

Do You Remember How You Answered the Question: When I Grow Up, I Want to Be a _____?

By Mark E. Charnet

How do young people answer that question today? Stereotypically, children in the 50's answered with doctor or nurse, fireman or policeman, secretary or mother. In the 60's astronaut and pilot were added to the list. In the 70's I remember hearing veterinarian and engineer more frequently; the nineties added fields dominated by computers, such as video game designer and programmer. By no means is this list scientifically derived or unabridged, rather just to put in contrast the answer to the question spoken by young people of this generation. I have heard the following: I just want to have a job or I hope my parents can afford college for me and my siblings and I hope not to be in debt for 20 years with student loans and credit cards.

How would you feel if your kid told you they had aspirations to become a lawyer, doctor or engineer and you decided to do some checking to find out that the tuition for a quality undergraduate school was \$160,000 and 2 years of graduate school was a cool \$100,000? Most parents would look at their finances, the fact that there might be a younger child or two, then calculate the price of the tuition inflation rate until their oldest child would be eligible and ask their parents, if they were still alive, for family financial aid and after digesting all of the data, how many of these parents might suggest that their kid alter their career plans? Perhaps to acquire a liberal arts degree from a local state college then "get a good job with benefits!" Maybe a trade school or get a job that offers tuition reimbursement. All of us have seen the parent that forces their child into sports, to an unhealthy degree, so they might have an opportunity for a scholarship; alleviating the parent's responsibility of tuition. Academic scholarships are another route to pursue, but at what cost? Yes, there are some very gifted students, but, what becomes of the child who is not gifted and is forced to abandon other kid activities, instead, forced to spend every waking hour in a book, an extra curricular course or with tutors with the hope that the child will receive a grant or scholarship to cover the cost of higher education.

When is the price too high, the sacrifice too much or the conclusion that college for our kids at the expense of a retirement for the parents is just not feasible? Our President has spoken about college during his campaign stating that an education should be universally available to all. He has said the same thing about health care and housing and supporting a family with a good job, including family paid leave and paid vacations and employer forced health insurance and guaranteed retirement income. The only plan I heard him discuss to pay for these programs was to say that the rich could afford to pay more in tax to fund these programs. I feel that a reminder is necessary here. The government makes no money; it creates nothing, innovates nothing and saves nothing. To break it down to the simplest of terms, the government must take revenue from some to give it to or pay for the benefits of others – Period. They tax us when we earn it, save it, spend it and die with it. When they run out of funds, they increase revenue by taxing at a higher rate or larger base of people or both. At the rate of debt creation in the United States, all foreign governments have lost faith in us and our money. The debt load is more than we can handle. By the time you are reading this, the vote for NJ Governor may be over and if you have assets and have done reasonably well financially, receiving less yet paying more will be the course (or curse – your choice of word) of New Jersey's fiscal policy, regardless, of the victor. The crushing NJ debt will dictate to the politicians how to behave and vote while in session. It appears to me that the best course of action is to arm and prepare yourself for the very bad tax and economic news that lies ahead.

There is a solution for all of this, whether it be the cost of tuition or the cost of living, exacerbated by increasing taxes, we all share a common goal and that is to maximize the income and growth potential of our existing portfolio for our own prosperity and for the people we are compelled to help. If you are a younger reader who thinks they don't or can't have a portfolio, for \$25 and a good mutual fund the problem is resolved. Near term retired? Then you must take proper steps to insure that your 401k rollover, IRA and the IRA you might decide to convert to a Roth will never put the income that they must generate for your use and benefit in jeopardy – period! Once retired, and please read this sentence very carefully, as you live out the rest of your life with no financial or income worries, even if the markets take your portfolio dangerously low, your children can inherit, if properly designed, at least 100% of your initial investment to begin their retirement years, infused with fresh new working capital to add to their portfolio after it has been seriously compromised by the huge expenses they incurred raising and educating their children, your grandchildren.

Did you catch that last sentence? Invest your retirement portfolio properly, pull out a significant systematic income every month throughout all of your retirement years, and then simultaneously replace it all to the kids after you're gone. Is your portfolio currently set up to guarantee that your beneficiaries will receive the entire value of your portfolio? How about your entire net worth? Did you factor in the **NJ Estate taxes** on estates over \$675,000? What about **Federal Estate tax** of 55% on estates over \$1,000,000 beginning in 2011, under current law? What about **income taxes** on your IRA that can be as high as 10.75% in NJ and 35% to the Federal Government? Have you a plan in place to mitigate the effect of these confiscatory taxes? Remember, you can't do post mortem estate planning!

Now, more than ever, it is each of our responsibilities to protect, preserve and perpetuate our wealth for the sole reason that our children require our financial assistance, **even after we are dead!** The world is a tough place especially if your parents are gone and there is no where, or no one, to turn to in a financial crisis. That's why I decided with my own investments and planning to provide for what the industry refers to as maximizing your intergenerational wealth transfer. I was able to accomplish this with little effort and minor expense and so can you. Now, I can provide for my family when they ask me **and** when they can't!

If you have no financial advisor or the one you have has been mum on this subject, please accept my invitation to schedule a brief conversation about maximizing your intergenerational wealth transfer. Leave your wallet, purse and checkbook behind, as there is no cost, no fee or commitment necessary to speak with me. I'll demonstrate how all of this can be done, so you can apply the knowledge to your unique and particular situation.

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