they may provide a good starting point, they rarely afford complete coverage that adequately protects you and your family.

Recommendation: Take full advantage of your employer-sponsored benefit package. At the same time, supplement these employer-provided benefits with individually-purchased coverage.

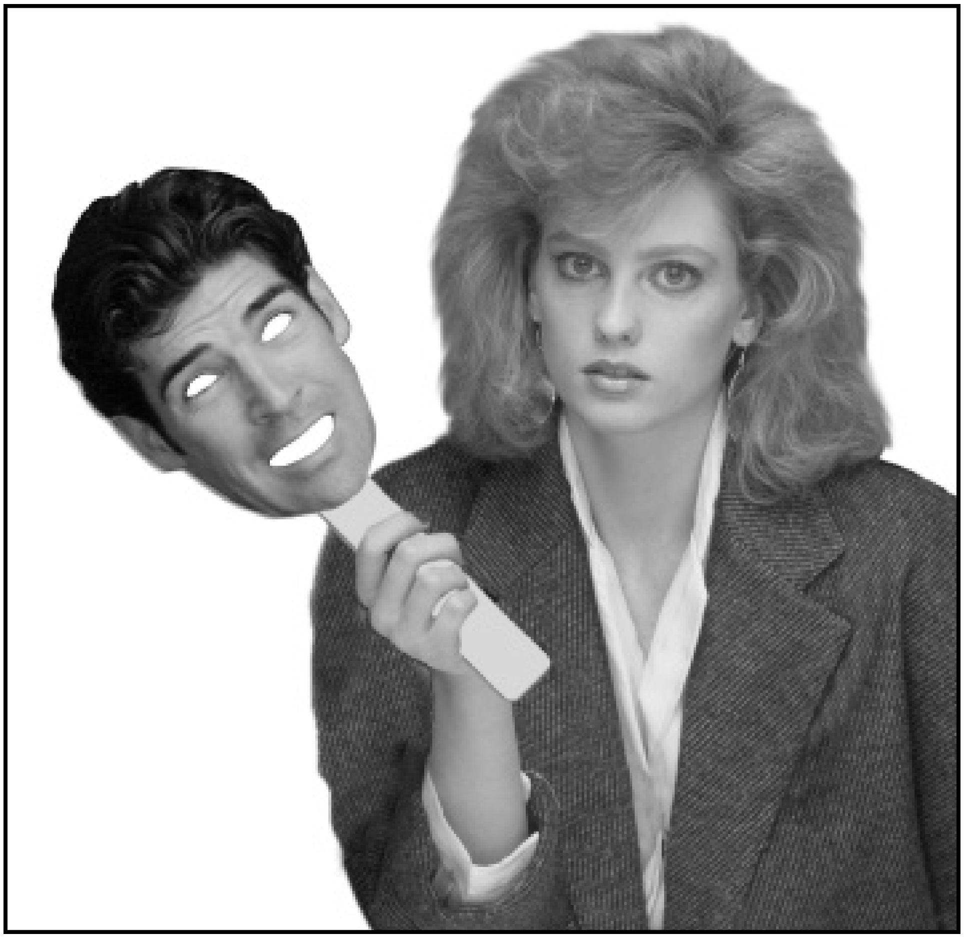
[3] "2000 Field Guide To Estate Planning, Business Planning & Employee Benefits" by Donald F. Cady, J.D., LL.M., CLU (Dearborn Financial, 2000)

The latest, multi-billion-dollar scam:

Watch out for identity theft

"Who steals my purse steals trash...but he that filches from me my good name... makes me poor indeed."

— William Shakespeare (*Othello*)



Today, it's all too easy to lose both your purse and your good name. Thanks to hi-tech criminals called identify thieves, thousands of people have already endured damaged credit ratings, lost job opportunities (when background checks falsely revealed that applicants were financial miscreants), rejected mortgage applications and more. If you have a Social Security number (SS#), use a credit card, send or receive information via the post office or the internet — in other words, if you function in our society — you too could be at risk.

The problem is pervasive...and growing. SS# misuse complaints have skyrocketed almost four hundred percent in three years, from 7,868 annually to 30,115 in 1999[4]. Even more ominous, responding to a massive security breach, U.S. Secret Service agents went to Russia this spring to investigate the theft of 100,000 credit card numbers from an online music retailer[5].

Too often the problem isn't discovered until the consumer opens a bank card statement to learn of fraudulent purchases that can easily top tens of thousands — and sometimes hundreds of thousands — of dollars.

Fortunately, as a consumer, you are not obligated to pay these charges. Unfortunately, you could nonetheless spend years attempting to straighten out your credit history and reclaim your identity.

How identity thieves get your personal information[6]:

• They steal your wallet.

• They steal your mail.

• They divert your mail by completing a "change of address" form at the post office.

• They rummage through your trash.

• They get your credit report by posing as a landlord or employer.

• They tap unsecured internet files.

How thieves use the information:

• They sell your credit card number, often running up huge bills within hours.

• They open a new account, using your name, SS# and other information.

• They open bank accounts in your name and write bad checks.

• They buy cars by obtaining auto loans in your name.

To reduce the risk that you will become a victim of identity theft, take the following steps:

✓ Put passwords on your credit card, bank and phone accounts.

✓ Do not give out personal information unless you know how it will be used and protected.

✓ Monitor credit card statements. If a bill has questionable transactions or invoices stop arriving, contact the issuer immediately.

✓ Deposit outgoing mail directly in a post office collection box and retrieve your mail immediately.

✓ Order a copy of your credit report annually.

The key to reducing the risk of identity theft is vigilance. Like any criminal, ID thieves will select the easiest targets. If you force them to work hard to get your information, they are likely to move on to easier prey.

4 "Use of Social Security Numbers Targeted," Knight Ridder Newspapers (May 9, 2000)
5 "Identity Thieves Wreak Havoc On Personal Finances," Gannet News Service (May 15, 2000)
6 This information is based on the Federal Trade Commission booklet, "ID Theft: When Bad Things Happen To Your Good Name." To obtain a copy online, go to www.consumer.gov/idtheft. Or call, toll-free: 877-IDTHEFT.

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Who wants to be a millionaire?...*continued from front page*

professionals. Stanley writes: "Total success usually requires that you enjoy your vocation.... In fact, there is a direct positive correlation between the love of one's vocation and level of net worth."

How can you benefit from this information? While there are many factors that will determine your ultimate net worth, here are several steps you can take to build wealth:

• **Marshall your assets** and take stock of your resources. Review how and why you spend money. Then set up a household budget.

• **Map out a wealth-building strategy.** The most reliable approach is to put money aside on a consistent basis.

• **Protect your investment in your income-earning ability.** Make sure you own adequate life, health and disability insurance. Insurance is a cost-effective tool to help protect what you have already acquired as well as what you will achieve in the future.

What will it take to become a millionaire? Let's say you want to retire at age 65 with $1 million. The chart on the front page shows one way to get there.

If you want to become a millionaire or just steadily accumulate assets for your future security, the time to begin is now. Map out a wealth-building strategy today.

Your Financial Health is sent to Academy members courtesy of AAFP Insurance Services, Inc. Material for this publication is written by John R. Ingrisano–author, educator and journalist on money management and financial matters. Mr. Ingrisano has served as an advisor to AAFP Insurance Services since 1985.

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