

vectors & viewpoints

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VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE

Foster Group Values

By Jerry Foster, CFP®

Most companies say they have clearly-stated corporate values. The problem is that often these “values” are little more than a compilation of platitudes and slogans. In order to have real impact, values must be internalized by the employees of an organization, driving them first as individuals, then as the business. To that end, Foster Group has been very intentional to identify, define and embrace a set of values that drive us individually in our effort to serve one another and our clients.

As we’ve internalized these values at Foster Group, a unique culture has evolved. We find ourselves motivated to serve one another. We are inspired by actions that epitomize our commitment to these values. We look for new ways

to live out our values in serving our clients. These values have become part of who we are and what we do. Please don’t hesitate to tell us how we are doing in this pursuit. We care about what you think and value your feedback.

Here are the values we espouse, and a brief description of what they mean to us:

Humility

- We serve the best interest of our clients, ensuring a high probability of success
- We each do whatever is needed to get the job done
- We encourage expressions of gratitude and joy

Accountability

- We honor our profession with our skill and discipline
- We continually demonstrate our unique contribution to our work
- We acknowledge errors when they occur and make them right

Integrity

- We do the right thing, no matter what the cost
- We always keep our promises
- We always tell each other the truth

Respect

- We give deference to one another’s unique abilities
- We encourage service, rest and rejuvenation
- We extend kindness and compassion to all whom we serve

Excellence

- We will settle for no less than our very best in the work we do for our clients
- We are passionate about the pursuit of truth and the knowledge required to do our job
- We are committed to collaboration with other experts to deliver the best possible solutions

Wisdom

- We are careful to listen to the hearts of our clients and understand the deeper issues they face
- We care about how solutions impact all dimensions of life for our clients
- We are intentional to integrate practical application and truth



Social Security

MYTH CONCEPTIONS

by Joe Bantz, CFP®

Lost in the debt ceiling conversation is finding a solution to the Social Security shortfall. According to the Chief Actuary of the Social Security Administration (SSA), the expenditures exceeded the program's income in 2010 for the first time. "While the combined OASDI program continues to fail the long-range test of close actuarial balance, it does satisfy the conditions for short-range financial adequacy. Combined trust fund assets are projected to exceed one year's projected benefit payments for more than ten years, through to 2035." (<http://www.ssa.gov/oact/trsum/index.html>).

Thus, our leaders in Washington must find a solution to the projected underfunding of the program either through increasing revenues, decreasing projected expenses or some combination of the two. While there is no shortage of information and opinions being proffered by the media, the actual truth is a bit harder to discern. At the heart of everything, most of us are wondering, "What is going to happen and will it affect me?"

The first question is impossible to answer at this point. All we know for sure is that something will change. The changes required, surprisingly, do not necessarily have to be major. For example, according to the Social Security Administration's Chief Actuary, making all earnings subject to payroll tax and crediting the participants for benefits removes 92% of the gap between long-term projected revenues and expenses. Alternatively, simply adjusting the formula for determining the inflation-adjustment for annual salaries for newly eligible participants completely eliminates this gap. While we are not predicting what will actually happen, the point is that neither of these changes is substantially life-altering, for most people.

How likely is it that your benefits will change? That really depends on your age. So far, we have not seen any serious proposal that changes benefits for anyone currently over age 55. If you are currently drawing benefits, you will continue to get a check. There is some discussion about changing the way cost-of-living raises are calculated, but the result would not be a reduction in your current benefit.

If you are under age 55, however, you should probably expect to see some change in your estimated benefit. The Congressional Budget Office (CBO) recently showed that a 22% reduction in benefits would be required in 2037 if nothing changed. While that would be a substantial reduction, it is encouraging in that it's a far cry from eliminating benefits.

As financial advisors, the point of looking at all of this is to make decisions about the things we are able to control, so we position ourselves to respond to the things we cannot control. So, what is our advice now?

- 1. Stay healthy.** Maintaining a healthy lifestyle through proper eating and exercise habits is one of the very best ways to reduce medical expenses later in life.
- 2. Save more.** If your Social Security benefits are reduced in the future, you need to save more now to make up for that. A nice "rule of thumb" is that saving an additional 10% of your income after tax can go a long way to offset any potential reduction in benefits.
- 3. Work longer.** Life expectancy is 15 years longer than when Social Security was introduced. By earning a paycheck longer – even if you retire from your first career – you allow more time for your benefit to increase and your personal investments to grow.



Nancy Vermeer & family pause to enjoy their newsletter on the island of Malta during a recent cruise to the Mediterranean.



FOSTER GROUP'S 401(k) Plan Services

Last quarter we highlighted Foster Group's role in serving our institutional clients. One of the specific opportunities we have is serving as the investment advisor to various 401(k) plans.

We work closely with plan sponsors and trustees to ensure a solid plan structure is in place. This brings benefit to all employees while facilitating contribution maximization for highly compensated individuals. Annual trustee meetings allow us to help company leadership address the complexities of this heavily regulated environment, from investment performance and fees to fiduciary responsibilities. This has become of even greater importance as regulations from the Dodd-Frank financial reform legislation filter through the system. Our coordination with selected third party administrators and record-keepers helps ensure plans remain in compliance with rigorous IRS guidelines.

One of our most valued deliverables to 401(k) plans is the education we provide to employees. We meet with groups at least annually to help participants navigate their own financial planning needs, as requested, and provide them with a broad overview of market, economic, and investment conditions. Our goal is to equip all involved to make good decisions. As well, each organization and its stakeholders have access to our world-class investment philosophy, platform and process. As a fiduciary, we take very seriously the role of providing appropriate, diversified model portfolios, and our advice is available to all participants to assist them in reaching their retirement goals. We always welcome the opportunity to provide a second opinion on a group's retirement plan - just give us a call!

FOSTER GROUP NEWS



Jerry Foster recently celebrated the one-year anniversary of being diagnosed with Ocular Melanoma with a good checkup in Iowa City. The tumor continues to shrink, with no indication to date that the cancer has spread. While the sight in his affected eye is partially impaired, experimental treatments show positive signs of slowing or stopping continued loss.

Foster Group welcomes **Marcus Iwig** as a new member to our team. Marcus serves as an Associate Advisor on our planning team. He has worked in both public and private accounting since graduating from ISU, most recently at Farm Bureau. Marcus and his wife, Jamie, are the proud parents of 8-month old twin boys.

Speaking of new members, the FG family recently grew by one, as **Kate Juelfs** and husband Andy welcomed a daughter, Josephine Mae, on July 3. Josie joins big brother Ely, age 2.

V A L U E S
Humility
Accountability
Integrity
Respect
Excellence
Wisdom



Mark Stadlander answers questions regarding the Foster Group core values.

Q **FG:** How do you or other FG leaders communicate the core values?

Mark: With so many at Foster Group coming from a teaching background (including Jerry and myself), it makes sense to approach the communication of our values as a teacher might. The best teachers know their subject matter so well that it becomes a part of their everyday life, and they teach their students by example. This life-application of the subject matter enables the student to begin to apply the same lessons to their own life. In communicating the core values, it is not only my goal to be an example of what I've learned, but it's equally important that I encourage others who are doing the same.

Q **FG:** How do you encourage others in your organization to communicate the core values?

Mark: The core values are a work in progress in every member of our team, which means any one of us can find ourselves in the role of 'teacher' or 'student' at any moment. When we understand this, the significance of personal responsibility becomes apparent. I encourage our team to communicate the core values by recognizing the positive impact each one of us can have with any contribution that's made, no matter how large or small.

Q **FG:** Why are these values important to Foster Group? What examples do you see of the Foster team applying them to their lives?

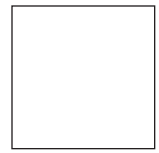
Mark: The values are important to Foster Group, because they set a standard of who we are as a team. What we produce flows from who we are, and that influences our environment long-term. It's our desire to create positive life change that establishes a high probability of success; that's our mission, and it takes the implementation of our core values to get there.

Recently, we scheduled an all-office work activity with Habitat for Humanity. Everyone was excited to take part in this and the opportunity

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FOSTER
GROUP



QA

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to exercise Humility, Respect and Integrity in our community as we served others alongside a team of volunteers. When the project was cancelled at the last minute due to weather issues, our entire group was already discussing when we could reschedule; they weren't going to settle for less than our very best, nor were they ready to allow a little rain to get in the way of their contribution to the community. It turned out to be a terrific example of not only Humility, Respect and Integrity, but of Excellence and Accountability as well!

In addition to the core values at work in the Foster Group team, I've seen and heard countless examples of our clients exercising Wisdom as they go on medical mission trips all over the world, providing solutions that touch lives in multiple ways. I've also observed them showing Integrity and Accountability by attaining the goal of paying down a mortgage. We're privileged to work with so many who share the same values!

As you can see, the core values are vital to the success of our organization; they are the foundation upon which our mission and vision rest.

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