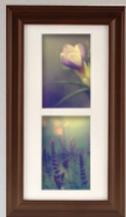


*Don't let the years fly by,  
start your financial planning now.*



*Fred Dunbar  
~30 years ago~*



*Fred Dunbar  
~today~*



## **Fred Dunbar**

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*We bring quality services to the shore, providing a "common sense" approach to pursuing our clients' financial goals for thirty years.*

**Financial Planning\* Asset Management\* Investment Planning\* Retirement Planning**



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## Now and Then

As I sit down to write this article, I just celebrated the 30th anniversary of my company, Common Cents Planning. So many things have changed since February 1, 1985. Besides not having two nickels to rub together, there was no such thing as financial planning as we know it today.

### **Here's some of what was going on in 1985 versus today.**

Inflation was 3.55%; today it is 0.08%.

One year CD rates were a high of 9.6%; today the best rate is 1.19%.

The Fed Rate was 10.75%; today it is 0.25%.

Gasoline cost \$1.09; I just paid \$2.13 per gallon today.

The average price of a new home was \$89,330; today the average price is \$377,800.

The average price of an existing home was \$75,500; today the average price is \$256,000

A 30 year mortgage was 12.92%; today it is 4%.

The average income was \$22,100; today the average income is \$50,502.

The top federal income tax rate was 50%; today it's at 39.6%.

The Federal estate tax personal exemption was \$400,000 with a maximum estate tax rate of 55%; today it's \$5.43 million and 35%.

In 1985 the majority of US employees were covered by defined benefit pension plans. These are the plans that your parent or grandparents had which guaranteed them a monthly check for life. Today, generally only government employees and teachers still have defined benefit plans. Today most employees are covered by defined contribution plans (401k, 403b, SIMPLE IRA, etc.). If you don't contribute, you generally won't receive an employer matching contribution to your retirement plan. Today the limit for 401k plans is \$18,000 or \$24,000 if you are over 50.

One thing that is glaring today versus when I started my company is that America is underinsured. Recent statistics by LIMRA (Life Insurance and Marketing Research Association) show that 30% of US households have no life insurance and only 44% of households have individual life insurance. In 1985 there were more professional life insurance salespeople than today. Many of them like my dad, Phil, started out in the old debit system in the 50's and 60's. You surely remember these guys showing up at your front door with their debit book in hand. They collected insurance premiums weekly or monthly. The day you turned age 18, you could count on your friends having a couple of beers for you and the life insurance salesman showing up to sell you a policy. My wife, Dee tells a story about her older brother climbing out the second-floor window and shimmying down the rain spout so he didn't have to sit down with him. One thing was certain, if you sat down with them you wound up buying a policy or they wouldn't leave.

Since 1985, the only thing I know that costs less is life insurance since people are living longer. Since nobody is showing up at your door and harassing you to buy life insurance many people put it off. Many intend to sit down when they have time and they'll purchase it online. Unfortunately most people never get around to it. The reality is life insurance is for the living. If you don't own it, you will never feel the impact when you die but your family will.

Perhaps the 1985 song by Dire Straits "Money for Nothing" was a fore shadow of thing to come. With the passage of the Tax Act of 1986, Congress eliminated the tax deduction for interest rates on consumer debt (credit cards, car loans, etc.) but kept intact the deductions on home loans. This started

America's love affair with home equity loans and lines of credit. It was a way of taking money out of our home and using it to buy consumer goods.

With the popularity of home equity loans and lines of credit, many of us seem to buy everything we want today but may not need. For those of you old enough to remember the cartoon, Popeye the Sailor Man, there was a character named J. Wellington Wimpy. Wimpy's favorite expression was "*I will gladly pay you Tuesday for a hamburger today*". Many people today want it now, with no regard of how long it takes to pay it off. I'm not talking about financing one's home, home improvements or cars. I'm talking about those that would finance things like cell phones or flat screen TV's because it is something that they want now. Remember, the goal is to have no debt, especially by retirement. If you can't pay it off at the end of the month, don't buy it.

Today People seem to save less than they did in 1985. There are certainly more distractions today. In 1985 you had basic cable for a few dollars a month. Today we see cable bills that run north of \$200 per month. With all of the channels, premium stations and pay per view, people can't seem to help themselves. In 1985 there were no cell phones or computers. Today, if the weather is bad, you can stay at home and spend a small fortune buying things on QVC.

In 1985 more people had a budget as a guideline to make sure that they did not spend more than they earned. I would encourage many of you reading this that if you don't have a budget to establish one.

Investments have certainly changed. Not just what is available but how accessible everything is today. In 1985, generally the affluent had a stock broker. You paid a commission every time you purchased or sold an investment. Today, we as fee based advisors can purchase most investments without a commission. You can pay a fee for help with managing your money. Most people own investments either personally or through their company retirement plans. With all of your investments available online, it is easy to make changes perhaps when you should not.

In 1985 most people in finance were called bankers, life insurance agents or stock brokers. Today they are called Consultants, Financial Advisors or Wealth Manager.

There were no such things as a fax machine, e-mail, cell phone, or the internet. In 1985 Microsoft released the first version of Windows and compact discs (CD's) are introduced to the US.

One thing that is the same today as it was in 1985, to get ahead you have to work hard and have a plan. If you start saving today, you will have a better chance of reaching your financial goals. If you are young, then the compounding of interest will work wonders for you down the road. If you spend less than your make, then you may have a successful retirement. One other thing is certain today; I have less hair now than I did on February 1, 1985!

Now that I'm done reminiscing, I'm going to head to the beach to soak in all that the shore has to offer.

*Fred Dunbar, CLU, ChFC, RFC, AIF, is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at [fdunbar@commoncentsplanning.com](mailto:fdunbar@commoncentsplanning.com) or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.*