

Financial Planning Workshop

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Taxes

Banking

College Savings

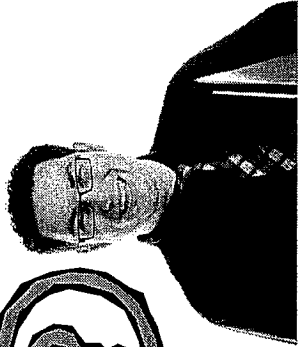
Investments / Retirement

Health & Life Insurance, Disability & LTC

Home & Auto Insurance

Mortgage

Estate Planning



Overview

Financial planning provides direction, measurement and meaning to your financial decisions. It allows you to understand how each financial decision you make affects other areas of your finances.

For example, buying a particular investment product might help you pay off your mortgage faster or it might delay your retirement significantly. By viewing each financial decision as part of a whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

The financial planning process involves gathering relevant financial information, setting goals, examining your current financial position and coming up with a plan for how you can meet your goals given your current situation and resources.

In the process you need to set measurable financial goals and specific targets of what you want to achieve and when you want to achieve results. For example, instead of saying you want to be "comfortable" when you retire or that you want your children to attend "good" schools, you need to quantify what "comfortable" and "good" mean so that you'll know when you've reached your goals.

Each financial decision you make can affect several other areas of your life. For example, an investment decision may have tax consequences that are harmful to your estate plans. Or a decision about your child's education may affect when and how you meet your retirement goals. Remember that all of your financial decisions are interrelated.

Estate Planning

Why spend the time on Estate Planning?

Anyone who owns a house, vacation property, IRAs, Mutual Funds, stocks/bonds – or anyone who has some cash squirreled away against a rainy day – has an estate. Without proper planning, the decisions about where all of your hard-earned wealth will go upon your death may not pan out as you intended. An effective estate plan will help you preserve that wealth for your heirs.

A properly executed estate plan can help you:

- To control who manages and receives your assets at your death.
- To minimize administrative expenses and legal fees.
- To transfer a greater share of your assets to your heirs and favored charities/causes.
- To protect your heirs by providing them with wealth management continuity throughout your lifetime and beyond.

Reasons for ongoing review

Even if you already have an estate plan, you should review it in the event of:

- Marriage
- The birth of a child or grandchild
- A significant change in your net worth (stock option vesting or inheritance)
- Changes in financial objectives (such as early retirement)
- The purchase or sale of a house or family business
- Divorce
- Death of a spouse or beneficiary
- Changes in the tax laws

Where to start?

Contact your financial advisor, CPA, or even local bank to get contact information for an attorney to help you start planning. Be involved and proactive in the management of your plan and follow through with your decisions.

Mortgage

A mortgage is a large piece of your financial make-up. Typically, your mortgage is the largest check you'll write every month and usually lasts between 15 and 30 years. When choosing a mortgage option, you must weight a lot of different factors, one of the largest being: Can I afford it?

The most basic features to evaluate:

- Dollar Amount (adjusted by down payment to vary Loan To Value)
- Interest Rate (changes with term, buying down points, etc)
- Term (usually 15 or 30 years)

Some of the more technical aspects to be aware of:

- PMI (Primary Mortgage Insurance)
- Points (pay more closing costs up front to lower your interest rate)
- Fixed or adjustable rate
- Escrow - Taxes and Insurance

A smart way to shop for mortgages is to feel comfortable with and understand the different types of mortgages and their various components before you even speak with a mortgage broker. The following website, <http://www.mtgprofessor.com/home.aspx>, developed by Jack M. Guttentag, a professor of finance emeritus at the Wharton School of Business at the University of Pennsylvania, is a good resource to learn about mortgage terminology, the home buying process, and to view helpful tools and questionnaires to help guide your decision.

Risk Management (Insurance)

Home and Auto Insurance

Home and Auto insurance is an important area of your financial picture that many people overlook. Many people shop by dollar amount and not by

coverage. What if you are sued because of an accident either in your car or in your home? Do you have appropriate coverage? What if you don't?

It is important to work with somebody that understands what you are looking for in a policy, not just the cost. Keep in mind that most lawsuits range anywhere from \$100,000 to \$1,500,000 and not having enough liability coverage can put your assets and your long-term financial goals at risk.

Life Insurance

As an important part of a sound financial plan, a life insurance policy can help you plan for the future while offering protection against the financial repercussions of your or another family member's death by providing a death benefit to beneficiaries.

There are two essentials to purchasing life insurance. The first is to understand what your need is today and how it will change in the future. The second is what type of policy suits your situation and provides the benefits that you are looking for. The process takes in to consideration your expenses, your life goals and your resources.

Disability

Your ability to earn a living is one of your greatest assets. Your income gives you the security and freedom to plan for the future. It helps pay for your home and car, puts food on your table, and covers college tuition, and the other financial goals that are a part of your families hopes and dreams.

What would happen if you suddenly became sick or injured and couldn't work? How would you maintain your lifestyle if your ability to work and earn an income was lost for a year? 10 years? Or even longer?

No one can predict the future or avoid the risk of a disability. Having a Group Long-Term Disability Plan through your employer is a great start... but it may not be enough. Workplace disability benefits usually cover just a portion of your income - potentially leaving you underinsured in the event of a disability.

Long Term Care

According to the American Society on Aging more than 70% of us who live to retirement age will need long term care at some time in our lives. But, what is long-term care and how do we know if we need long term care insurance?

Long-term care is care that you need if you can no longer perform everyday tasks (activities of daily living) by yourself due to a chronic illness, injury, disability or the aging process. Long-term care includes the supervision you might need due to a severe cognitive impairment (such as Alzheimer's disease).

Long-term care isn't intended to cure you. It is chronic care that you might need for the rest of your life. This care can span years and can be expensive depending on the type of care you need and location where that care is received. Long-term care insurance is one way of helping to pay for these expenses.

Retirement

Saving for Retirement

Retirement is a major concern for most of us today. We're living longer-which means we have more retirement years for which to save and invest. According to the National Center for Health Statistics, by 2010, the average U.S. life expectancy is an estimated 78+ years. Social Security is less certain than in the past. And corporate retirement plans are changing in ways that leave us more responsible for saving and investing for retirement.

How can you best prepare to reach your retirement goals?

When it comes to planning for retirement, the earlier the better. Even so, it's never too late to begin. The best way to plan for retirement is with a straightforward program based on:

- **An effective investment strategy**— Define your retirement goals, identify opportunities to fund your retirement account, and analyze research that can help you make appropriate investment decisions.
- **Taking advantage of qualified plans, 401(k)s, 403(b)s, IRAs¹**, Learn what plans are out there and which ones you are eligible for. Utilize the

different plan aspects to help your funds grow faster or be worth more when you need them.

- **Focus on your asset allocation more than individual investments—** Several studies have concluded that how you invest your money is more important than the individual investments returns.

Nearing Retirement

Ask yourself the following questions:

- Have I made adequate provision for my retirement?
- Will I have sufficient money to enjoy the lifestyle I want?
- Have I calculated the money I will need to live on in retirement?
- Have I arranged my investments to receive the income I require?
- Will my pension be sufficient however long I live?
- Is my pension secure?
- What effect will inflation have on my pension and other income?
- Will government changes in taxation affect my pension?
- Will I be able to afford long term nursing care if I need it?
- Have I minimized my tax liabilities, including Inheritance Tax?

Enjoying Retirement

Form a plan as to how to best use your assets along with any retirement income you may have to minimize risk, and help you sleep at night.

Careful distribution planning

Since a distribution from your employer's retirement plan could represent the largest sum you will ever receive at once, intelligent planning is a must. You have the following options:

- Annuitizing payments for regular income,
- Taking a lump-sum distribution or
- Rolling the distribution over into an individual retirement account (IRA)

Tax Planning

Most Americans dread April 15th as the deadline looms to file their federal and state income tax returns. Those who owe money at tax time frequently vow that they'll be better prepared "next year". Unfortunately, many people don't know how to follow through with that commitment. The best approach is to understand why you owe tax. Identify what types of income streams you have and how they are taxed. For example, are you just a W-2 employee? Do you have significant investment income? Do you own your business and need to plan for self-employment tax? What about rental income or income from pass-through entities? Understand where your income comes from and then learn how minimize the taxes associated with that income.

Tax planning is a year round effort. Here are few ideas to get you started.

Get organized – the basics:

- Create a file for records you'll need at tax time. Start by filing your pay stubs. Don't wait until your employer issues a W-2 income and withholding statement at the end of the year. Keep a running total of your income and withholding. These figures will provide a rough idea of how much you expect to have earned and withheld by year's end.
- When your tax documents start to arrive in the mail, keep track of them, review them for accuracy, and make sure you have them all.
- Remember to include sources such as bonuses, stock sales and your spouse's earnings when computing income. If you're on track to earn more-or withhold less-than last year, it could mean that you'll owe more money at tax time.
- If your tax situation has significantly changed from the prior year, make time in November or December to do some tax planning before it's too late. There might still be time to adjust your withholding, or take advantage of certain tax provisions.

Self-employed?

Take the time to keep accurate financial records for your business. Don't wait until the last minute to determine your bottom line. If you anticipate a profit at year-end, remember to plan for and set aside funds to pay your self-

employment tax liability. If estimated tax payments are necessary, make sure you know the deadlines and can determine appropriate amounts. There are also several different retirement plan options available to those who are self-employed. Research the plans that are available to you and be aware of the various deadlines to open/fund them.

Save those receipts.

Understand what receipts you need to save! If you own your own business, you'll need proof of your business expenses. If you itemize your deductions on your tax return, make sure to keep your receipts for charitable contributions, your medical and dental expenses, unreimbursed employee business expenses, etc. Take the time to understand what kinds of expenses are deductible and develop a system to track those items – don't waste time saving unnecessary receipts.

Be alert to changes.

Will you be welcoming a new baby into the family during the tax year? Do you or a family member expect to start college? Did you receive an inheritance or other monetary windfall? Do you expect to buy a home, get a raise, start a new job, get married, file for divorce? These are just a few examples of life-changing incidents that should prompt you to re-examine your income tax strategy.

Pay attention to deductions.

Keep in tune with the various tax law changes that may affect you. Congress passes new tax provisions all the time – some of which can be very helpful. For example, there are several education related tax incentives that allow either a deduction or a credit for your qualified educational expenses, there are environmental tax incentives in the way of residential energy credits, credits for first time homebuyers, credits for child and dependent care expenses, incentives and credits to purchase new vehicles, etc. Use these credits to your advantage and utilize them when you can.

College Savings : Feel it's too late to save?

IRA withdrawals for education

Tax penalty-free distributions can be made from IRAs if used to pay for qualified higher-education expenses for a taxpayer, his or her spouse, or any child or grandchild of either. (Withdrawals are subject to regular income tax. Tax penalty-free education distributions cannot be made from qualified plans.)

American Opportunity Tax Credit (formerly known as the Hope Credit)

In 2010, taxpayers can claim a credit of \$2500 for qualified education expenses incurred for each eligible student.

The Credit is no longer limited to just the first two years of post-secondary education, but is now available through the first four years of college. In addition, the definition of qualified education expenses has been expanded to include books, supplies, and computers, regardless if they were purchased from the educational institution.

For certain taxpayers, up to 40% of the AOC is refundable. Certain AGI limitations do apply: the credit is phased out for AGI over \$180,000 MFJ.

The Lifetime Learning Credit

This allows a credit of 20% of qualified tuition and related expenses up to a maximum credit of \$2,000. The amounts are subject to phase-out for higher-income taxpayers. Unlike the American Opportunity Credit, the Lifetime Learning Credit is not indexed for inflation.

Tuition and Fees Deduction

Taxpayers are allowed a maximum deduction of \$4000 for qualified tuition and fees paid to an eligible educational institution. The deduction is phased out for taxpayers with an AGI over \$130,000 (MFJ).

Deduction for student loan interest

A deduction is allowed for interest paid on qualified education loans subject to income limits. The maximum interest that may be deducted is \$2,500 per year.

Coverdell

With the rising cost of higher education, many families must plan to build a fund for their children's college expenses. The Coverdell Education Savings

Account was created solely for this purpose. It will help many families prepare for this financial challenge.

Taxpayers may deposit up to \$2,000 per year into an Education Savings Account ("ESA") for a child under age 18 (or a special needs student of any age). Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child's ESA, provided that the total contributions for the child during the taxable year do not exceed the \$2,000 limit and the individual contributor's income does not exceed certain limits. Corporations and other entities may make contributions without being subject to the income limits. Contributions may grow tax-free until distributed. The child will not owe tax on any withdrawal from the account if the child's qualified education expenses for the year equal or exceed the amount of the withdrawal.

If the child does not need the money for education, the account balance can be rolled over to the ESA of certain family members who can use it for their qualified education expenses. Earnings allocated to amounts withdrawn from an ESA that exceed the child's qualified education expenses in a taxable year are generally subject to income tax and to a penalty tax of 10 percent.

Eligibility

Anyone who's AGI is not in excess of \$220,000 (joint returns) or \$110,000 (single returns) may contribute on behalf of a designated beneficiary who has not reached the age of 18.

529 Plans

529 College Savings plans are a tax-advantaged investment vehicle designed to help you meet the challenges of saving and investing for the costs of higher education. 529 Plans were established by Congress in 1996 in recognition of the escalating costs of higher education and named for Section 529 of the Internal Revenue Code. These plans are created by states. Additionally, certain education institutions sponsor their own qualified tuition programs that generally apply specifically to that institution. Although each state determines particular plan features, like contribution maximums, there are some similarities. The following features are common to all 529 Plans:

Flexibility

- **Anyone can contribute**—Any U.S. citizen or legal U.S. resident can establish a 529 Plan on behalf of an individual beneficiary, including parents, grandparents, other relatives and friends. There are no adjusted gross income limits to meet and no age requirements for account owners.
- **Investments can be used at a wide range of higher education institutions**—When a student is ready for college the money accumulated in a 529 Plan account can be withdrawn to pay for qualified higher education expenses at any accredited college, university, professional or technical school in the U.S. or overseas.

Income Tax Advantages

- **Tax-deferred growth**—Account earnings grow free from federal income taxes.
- **Tax-free qualified withdrawals**—Withdrawals used to pay for qualified higher education expenses are federally tax-free. (Note: For non-qualified withdrawals, the earnings portion is subject to federal income taxes and a 10% federal excise tax penalty. Also, state and local taxes may apply.)
- **State Tax Advantages**—Investors may enjoy additional state or local tax benefits for participating in their own state's plan.¹

Gift and Estate Tax Benefits

Under current tax laws, account owners can contribute up to \$13,000 annually (\$26,000 for married couples filing jointly) to a 529 Plan account of any beneficiary in a single year without incurring federal gift taxes. Subject to special rules, 529 Plan account owners can contribute five times the annual gift amount all at once — \$65,000 per beneficiary (\$130,000 for married couples filing jointly) without incurring federal gift taxes.

High Contribution Limits

High contribution limits allow clients to add to their investment until the account value reaches the state-mandated maximum amount. Many states allow contributions in excess of \$250,000. Earnings may continue to accumulate beyond this limit.

Account Control

The account owner maintains control at all times, even after the beneficiary turns age 18. If the beneficiary elects not to attend college, the account owner can choose to change the beneficiary to another family member, gift the investment or liquidate the account. (Note: Non-qualified withdrawals may be subject to federal income and other taxes.)

Conclusion

At the end of the day, there are very few people who are able to make decisions on all of these different aspects of their financial lives without somebody in the know. Regulation changes and constant innovation cause the financial industry to change every single day. The best thing you can do is learn as much as possible, sit down to talk with somebody that works in the industry, and make a decision based on what it is you're looking for; there are products out there that will fit just about anybody's needs. Take an interest in your decision, it's you and your family's livelihoods' at stake.