Let's Talk Money®

PREVENT FUTURE SHOCK
WITH REALISTIC PROJECTIONS

IF YOU'RE LIKE MOST PEOPLE, YOU MAY UNDERSTAND THE NEED TO INVEST FOR RETIREMENT. BUT HOW MUCH WILL YOU NEED? INFLATION, INCREASING HEALTH-CARE COSTS, TAXES AND OTHER FACTORS CAN MAKE ESTIMATING YOUR FUTURE INCOME NEEDS TRICKY. BUT YOU PROBABLY CAN MAKE AN EDUCATED GUESS BY UNDERSTANDING PAST TRENDS.

Your purchasing power

Start with inflation. As measured by the Consumer Price Index (All Urban Consumers), inflation has been relatively tame in recent years. In 2006, inflation increased 2.5%.* While this may seem inconsequential, it is not — even a 4% average inflation rate can reduce your purchasing power by *more than half* over 20 years.

There is no guarantee inflation will remain at current levels. Remember 1979 and 1980, when inflation rose in the neighborhood of double digits each year?* Whatever your guess for future inflation might be, you should work with your licensed financial professional to develop a strategy that deals with this anticipated loss of purchasing power over time.

Your health

Even if current price increase trends slow, health-care costs in retirement could be your biggest expense. Since 1970, health-care spending has increased at a 9.8% annual rate, certainly more than the rate of inflation over that time.** A study published by the Employee Benefit Research Institute (EBRI) quantifies just how much this would cost a retired couple, age 65, who live to the average life expectancy — $295,000! This is for expenses not covered by Medicare. Should the couple live to age 95, EBRI estimates their health-care expenses will reach $550,000.***

Your health-care expenses in retirement may be more or less than these estimates, triggered primarily by your health or lack of it. And there is no way to predict what will happen with Medicare, whose expenses now rise annually to adjust for inflation. Whatever happens, plan on health care consuming a large percentage of your retirement income.

Other factors

Other factors will affect your purchasing power in retirement as well. Taxes are always a moving target. Whatever happens, count on needing more dollars tomorrow to buy the same goods or services you get today, and invest now so you'll potentially have those dollars when you need them. We can help.

* Department of Labor, Bureau of Labor Statistics; ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt

** Kaiser Family Foundation, *Health Care Costs: Key Information on Health Care Costs and Their Impact*, August 2007, p. 3; http://www.kff.org/insurance/upload/7670.pdf

*** *EBRI News*, July 20, 2006; http://www.ebri.org/pdf/PR_742_20July06.pdf

FINRA Reference #FR2007-1112-0172/E 01/29/08

FIND UNCOMMON TAX DEDUCTIONS
TO SAVE ON TAXES

AS TAX RETURN SEASON IS UPON US, HERE ARE SOME 2007 DEDUCTIONS THAT CAN HELP YOU PAY LESS IN TAXES. REMEMBER TO CONSULT YOUR TAX PROFESSIONAL TO LEARN ABOUT THE MANY RULES AND RESTRICTIONS THAT APPLY.

Medical expenses

Many taxpayers assume they can't deduct their medical expenses because they must exceed 7.5% of adjusted gross income on their tax returns. However, you may want to revisit this tax area. First, employer-provided health insurance plans may have cost you more out of pocket last year as co-insurance, insurance deductibles and co-pays increased. Additionally, your cost — even if insured — for prescription drugs may have risen.

The IRS also allows you to deduct a few cents per mile for travel to and from medical facilities, and you can deduct eyeglasses, dental expenses, crutches and other items and services not covered by insurance as well. Structural or other changes to your house, such as ramps and handrails, may also be medically deductible if a family member is disabled or chronically ill. Finally, the IRS may approve deductions for smoking cessation and weight loss programs under certain circumstances.

Deduct other taxes

If you live in a high-tax area, you might deduct 2007 state, county and local income taxes. If you live in a state without an income tax, or you paid high sales taxes, you might instead choose to deduct your sales taxes. In this case, keep records of sales taxes paid or use the standard tables provided by the IRS.

Educator expenses

If you're a teacher, you may deduct a limited amount of unreimbursed 2007 expenses for any books, supplies or materials you pay for out of your own pocket, subject to IRS rules.

Investment expenses

If you trade stocks or buy mutual funds on your own, you may be able to deduct the cost of professional publications, software and investment advice, within limits.

WAYS TO MAKE
THE MOST OF YOUR
TAX REFUND

INSTEAD OF POURING YOUR INCOME-TAX REFUND INTO THE LATEST TECHNOLOGICAL GADGET OR SOMETHING ELSE YOU REALLY DON'T NEED, CONSIDER THE FOLLOWING THREE WAYS YOU CAN GET THE MOST BANG FOR YOUR TAX REFUND BUCK.

Pay yourself forward

By this, we mean make additional contributions to your 401(k), IRA or other qualified investment vehicle. Just an extra $1,000 per year in your IRA can add up big over time. Your financial professional can help initiate this process for you.

Pay down credit card debt

You can save more money on the interest you don't have to pay for credit card debt than with almost any investment you can make. Start by trying to pay off the card with the highest interest rate, and work your way down. Then set a goal of remaining credit card debt free.

Account for emergencies

Unemployment or large automobile and home repairs can seriously throw your family budget out of whack. If you don't have an emergency fund to deal with these contingencies, consider starting one, and fund it with your refund check. If you already have such a fund, just add your refund to the account. This will give you a bigger cushion should a financial emergency strike.

AVOID TAX CHAOS BY ORGANIZING YOUR RECORDS

COMPLETING YOUR FEDERAL, STATE AND LOCAL INCOME-TAX RETURNS IS DIFFICULT ENOUGH WITHOUT HAVING TO SIFT THROUGH TAX DOCUMENT CLUTTER. BY ORGANIZING YOUR TAX INFORMATION, YOU MIGHT NOT MAKE YOUR TAX-PAYING EXPERIENCE PLEASANT, BUT YOU MAY CUT THE TIME NEEDED FOR THE TASK. BUT WHAT DO YOU KEEP, AND HOW LONG DO YOU KEEP IT? THE IRS OFFERS SOME SUGGESTIONS TO KEEP IN MIND AS YOU FILE YOUR 2007 TAXES.

Tax returns

Even though it's relatively unusual to be audited for individual tax returns after three years or business returns after six years, you might need your tax returns to correct a mistake in Social Security payments, prove income for a loan or qualify for a disability income insurance policy. Computerizing your returns can help eliminate some paperwork. If you lose a federal tax return, you can ask the IRS to send you a copy of it for a fee if the return is for this year or the three prior years.

Supporting documents

You generally don't need these for tax purposes once the likelihood of an audit disappears. You might, however, need information about investments to determine tax basis for as long as you own the investments.

Proof of home improvements

Certain improvements you make to your home can be deducted when figuring your overall capital gain on the sale of your home. This is important because single people get the first $250,000 and taxpayers filing jointly get the first $500,000 of capital gains on the sale of their home tax free, provided other conditions are met.

Go electronic

Other documents, including proofs of purchase, cancelled checks and mortgage payments, might be easily accessible to you on the Internet, saving you mounds of unnecessary paperwork to file. Check with your bank and favored retailers to learn if records can be retrieved electronically and for how long.

GIVE YOURSELF A RAISE THROUGH WITHHOLDING EXEMPTIONS

IF YOU'RE LIKE MANY TAXPAYERS, YOU PROBABLY GET A FEDERAL INCOME-TAX REFUND EACH YEAR. WHILE OVERPAYING AND GETTING A REFUND IS ALWAYS BETTER THAN UNDERPAYING YOUR TAXES, WHICH CAN RESULT IN AN UNDERPAYMENT PENALTY, PAYING TOO MUCH EFFECTIVELY GIVES THE GOVERNMENT AN INTEREST-FREE LOAN WITH YOUR MONEY. THE BEST TAX STRATEGY MAY BE ONE IN WHICH YOU WITHHOLD ONLY THE AMOUNT OF TAXES YOU'LL OWE FOR THE NEXT TAX YEAR. CONSIDER THE FOLLOWING:

- Take one exemption each for you, your spouse and each dependent.
- If you take the earned income credit or dependent care credit, you might be able to take an additional exemption.
- If you deduct large mortgage payments that primarily consist of interest payments, or you deduct appreciable state or property taxes, you may be able to take additional exemptions.
- Subtract from your exemptions if you have significant unearned income on investments from which taxes are not withheld or if you have self-employment income.

Since everyone's situation is different, talk to a qualified accountant to learn about how these and other factors affect the number of exemptions you should declare for withholding taxes. Then talk to your financial professional, who can help you to invest the difference.

DO YOU PAY UNNECESSARY FEES?

YOU MIGHT IF:

- Your bank charges a fee when you use your ATM card at another bank. Some banks don't charge for this.
- Your credit card charges an annual fee; many don't.
- You pay late fees on your bills, which can also affect your credit. The solution: Pay on time.

GETTING ON TRACK TO MEET MULTIPLE FINANCIAL GOALS

IF YOU'RE LIKE SOME AMERICANS, YOU HAVE MANY FINANCIAL GOALS AND LITTLE TIME TO ACHIEVE ALL OF THEM. DEPENDING ON YOUR AGE, YOU MIGHT WANT TO INVEST IN A FIRST HOME, BUY A SECOND HOME IN A RETIREMENT HAVEN, FUND A CHILD'S COLLEGE COSTS, INVEST TO START YOUR OWN BUSINESS OR SATISFY ANY NUMBER OF OTHER FINANCIAL GOALS. HERE'S A LOOK AT TWO MAJOR STEPS YOU CAN TAKE TO HELP REACH MULTIPLE FINANCIAL GOALS.

The time value of money

Whatever your financial goals, they should trigger the same response — to invest as much money as early as possible for the future. The value of time and compounding can't be overemphasized. The earlier you begin saving, the more your money can work for you.

Let's say you have 20 years until you want to retire or attain another financial goal. For argument's sake, we'll say you contribute $2,500 a year ($208.33 at the beginning of each month) into a tax-deferred vehicle, such as a traditional IRA. Over 20 years, your contributions would total $50,000. But if your money earns 7% annually, is compounded monthly and earnings are tax deferred, you would accumulate $109,159 — more than double your contributions.

Now, let's say you get a late start, but you'll still contribute the same total amount — $50,000. Only this time, you'll contribute $5,000 a year ($416.67 at the start of each month) over 10 years. You still earn 7% annually, compounded monthly, and earnings are tax deferred. After 10 years, you would have accumulated $72,539. That's almost $37,000 *less* than the first example, even though you made the same amount of total contributions.*

Why the difference? Time. And time can work for you, whether you're saving for retirement, a college education or another goal.

Eliminate debt

The time value of money works in a similar way for credit, except it has a reverse effect on your wealth accumulation efforts.

For instance, look at what happens if you pay $225 per month toward a credit card balance of $15,000. Assuming your interest rate is 15%, which is about average for credit cards, it would take you 140 months — or more than 11 years — to pay off your balance. Your total payments would be $31,500, meaning more than half your payments went toward interest.

Now look at what happens if you double your monthly credit card payment to $450. It would take you only 43 months to pay off the bill in full — less than one-third of the time it took in the previous example. And your total payments would equal $19,350 — including much less interest than you would pay with a $225 per month payment.

In this hypothetical example, you would save more than $12,000 by doubling one credit card payment. Imagine how this could grow if you saved it for retirement? Obviously, you are better off with as little debt as possible. To help reach any financial goal, consider paying off as much credit card debt as you can. Then, don't charge again unless you can pay off the full balance each month.

Put time and compounding on your side by beginning an investment regimen early and contributing regularly. We can help ease the process with products that best suit your needs.

* LTM Publishing, Inc., 2007

This hypothetical example is for illustrative purposes only. The performance is not indicative of any particular investment. Actual results and investment risks will vary. Sales loads, sales charges and administrative fees are not taken into account and would reduce the performance shown if they were.

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DOUBLE BENEFITS
WITH CHARITABLE GIFT ANNUITIES

AMERICANS GIVE AN ENORMOUS AMOUNT OF MONEY TO CHARITY EACH YEAR. ACCORDING TO THE GIVING USA FOUNDATION, CHARITIES RECEIVED MORE THAN $295 BILLION IN 2006, WITH INDIVIDUAL DONATIONS TOTALING ALMOST $223 BILLION OF THAT AMOUNT.*

One way to enhance the value of your charity dollars and provide income for yourself or a loved one is to make a gift to a charity in return for a charitable gift annuity. This is an especially effective technique for people who would like to donate more money to charity but need a certain amount of that money for living expenses.

The value of an annuity

An annuity is a contract in which one or more persons make either a lump-sum payment or periodic payments with the right to annuitize the contract to receive regular annuity payments in return for a fixed period or as long as they live. Annuity payments can last for a single lifetime or, when the joint and survivor option is taken, for as long as two people live. The latter option typically offers lower payments, since theoretically two lives will last longer than one.**

Charitable gift annuities differ in that they are agreements between a donor and a charity, religious organization or educational institution. A donor makes a gift to the organization and receives fixed payments for life — not for a fixed period, as is possible with a regular annuity — according to the terms of the contract. The older the beneficiary, the higher the payments typically are.

What you should know

There are a number of other differences between a typical annuity and charitable gift annuities. Taxpayers can claim a partial deduction for their gift if they itemize deductions, since part of the gift is being used by the charity. The deduction is equal to the gift, minus the so-called present value of the payments the donor or other beneficiary receives. In contrast, an outright donation of an annuity without any payments given back to the donor is generally fully tax deductible.

Similarly, a portion of each annuity payment received by the donor or beneficiary is excluded from taxable income. Note that some states regulate charitable gift annuities differently, and other states don't regulate them at all. Talk to your tax advisor and your financial professional to learn if a charitable gift annuity is right for you.

* Giving USA 2007, http://www.charitynavigator.org/index.cfm/bay/content.view/cpid/619.htm

** *Guarantees are subject to the claims-paying ability of the issuing company. Generally, annuity contracts have limitations and a charge for early withdrawals. Withdrawals are subject to income tax, and a 10% federal income-tax penalty may apply to withdrawals prior to age 59½.*

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TAKING YOUR ESTATE STRATEGY BEYOND THE WILL

MOST PEOPLE AGREE THAT A WILL IS THE FOUNDATION OF ANY ESTATE STRATEGY. HOWEVER, DRAWING UP A WILL AND UPDATING IT REGULARLY MAY NOT PREVENT MISUNDERSTANDINGS OR HARD FEELINGS WHEN IT COMES TIME TO EXECUTE THE TERMS OF YOUR WILL.

That's why it's important to communicate the hows and the whys of your instructions, either verbally or in writing, in an attempt to keep your family in harmony after you're gone. To understand the importance of communication, take a look at two examples and how they can create difficulties for loved ones after you're gone.

The gatekeeper

The person you name as your will's executor or executrix, alternatively known as a personal representative, will eventually carry out the terms of your will. Even with simple estates, this job can be time consuming.

Naming a family member as personal representative can cause problems in a number of instances. First, other family members may question the personal representative's impartiality if disputes crop up. This is one reason why some people name non-family members, such as a trusted family attorney or a trust company, as executor. Second, an executor can charge a fee equal to a prescribed percentage of total assets passed through the will. While paying this fee to a non-family member might be easily understood, it can create hard feelings when the executor is family and other family members expected an equal division of assets.

That's why it's vital to detail the duties of a family executor to help other beneficiaries named in the will understand the time and money that's involved. Whether in writing or through verbal communication, outline the many tasks of an executor. This includes securing death certificates, paying liabilities from assets, paying final income taxes, dividing up the estate, handling insurance benefits and a bevy of other tasks.

Once other family members understand the work involved, they may not resent the fee paid to the executor. And, of course, a family member who is your executor can opt to forego the fee, perhaps minus out-of-pocket expenses. In either case, communicate clearly so that everyone knows the work involved.

The mechanics

Another area to pay close attention to is the mechanics of distribution. A comprehensive will should address specific bequests of assets that you want distributed to specific individuals after you're gone and the division of the remainder of your estate. Some assets, such as life insurance policies and retirement plans, will have beneficiaries already named and are not usually covered by a will. Other assets, including investments and collectibles, should be provided for in your will. Your attorney will be able to guide you through the process and draft the documents you need to carry out your wishes.

Even if you don't miss a single detail, you can still create potential trouble if you don't let your loved ones know where all the information about your estate can be found. Consider creating a master list that details all of your assets and contact information and where they can be found.

Detail where to find your original copy of the will, investments, life insurance policies and retirement plans. Work with your insurance agent to make sure the beneficiaries named are up to date. List names, phone numbers and contact information where appropriate. Then give copies of your "map" to your attorney, financial professional, executor and all of your beneficiaries. Your loved ones will be happy you did.

2008/02 EPL

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SMALL BUSINESS OWNERS AND SEPS ARE A SMART COMBINATION

IF YOU ARE A SMALL BUSINESS OWNER, FEW RETIREMENT PLANS PACK THE PUNCH OF A SIMPLIFIED EMPLOYEE PENSION (SEP).

Comparing retirement plans

In 2007, your business could put as much as $45,000 (subject to certain limits and indexed to inflation; increasing to $46,000 for the 2008 tax year) annually into a SEP on your behalf. This compares favorably to 2007 and 2008 limits for SIMPLE retirement vehicles, which allowed employee elective deferral contributions of up to $10,500, plus up to an additional $2,500 for participants age 50 or older. Employer matching contributions to SIMPLEs are also required, up to 3% of the employee's compensation. Other retirement vehicles, such as a 401(k) plan, allow combined contributions up to the same limits of the SEP. However, 401(k) and SIMPLE plans may require more administrative responsibilities than SEPs.

As its name implies, a SEP makes it relatively simple to open and maintain a retirement plan, whether you are self-employed or run a small business with a few employees. You can establish a SEP as late as the due date, plus extensions, of your business's federal income-tax filing date.

Establishing a SEP is as easy as filling out IRS Form 5305-SEP. You can use an IRS-approved prototype or individually design your own SEP, following certain instructions and guidelines.

There are other requirements you should know, including how self-employment taxes and contribution deductions figure into a SEP, so you should consult your financial and tax advisor who can help guide you through them.

SEP advantages

However, SEPs also have a number of advantages that are easy to understand.

- Your business's contributions are tax deductible, and potential earnings are tax deferred until withdrawn;*
- Your business may contribute to a SEP even if you are fully employed elsewhere, as long as you have self-employment income;
- The percentage of SEP contributions made to all eligible employees must be equal, but you can change the percentage or not contribute at all year by year (with some limitations);
- Administrative costs are comparatively low;
- Self-employed individuals, S corporations and partnerships, as well as regular corporations, can establish a SEP.

Talk to your financial and tax advisor and your qualified financial professional to learn more about SEPs and other business retirement plans.

** Withdrawals prior to age 59½ may be subject to a 10% federal penalty tax.*

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SEPARATING FAMILY FROM YOUR FAMILY BUSINESS

RUNNING A BUSINESS IS HARD ENOUGH, BUT RUNNING A FAMILY BUSINESS CAN BE ESPECIALLY COMPLICATED. WHEN YOU RUN A NON-FAMILY BUSINESS, YOU PUT OUT DAILY FIRES AND MAKE DIFFICULT DECISIONS, BUT IN THE END YOU CAN GO HOME AND SEPARATE BUSINESS FROM FAMILY. FAMILY MEMBERS WHO WORK TOGETHER, HOWEVER, HAVE TO TAKE GREAT PAINS NOT TO MESH THEIR PERSONAL AND BUSINESS LIVES.

From training and job division to succession planning and pulling accumulated wealth from the business, the decisions made in a family business can affect personal relationships. That's why it is important to establish guidelines from the start, develop a strategy and follow through on it to help ensure your family life remains harmonious even if your business existence is a little less so.

Set the ground rules

A well-run business will have a number of written guidelines in place to help evaluate job candidates, gauge their progress and pay appropriate compensation. A well-run family business should do no less.

Take hiring family members in the business, for example. Start by writing a detailed job description, with the education required and the tasks of the position clearly defined. You may also want to consider establishing a compensation structure that is comparable with other companies of your size and industry.

Next, consider the training that will be needed to hone your family employees' skills and help them accept more responsibility as they gain experience. Throughout the career of each employee, a formal employee evaluation should be in place to help both you and your family members measure their progress.

Plan for succession

You won't run your business forever, so you should plan for when that time comes. Evaluate family members for both interest and ability. Give your eventual successor the tools and experience needed to be successful. As important, set the rules that will trigger succession.

You may plan to retire at a certain age, but permanent disability or death could change those plans. Setting aside funds for an unplanned departure or purchasing key person disability income and life insurance can help provide the funding if you leave your business prematurely.

Set up a buy-sell agreement, and then consider ways to fund your eventual succession. Life insurance can provide an economical way to transfer your business at your death and make sure your successor has the funds to buy out your interest.

This is also a time when you might want to mix business and family finances. If a child will replace you and the business represents the majority of your wealth, another child out of the business may not be treated equitably when it comes time for your assets to transfer to loved ones. Life insurance can help in this instance, too.

Reap the rewards

If you're like many business owners, your wealth is tied up in your business. Rather than keep large amounts of cash in the company, you may want to begin to take money out of the company gradually. Consider qualified retirement plans that can help you put money away over time for retirement. Your financial professional and estate planning attorney can tell you more about these and other ways to help you get the most financially from your business.

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WHEN TERM INSURANCE MAY BE
YOUR BEST OPTION

INSURANCE

WHICH IS BETTER: TERM INSURANCE OR WHOLE LIFE INSURANCE? THE FORMER, SOME PEOPLE REASON, IS AN ECONOMICAL WAY TO GET THE MOST PROTECTION FOR YOUR MONEY – AT LEAST AT YOUNGER AGES – AND IS ALSO APPROPRIATE FOR TEMPORARY INSURANCE NEEDS. THE LATTER, OTHERS ARGUE, IS A GREAT WAY TO INSURE YOUR LIFE *AND* PERHAPS BUILD CASH VALUE.

The best choice will depend on your individual circumstances but, for many people, term insurance is often an appropriate choice.

Understanding term insurance

Whole life insurance, although it is cheaper to buy at younger ages than later on, generally has a higher premium than term life insurance. There's a good reason for that. Term life insurance provides life insurance protection; whole life insurance provides both protection and potential cash value.

Term life insurance, however, is not the same product it was 20 or more years ago. Back then, yearly renewable term life insurance was virtually the only term life sold. Each year, you would have to renew your life insurance contract, and premiums typically increased as you aged. You would pay your premiums for insurance protection, and you wouldn't see them again. In contrast, whole life insurance premiums typically remain the same throughout the life of the contract.

There are, however, good reasons to buy term life insurance, and today there are many varieties from which to choose. Two, in particular, are a change from the past: level premium term and return-of-premium term.

Unlike annual renewable term insurance, where premiums may rise yearly, level term premiums stay the same for as long as the insurance contract allows. You can expect level premium term to last as long as the contract's stipulations – usually, 5, 10, 20 or even 30 years. Compared to term that renews each year, premiums for level term may be higher in the beginning of the contract, but premiums in later years are typically less expensive.

Return-of-premium term insurance* is one of the newest innovations, doing something that previously only happened with whole life – returning cash to policy owners. However, term policies cost more with this feature than without it. Conditions for return of premium vary according to the product and insurance company. You should read the policy carefully and understand the situations under which premiums will not be returned.

Is term insurance right for you? We can help you to determine which of these products is appropriate.

* Subject to company availability, please check with your insurance agent.

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Detail where to find your original copy of the will, investments, life insurance policies and retirement plans. Work with your insurance agent to make sure the beneficiaries named are up to date. List names, phone numbers and contact information where appropriate. Then give copies of your "map" to your attorney, financial professional, executor and all of your beneficiaries. Your loved ones will be happy you did.

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THE RIGHT LONG-TERM CARE INSURANCE FEATURES CAN SAVE YOU MONEY

BUYING LONG-TERM CARE INSURANCE IS SOMEWHAT SIMILAR TO BUYING AN AUTOMOBILE. WHEN AUTOMOBILE SHOPPING, YOU CAN BUY THE $80,000 CAR WITH TONS OF HORSEPOWER AND A HOST OF FEATURES, OR YOU CAN PURCHASE THE $17,000 MODEL THAT SERVES AS RELIABLE TRANSPORTATION.

The same holds true when shopping for long-term care insurance. You can pick the policy with all the bells and whistles – some of which you may never need – and pay more. Or you can pick a policy with just the features you value and pay less. Carefully selecting which features you include – and don't include – can save you money down the road.

Does age affect premiums?

Long-term care premiums are less expensive if you purchase a policy while in your 50s, rather than waiting until you're older. Buying this coverage early serves another purpose, too. Some medical conditions might develop later in life that could mean you'd be denied coverage or pay higher premiums if you don't have an existing policy.

When do you need it?

Insurance companies call the time elapsing from when you first need care to when benefit payments begin an elimination period. In plain-speak, this is your waiting period. The longer the wait, the lower your premiums will be – sometimes appreciably. If you have an emergency fund or disability policy that you can tap into for the first 90 to 180 days of long-term care costs, buying a policy with a waiting period of at least that length will save you money.

How much do you need?

Many long-term care policies pay fixed daily benefits, which may be more or less than you need. Care costs differ dramatically from one area to the next. Pick the daily benefit that meets average costs in your area. You can also choose lifetime benefits, which will be the most expensive you can buy. This may only be necessary if you have a family medical history that includes a debilitating long-term illness.

Will benefits increase with inflation?

They will, if you pay for additional inflation protection. Some insurers increase benefits by a fixed percentage each year, while others increase them in line with the rise in inflation. The latter will be slightly less expensive, but you should study your choices before making a decision. Whichever method you choose to help accommodate price increases, this option could be one of the most cost-effective features you buy.

FINRA Reference #FR2007-1112-0172/E 01/29/08

TAKING YOUR ESTATE STRATEGY BEYOND THE WILL

MOST PEOPLE AGREE THAT A WILL IS THE FOUNDATION OF ANY ESTATE STRATEGY. HOWEVER, DRAWING UP A WILL AND UPDATING IT REGULARLY MAY NOT PREVENT MISUNDERSTANDINGS OR HARD FEELINGS WHEN IT COMES TIME TO EXECUTE THE TERMS OF YOUR WILL.

That's why it's important to communicate the hows and the whys of your instructions, either verbally or in writing, in an attempt to keep your family in harmony after you're gone. To understand the importance of communication, take a look at two examples and how they can create difficulties for loved ones after you're gone.

The gatekeeper

The person you name as your will's executor or executrix, alternatively known as a personal representative, will eventually carry out the terms of your will. Even with simple estates, this job can be time consuming.

Naming a family member as personal representative can cause problems in a number of instances. First, other family members may question the personal representative's impartiality if disputes crop up. This is one reason why some people name non-family members, such as a trusted family attorney or a trust company, as executor. Second, an executor can charge a fee equal to a prescribed percentage of total assets passed through the will. While paying this fee to a non-family member might be easily understood, it can create hard feelings when the executor is family and other family members expected an equal division of assets.

That's why it's vital to detail the duties of a family executor to help other beneficiaries named in the will understand the time and money that's involved. Whether in writing or through verbal communication, outline the many tasks of an executor. This includes securing death certificates, paying liabilities from assets, paying final income taxes, dividing up the estate, handling insurance benefits and a bevy of other tasks.

Once other family members understand the work involved, they may not resent the fee paid to the executor. And, of course, a family member who is your executor can opt to forego the fee, perhaps minus out-of-pocket expenses. In either case, communicate clearly so that everyone knows the work involved.

The mechanics

Another area to pay close attention to is the mechanics of distribution. A comprehensive will should address specific bequests of assets that you want distributed to specific individuals after you're gone and the division of the remainder of your estate. Some assets, such as life insurance policies and retirement plans, will have beneficiaries already named and are not usually covered by a will. Other assets, including investments and collectibles, should be provided for in your will. Your attorney will be able to guide you through the process and draft the documents you need to carry out your wishes.

Even if you don't miss a single detail, you can still create potential trouble if you don't let your loved ones know where all the information about your estate can be found. Consider creating a master list that details all of your assets and contact information and where they can be found.

Detail where to find your original copy of the will, investments, life insurance policies and retirement plans. Work with your insurance agent to make sure the beneficiaries named are up to date. List names, phone numbers and contact information where appropriate. Then give copies of your "map" to your attorney, financial professional, executor and all of your beneficiaries. Your loved ones will be happy you did.

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Let's Talk Money®

TAKE ADVANTAGE OF TRADITIONAL IRAS

FINDING THE IMMEDIACY TO SAVE FOR RETIREMENT CAN BE ESPECIALLY DIFFICULT FOR WOMEN. AFTER ALL, RETIREMENT MAY SEEM FAR OFF INTO THE FUTURE, WHILE WOMEN HAVE ROADBLOCKS THAT ARE UNIQUE TO THEM.

According to the U.S. Department of Labor, fewer than half of working women participate in a retirement plan. Women are more likely than men to work in part-time jobs that don't qualify for retirement benefits. Additionally, some women interrupt their careers to care for family, yet they can expect to live another 20 years beyond the normal retirement age of 65 — three years longer than men.*

Contributing to a traditional IRA can help women prepare financially for retirement.

Traditional IRA: The basics

Almost anyone can contribute to an IRA, and many people may deduct the contributions. For tax year 2007, you could contribute up to $4,000 annually plus another $1,000 if age 50 or older, as long as you earned at least the contribution amount. Additionally, you can make contributions for tax year 2007 as late as the federal income-tax filing deadline, without including extensions.

If you or your spouse do not actively participate in a retirement plan at work, you may be able to deduct your full IRA contribution. If you're single and covered by a retirement plan at work, you qualify for a full deduction on your 2007 tax return if your modified adjusted gross income is $52,000 or less. If you are married filing jointly and have a workplace retirement plan, you can still make a fully deductible contribution to a traditional IRA if your modified adjusted gross income is $83,000 or less. These income limits rise to $53,000 and $85,000 respectively in tax year 2008.

If married and filing taxes jointly, and your spouse is covered by a workplace retirement plan but you aren't, you can fully deduct contributions if your joint modified adjusted gross income is $156,000 ($159,000 in tax year 2008) or less.

If your income exceeds the limit, the allowed deduction is gradually reduced to zero.

The tax advantage

If you make a tax-deductible contribution of $3,000 and you're in the 25% tax bracket, you're really paying only $2,250, since you would pay an extra $750 in income taxes if you didn't make the contribution.

Your tax advisor and financial professional can help you determine if a traditional IRA is right for you.

* U.S. Department of Labor, *Women and Retirement Savings*; http://www.dol.gov/ebsa/publications/women.html

FINRA Reference #FR2007-1112-0172/E 01/29/08

GETTING ON TRACK TO MEET MULTIPLE FINANCIAL GOALS

IF YOU'RE LIKE SOME AMERICANS, YOU HAVE MANY FINANCIAL GOALS AND LITTLE TIME TO ACHIEVE ALL OF THEM. DEPENDING ON YOUR AGE, YOU MIGHT WANT TO INVEST IN A FIRST HOME, BUY A SECOND HOME IN A RETIREMENT HAVEN, FUND A CHILD'S COLLEGE COSTS, INVEST TO START YOUR OWN BUSINESS OR SATISFY ANY NUMBER OF OTHER FINANCIAL GOALS. HERE'S A LOOK AT TWO MAJOR STEPS YOU CAN TAKE TO HELP REACH MULTIPLE FINANCIAL GOALS.

The time value of money

Whatever your financial goals, they should trigger the same response — to invest as much money as early as possible for the future. The value of time and compounding can't be overemphasized. The earlier you begin saving, the more your money can work for you.

Let's say you have 20 years until you want to retire or attain another financial goal. For argument's sake, we'll say you contribute $2,500 a year ($208.33 at the beginning of each month) into a tax-deferred vehicle, such as a traditional IRA. Over 20 years, your contributions would total $50,000. But if your money earns 7% annually, is compounded monthly and earnings are tax deferred, you would accumulate $109,159 — more than double your contributions.

Now, let's say you get a late start, but you'll still contribute the same total amount — $50,000. Only this time, you'll contribute $5,000 a year ($416.67 at the start of each month) over 10 years. You still earn 7% annually, compounded monthly, and earnings are tax deferred. After 10 years, you would have accumulated $72,539. That's almost $37,000 *less* than the first example, even though you made the same amount of total contributions.*

Why the difference? Time. And time can work for you, whether you're saving for retirement, a college education or another goal.

Eliminate debt

The time value of money works in a similar way for credit, except it has a reverse effect on your wealth accumulation efforts.

For instance, look at what happens if you pay $225 per month toward a credit card balance of $15,000. Assuming your interest rate is 15%, which is about average for credit cards, it would take you 140 months — or more than 11 years — to pay off your balance. Your total payments would be $31,500, meaning more than half your payments went toward interest.

Now look at what happens if you double your monthly credit card payment to $450. It would take you only 43 months to pay off the bill in full — less than one-third of the time it took in the previous example. And your total payments would equal $19,350 — including much less interest than you would pay with a $225 per month payment.

In this hypothetical example, you would save more than $12,000 by doubling one credit card payment. Imagine how this could grow if you saved it for retirement? Obviously, you are better off with as little debt as possible. To help reach any financial goal, consider paying off as much credit card debt as you can. Then, don't charge again unless you can pay off the full balance each month.

Put time and compounding on your side by beginning an investment regimen early and contributing regularly. We can help ease the process with products that best suit your needs.

* LTM Publishing, Inc., 2007

This hypothetical example is for illustrative purposes only. The performance is not indicative of any particular investment. Actual results and investment risks will vary. Sales loads, sales charges and administrative fees are not taken into account and would reduce the performance shown if they were.

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Let's Talk Money®

SLOW AND STEADY WINS THE RACE

YOU NEED TO INVEST FOR RETIREMENT, BUT MULTIPLE FINANCIAL OBLIGATIONS AND GOALS CAN TAKE YOUR EYE OFF THE RETIREMENT ACCUMULATION BALL. EVEN A SMALL DELAY IN SAVING FOR RETIREMENT CAN HAVE SERIOUS CONSEQUENCES. CONVERSELY, YOU MAKE THE BEST USE OF YOUR RETIREMENT SAVINGS DOLLARS BY BEGINNING EARLY AND MAKING REGULAR CONTRIBUTIONS.

Traditional IRAs are a particularly effective way to save for your retirement. Contributions are tax deductible, if you qualify by income, and earnings have tax-deferred growth potential until withdrawal. This combination can potentially grow your retirement nest egg impressively over time.

An early start is key

Sarah, age 25, illustrates the typical progress of saving for retirement when you start at a younger age.

Let's say that Sarah starts saving $3,000 per year at age 25 and intends to continue until age 65. (For 2007, the maximum contribution allowed by law was $4,000.) Because she has no qualified retirement plan at work, she is eligible for a full deduction. So, Sarah, who is in the 25% income tax bracket, realizes a significant tax benefit from her contribution — her taxes are reduced by $750 annually. In this hypothetical example, earnings compound at a fixed rate of 8% annually, and Sarah doesn't increase contributions in later years, which she could — and should — if her income grows over time.

After contributing $250 at the start of each month — or $3,000 annually — for 10 years, Sarah's retirement fund would grow to $46,041.* Assuming Sarah keeps contributing that same amount, after 20 years, she'd have $148,237.

After 30 years, Sarah's retirement accumulation would increase dramatically to $375,074. And 10 years later when she retires at age 65 and has saved for 40 years, her retirement nest egg would swell to $878,570.

Time and compounding

This hypothetical example shows that when it comes to time and compounding, halfway is not really halfway. After 20 years, Sarah accumulated a little over $148,000. But in the back stretch of her trip, due to the power of time and compounding, her nest egg increased almost sixfold! That's why it's important to save early and regularly.

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