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Investing in 'You, Inc.'

Your biggest financial asset is right in the mirror: your ability to earn a paycheck

For all the attention and occasional hand-wringing over the retirement savings gap facing millions of American workers in the wake of the global financial crisis, one observation often goes unmentioned: your biggest financial asset, or at least one of your biggest assets, is your ability to earn a living—and it's considerably more powerful than most investments.

That is not to dismiss the way that real people build wealth, which typically is through owning stocks, bonds, real estate, to own or buy a small business, or to make it the old-fashioned way—through inheritance or marriage. But we also need to remember that the wealthiest Americans, such as billionaires Warren Buffett and Microsoft founder Bill Gates, amassed their considerable fortunes by owning a piece (or all) of a company or companies they built or acquired.

Even if you're not raking in the big bucks at their level, you have been able to achieve what you have through your education and hard work. By education, we mean what you've learned beyond high school or college over the course of your career, and by hard work, we simply mean, hard work. And that is the point of this article, which is that if you want to build a comfortable financial future, even if you are perfectly happy with your current situation, you need to view yourself as being CEO of your own company—let's call it "You, Inc."

Here are three tips to keep in mind as you go about the business of building "You, Inc.":

1. **Appreciate how economics rewards you.** Just as with any investment from which you expect a fair return, your ability to earn a living is a function of what the market will pay you for your job skills and talents. Derek Jeter of the New York Yankees gets paid handsomely for his ability to hit and field a baseball, because there just aren't that many ball players who can play at his level. Similarly, your ability to perform a job has an economic value in the workplace that is reflected in the salary and benefits you enjoy at work. And you may be surprised to understand how the economic value underlying the work you do translates into the return, or compensation, you receive. For example, let's say you make an annual salary of $30,000. In order to earn an equivalent $30,000 in a year from your investments, you'd have to have a nest egg of $600,000 returning 5% per year. For most people, building a nest egg of $600,000 takes decades of earning consistent returns (and few losses). Very few financial assets can reliably generate the kind of return that you make from your job each year.

2. **Invest in your education.** If you don't continually invest in increasing your knowledge base, you risk losing your competitive edge. Your skills and perspectives can become

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dated and obsolete. For example, almost all modern machinery depends to some degree on digital controls. If you haven't learned how to master these sophisticated machines, you may not be able to continue to demonstrate the value you add to your company. The best organizations to work for recognize this fact and invest in their workforce through ongoing training and career development—often at no cost to you. Take advantage of these opportunities as much as possible.

3. **Make the best use of your time.** You shouldn't feel the need to work 80 hours a week and never have any fun. Life balance is key to personal satisfaction and career fulfillment. But you should spend a portion of your "work" time in updating and building on your skills, whether it is learning a new computer program or enrolling in a technical training course or project management workshop. That way you can be sure to maintain your competitive advantage, and protect your earning power.

Surprise! Your **Personality** is Just as Important as **Your Skills**

According to an October 2012 article in ***Forbes*** on jobs-related issues, the vast majority of employers (88%) are looking for **"cultural fit"** over skills in the people they expect to hire.[1] Particularly as more work is done in small, cross-functional teams, the ability to get along with peers and to embrace the company's mission and vision has never been more critical. Next on the list is, not surprisingly, **professionalism** (86%). Professionalism is more than acquiring the best training and skills that allow you to become an expert in your field. How you look when meeting customers—from how you dress, stand and shake hands—speaks volumes to how you will represent the company to the outside world.

In fact, it appears that the personality traits that employers value the most relate directly to professionalism, namely **high-energy** (78%) and **confidence** (61%), with confidence ranking highest on the list of skills that employers think their workers lack the most. Rounding out the top five desirable traits, **self-monitoring** (58%), a gauge of how employees operate without direct leadership, and **intellectual curiosity** (57%) ranked highest in the survey. Not surprisingly, employers want to know whether their employees have the dedication to learn new technologies or solutions in the workplace. This makes your thinking about how to develop "You, Inc." all the more relevant.

1 Megan Casserly, "Top Five Personality Traits Employers Hire Most," *Forbes.com*, October 4, 2012. The article reports the results of an annual global survey of 400,000 students and professionals on jobs-related issues, conducted by Universum, a Swedish branding firm.

Personal **Finance Tips** for **Younger** Employees

Follow these simple pointers to get your financial life in order

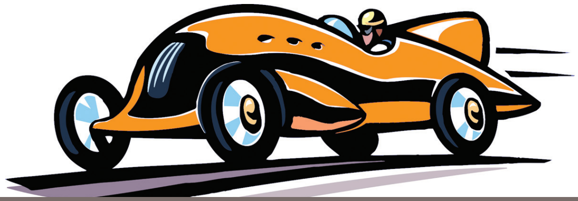
If you are just starting out, the world of personal finance can seem pretty daunting. You may be graduating with a mountain of school loans to repay. Or maybe that clunker you've been driving since high school is on its last legs and will need to be replaced any day. Big-ticket items such as buying a home or saving for retirement may seem like dreams too distant in the future to tackle now.

There are some relatively quick and painless things you can do now that will relieve some of these financial stresses and put you in a good position to flex your financial prowess down the road. Here are three to consider:

1. **Pay your bills on time** – Late payments, missed payments or debts that you never bothered to pay off tarnish your credit report and can dampen banks' enthusiasm to offer you a home loan or car loan. Paying your bills on time does more than improve your personal well-being. It builds your credit score, which is the number that lenders use when making the decision to offer you credit or reject your loan application. By law, you are entitled to see a free copy of your credit report once each year. Your credit score, (also known as your FICO® Score), is a statistical gauge of your ability to repay a loan within the next two to three years. FICO scores range between 300 to 850 — higher is better. Visit AnnualCreditReport.com to request your free annual report online, over the phone or by email. Be sure to correct any errors that you see on your report — and that can come back to bite you when you're trying to negotiate a car loan.

2. **Pay yourself first** – Before making any impulse buys, you need to be sure that you've saved enough money in the bank to handle your living expenses for at least three months (ideally six), and paid off all high-interest credit card debt. Once you've accomplished these important goals, pay yourself. Start building your retirement account by enrolling in your company-sponsored defined contribution plan. Even saving $50 or $75 per week has the potential to grow to a sizeable sum, given enough time and favorable markets. The key is to start early, and to keep contributing regularly to your plan. Make it a personal goal to increase your contributions each year as your salary increases.

3. **Protect yourself** – Make sure you have adequate insurance to cover life's unexpected surprises. Make sure that your medical plan is adequate to cover major illnesses and hospitalizations. Even if you don't own your home, you have many valuable items whose value you should protect from loss through renter's insurance, which is relatively inexpensive. And if you have access to affordable disability coverage, sign up for it—it's one of the best ways to ensure you don't lose income if you ever are sidelined from working.



Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Keeping your eyes on the prize

How do you envision retirement? Will you stop working altogether or keep active doing something you love? According to a 2012 report on the Transamerica Retirement Survey, "the majority of workers in their 50s and 60s plan to work after they retire, with 52% reporting that they plan to work part-time and about 9% reporting that they plan to work full-time. Fewer than one in five workers (19%) do not plan to work after they retire."[2] All the more reason to keep your job skills sharp, as our cover story recommends!

Q & A

How will the new federal tax law affect me this year?

All workers have already seen a small cut in their paychecks as a result of the tax package passed in Congress on January 1—about $822 a year for taxpayers earning between $50,000 and $75,000 a year. This followed the expiration of a temporary 2% reduction in the Social Security payroll tax, which is now restored to 6.6% of your annual income. However, unless your adjusted gross income exceeds $400,000 ($450,000 for married filing jointly), you likely will see little effect from the new tax rates on your personal income and investments. Rates on capital gains and dividends remain at 15% for taxpayers below these higher-income thresholds. If you make over $200,000 single/$250,000 married, a new tax of 3.8% will be levied on any investment income generated in taxable accounts. This tax is to help offset the cost of the Affordable Care Act signed into law in 2012.

Tools & Techniques

Retirement vs. Saving for college

Many financial advisors agree that you should take full advantage of retirement accounts such as 401(k), IRA and 403(b) tax-sheltered annuities before funding college savings accounts for your kids or grandkids. Unlike students who can cobble together many sources of college funds, no one will offer you grants, scholarships or federally guaranteed loans to support you when you retire. Using retirement funds to pay for education costs means they won't be there to meet your own retirement expenses. Sound advice indeed. Read more at savingforcollege.com.

Quarterly Reminder

Free tax help

If your Adjusted Gross Income for 2012 is less than $57,000, you can get free help completing and filing your federal tax return. With IRS Free File, you select free online software from a tax preparation company. The software walks you though your return and makes all the necessary calculations. You simply fill in your information, review it for accuracy, and then transmit your return electronically by using secure IRS e-file. It will even allow you to track your refund or make a secure online payment. To learn more, look for the Free File link at www.irs.gov.

Corner on the Market

Basic financial terms to know

Distribution yield vs. SEC yield

Bond mutual funds calculate their distribution yield by taking their current monthly income per share, subtracting operating expenses and annualizing the result. The distribution yield is backward-looking, and not necessarily representative of the yield the investor will get going forward. The SEC yield reflects the bond fund's yield-to-maturity, which is the best yield to use when comparing funds because it captures the effective rate of interest an investor can receive in the future.

2 Collinson, C. (2012). *Redefining retirement: The new 'retirement readiness'*. The 13th annual Transamerica Retirement Survey. San Francisco, CA: Transamerica Center for Retirement Studies. Retrieved from https://www.ta-retirement.com/resources/TCRS%2013th%20Annual%20Thematic%20Report%20Final%205-14-12.pdf

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