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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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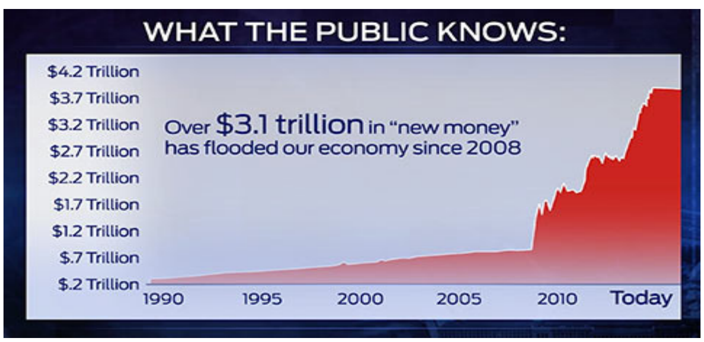
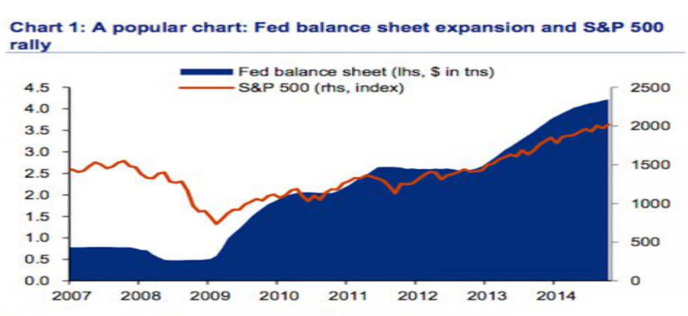
A Conscience Is What Hurts When All Your Other Parts Feel Good
Steven Wright scientist/humorist

The three charts below say it all. Wall Street has been singing 'let the good times roll' for the past six years. However, now that QE(finity) has ceased and desisted, we need to be vigilent about watching the S&P 500 and where we go from here.

We also have to hope that interest rates remain low so that we can service our debt! The only problem with low interest rates is that retirees have a difficult time finding decent yields. It's what is known as a double-edged sword.

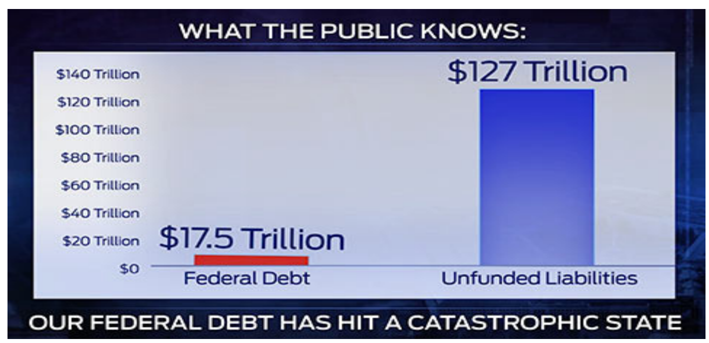




Now part 2 of all this excess money has to do with our debt. The Federal debt is bad enough, but when you look at our unfunded liabilities, it makes you hope someone will come around who knows how to solve this chronic condition.

Up till now the only solution seems to be inflation...you know paying for something with dollars that are worth less. The problem with this, again especially for retirees, is what to do about low interest rates and higher prices.

As Churchill once said; It is a riddle wrapped in a mystery inside an enigma .



Choosing Among Financial Service Firms is a Matter of Trust

What's most important to you when it comes to choosing a financial services provider? According to the results from several recent surveys, trust was named as the most important factor when evaluating financial services providers; outranking customer service, performance, and range of products.

But how do you judge trustworthiness? Some financial service firms might present their experience and assets under management to convey their commitment to building trust with potential clients. But long histories and billion-dollar portfolios do not necessarily translate into a trustworthy relationship.

The recent scandals in the mutual fund industry exposed some illegal and unethical practices that were going on behind the scenes at some of the biggest and oldest financial services firms in the country. While some of these firms righted their wrongs, the lingering effects of the scandals still lead many investors to ask, "Who can I trust with my money?"

When evaluating financial service institutions, such as brokerage houses, insurance companies, mutual funds and independent firms, there are several considerations that can help determine who is worthy of your trust.

According to Liz Pulliam Weston, feature writer for MSN Money, one of the most important words to look for with your advisor is ***fiduciary.*** She says, "It's a $10 word, but not knowing it could cost you a fortune"...in the world of money it means someone who's committed to putting your financial interests ahead of his or her own".

Ms. Weston further explains, "The word is important because true fiduciaries are harder to find than you might think. Most of the people who want to give you advice about your money aren't held to that high standard. At best, they're held to a *suitability* standard, which means they're supposed to recommend investment and insurance products that they deem appropriate for your situation. Just 'appropriate'...not…'the best choice' or 'in your best interests' .

She goes on to say: " let's say the advisor could earn a fat commission for recommending a higher-cost investment being promoted by his financial services firm…instead of netting 8% a year, you might net 6%". The effect this could have on a portfolio could represent a decrease in performance of over ***35%!!!***

"People who are stock brokers or insurance agents are allowed to put their own interests and those of their firm, ahead of yours" Finally, Ms. Weston states, "in the financial-services world, there are three job titles that automatically connote a fiduciary standard: Attorney, Certified Public Accountant & Registered Investment Advisor.

Should You Consider a Managed Account?

As your investment portfolio grows in value, it becomes more critical to make the right moves with your assets. For many individuals with investable assets of $500,000 or more, a managed account provides an effective solution to the challenges faced when running a large portfolio. But, who do you hire?

According to Jack Waymire, founder of the Paladin Registry (a free public services firm for investors) author of **'Who's Watching Your Money?'** when it comes to hiring an advisor, "millions of investors use very subjective processes: likeable personalities; sales pitches or selecting advisors from brand name financial services companies because they feel safer". But, he goes on to explain…"advisors from brand name companies may not be the safe choices investors think they are for five reasons":

- Their companies are publicly owned, so their first responsibility is to shareholders and not to investors.
- In their companies' quest for profits and higher share prices, the advisors have more conflicts of interest than other financial professionals.
- The companies have a long history of abusing investors to maximize profits.
- The companies have paid billions of dollars in fines for cheating investors. Thousands of their executives and advisors have gone to jail, were fined or were forced to leave the industry.
- The companies have spent billions of dollars on lobbyists who make sure new legislation favors companies and not investors

He concludes with, "If these facts aren't enough to raise concerns, then another telling statistic is the thousands of advisors who left brand name companies so they could do what was best for their clients…most of these breakaway advisors started their own Registered Investment Advisory firms."

By hiring a Registered Investment Advisor to manage your assets, you can gain access to sophisticated investment strategies and a higher level of personalized service that is not typically available in large financial services firms.

Whenever securities are purchased and sold from a portfolio, be it in a mutual fund or a separate account, the potential for tax consequences arises. One of the primary benefits of a managed account is that securities can be sold in the most *tax efficient* manner. A simple example is that selling a security after a 12 month and one day hold will avoid short term capital gains.

Another example is, specific securities that have sustained net losses in your portfolio can be sold in order to offset any potential capital gain tax liability. Conversely, in a mutual fund, securities are typically bought and sold without consideration of the tax ramifications to the individual fund shareholders. In addition, redemptions by other fund shareholders can result in a tax liability as well if the fund manager has to sell some of the fund's holdings in order to meet these redemption requests.

Fees paid to the advisor are usually based on a percentage of the assets in the account. In contrast, mutual funds generally have annual management, distribution and administrative expenses. Be sure to compare fees, liquidity, and investment objectives prior to investing.

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☺ If you need help setting up and sticking to a budget, you can go to www.Mint.com

☺ With the holidays upon us, the need or desire to send cash, has probably gone up in importance. You'll be happy to hear there is a free web site that is also easy to use. Try www.Square.com

☺ You can find out what pharmacies, locally, are charging for your prescription drugs at www.GoodRX.com

☺ There is a free credit report site which will also give you your credit score with Trans-Union. Go to www.CreditKarma.com

☺ Detailed instructions for stain removal can be found at the site below: www.Web.Extension.Illinois.edu/stain/index.cfm

☺ More than 200 deals are reported daily on appliances, compuers, clothing, electronics, etc at www.DealNews.com

☺ You can find rankings of combinations of airline lowest price, shortest duration, fewest stopovers, schedult, etc at www.HipMunk.com

Titling Assets to Benefit Your Heirs

There's more to retirement than managing assets; you must also ensure that those assets are titled correctly. But people commonly make mistakes in titling their assets, and these mistakes can have major implications for the owner of the assets and his or her loved ones.

There are a number of titling options, including joint tenancy with right of survivorship (JTWROS), tenancy by the entirety, tenancy in common, and sole ownership. Trusts and wills complicate the mix.

Most married couples have assets—the house, the bank account, and the brokerage account—that are titled jointly. But that can cause problems, particularly in second marriages, because the titling on accounts overrides the will. So regardless of what your will says, your surviving spouse gets everything.

For example, let's say you create beneficiary instructions in your will indicating that your son should inherit your mutual fund. You assume that at death, all of your assets will be disposed of through the instructions in your will.

But you overlooked something: The mutual fund is titled as joint tenancy with rights of survivorship. And the distribution procedures stipulated by the rules of joint tenancy with rights of survivorship would, in fact, supersede the disposition of this asset over any provisions of the will. As a result, your second wife—your son's stepmother—would receive the assets.

That's just one of many consequences that can result when titling mistakes complicate the process of passing on wealth. Assets could be unavailable to surviving owner(s). Assets could be distributed to the wrong recipients. Assets could be distributed at a time that is not desired or expected. Or, asset distribution could result in undesirable tax consequences.

Why Joint Ownership Can Put Your Assets at Risk

Probate is the legal process of wrapping up a person's affairs, paying their bills, and distributing their assets. And it is not uncommon for this to take several months to go through the court system.

The expenses involved can potentially include property appraisal, executor fees, court costs, plus legal and accounting fees. The amount varies depending on your state and the local practice in your community.

To avoid this burden on their loved ones, seniors frequently transfer assets into joint-tenancy ownership with their intended beneficiaries. Although this strategy can reduce settlement costs by eliminating probate, it could open up another set of problems.

Assets held in joint-tenancy automatically go to the surviving owner when you die. However, while you are alive, the joint owner can legally withdraw part or all of the money in the account without your permission.

In addition, if he or she gets into financial or legal trouble, the property could be at risk to creditor claims. Rather than making a beneficiary a joint owner of your property to simply avoid probate, you might consider another idea.

An individual can own certain assets and list a beneficiary. At the owner's death, the assets pass to the named beneficiary and avoid probate. While you are alive, your beneficiary does not have access to your account. You can change beneficiaries at anytime, and you might even be allowed to name a contingent beneficiary.

A **Payable on Death** (P.O.D.) registration applies to bank, savings and loan, and credit union accounts, as well as United States savings bonds.

On the other hand, a **Transfer on Death** (T.O.D.) registration is used for securities such as stocks, bonds, and mutual funds (but only if the securities firm allows it).

With both of the above, the beneficiary receives the funds by offering proof of identity and a copy of your death certificate, regardless of the provisions in your will. Please note that the assets will still be included in your estate when you pass away. Estates that exceed $5.34 million are subject to federal estate taxes. In N.J. It's $675,000.

If you are looking for ways to pass property to your heirs in an efficient manner, please complete and return the enclosed coupon. You'll also receive a free estimate on your possible estate tax liability.

These articles are not intended to provide tax or legal advice and should not be relied upon as such. It is a summary of our understanding and interpretation of some of the current laws and regulations and is not exhaustive. Investors should consult their legal or tax advisor for advice and information concerning their particular circumstances.

What Happens to Bondholders when a Company Goes Bankrupt?

Seniors like bonds because they can possibly provide a steady income, diversify a stock portfolio, and are backed by the insurer's financial strength. But things don't always go as planned. Companies occasionally have financial problems and must file for bankruptcy.

Investors holding bonds in bankrupt companies can at least have the comfort in knowing that as unsecured creditors they are second in line for payment.

Secured creditors, those with claims backed by collateral, such as equipment or real estate, are paid first. Stockholders come last, and that is only if there is any money left after the creditors have been paid.

There are two general forms of bankruptcy: Chapter 7 and Chapter 11. With Chapter 7, the company is liquidated and bondholders should file a claim to receive a portion of the value of their bonds. In Chapter 11 proceedings, however, the process is quite different.

Chapter 11 allows the corporation to reorganize. Its bonds might continue to trade, but holders will not receive principal and interest payments. As a result, a default could occur, and the value of the bonds might decline significantly, or the court may approve an exchange of the old bonds for new ones (which could have a lower value).