

## Financial Tip #2: Prepare today for tomorrow's opportunities

When you are building your monthly budget, set aside some money for an emergency fund. In addition, educate yourself about the difference between saving and investing and how your money can grow over time.

### Savings accounts are a great first step

Saving means putting some of your money away for emergencies or a short-term goal. All banks have savings accounts where your money will earn interest and be safe. Savings accounts are a great way to get started and for reaching your short-term savings goals. However, savings accounts may not address all of your future financial needs and goals. While many financial institutions now offer interest-bearing savings accounts – but that interest is not enough to stay ahead of the cost of inflation. Here's an example of how inflation chips away at the value of your savings – imagine what \$100 will look like at different rates of inflation over 10, 20, and 30 years.

Years	3%	4%	5%
10	\$134	\$148	\$163
20	\$181	\$219	\$265
30	\$243	\$324	\$432

**Note:** The current inflation rate is 2.46%<sup>1</sup>

As you can see, you may not get very far with a traditional savings account depending on your interest rate. In fact, with inflation taken into consideration, you may be falling behind.

### Investing for the future is the next step

Investing means taking a carefully planned approach to accumulating and managing your money. Here are some investing basics to get you started.

- **Set a savings and investment goal** by asking yourself how much income you will need in retirement. Most Americans will need about 70% of the last salary they earned before they retired.
- **Determine how much you should be saving for retirement.** A general rule of thumb is to put aside 10% - 20% of your income for retirement.
- **Tap into tax-deferred accounts** like employer-sponsored plans (401k), contribute to a traditional or Roth IRA.

**Consider annuities.** Annuities can be an important and flexible financial tool that can provide wealth accumulation, protection, and distribution. You may have the ability to add premium, the ability to access your money for emergencies, and more, depending upon the product you select. Also, available products and features may vary by state.

#### Types of annuities include:

- **Fixed annuities** offer guaranteed rates, can offer bonuses to premium and provide lifetime income.
- **Equity indexed annuities** offer the safety and guarantees of fixed annuities combined with the opportunity to participate in potential index gains of the market with no downside risk from market losses.
- **Variable Annuities**

<sup>1</sup> Inflation rate from January 2005 through July 2005, calculated by using the Current Consumer Price Index. Source: <http://www.inflationdata.com>

**Don't be afraid to ask for advice**

Making good investment choices require research and work. If you don't think you know enough to make investments on your own, consider speaking with an investment professional. He or she can help you better understand your goals and needs.

**Make wise decisions. Talk to your financial professional and ask about Allianz Life® products.**