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FINANCIAL*ink*

Your Money Management Newsletter

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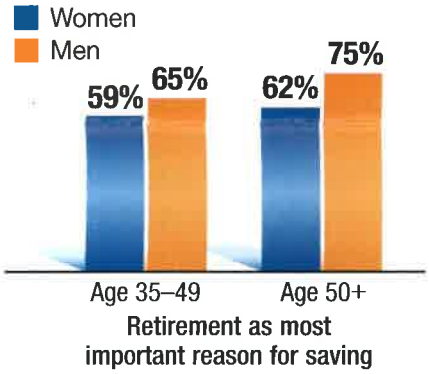
*Snap***SHOTS**

SAVINGS BEHAVIOR

Women are less likely than men to view retirement as an important reason for saving, even though they generally live longer and may need more retirement savings.



Source: LIMRA, 2011

Up **FRONT**

49 million

Estimated number of Americans who live in family households with at least two adult generations.

Source: *U.S. News & World Report,* January 14, 2011

Quick **HITS**

A survey of U.S. taxpayers found that 65% believe the federal estate tax is unfair.[1]

Cybercrime cost Americans about $4.5 billion during a recent two-year period and could cost even more in the future with the expansion of online banking, shopping, and social networking.[2]

Fifty-six percent of taxpayers are opposed to taxes on "unhealthy" food and drink products.[3]

The number of American workers saving for retirement fell from 78% in 2000 to 69% in 2010.[4]

Americans' combined personal debt has surpassed $2 trillion — roughly equal to England's GDP.[5]

Sources:
1, 3) Tax Foundation, 2009
2) *Consumer Reports*, June 2010
4) Employee Benefit Research Institute, 2010
5) Federal Reserve, 2011; CIA World Factbook, 2010

Practical insights for your **FINANCIAL GOALS**

Finding a Good Time **TO INVEST**

When the Dow Jones Industrial Average closed above 12,000 in February 2011 — the first time since June 2008 — it broke an important psychological barrier. It seemed to confirm to many that the stock market could be recovering from the global financial crisis.[1]

When a major index such as the Dow crosses a significant threshold, it can stir optimism among investors and those who have been sitting on the sidelines waiting for the markets to rally. Although there may indeed be good and bad times to invest, the problem is that such periods usually become apparent only in hindsight.

Most investors have important financial goals and only a limited time to reach them. Waiting for the "right" moment to invest could prove to be a costly and ineffective strategy.

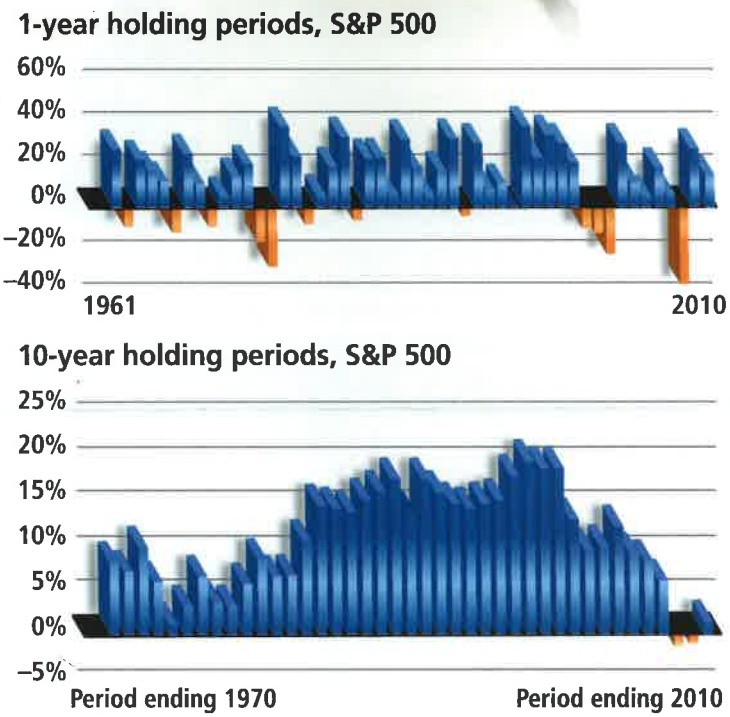
A LESSON NOT YET LEARNED

As a result of the 2008 financial crisis and turbulence of the past two years, a growing number of young investors have shunned the stock market. According to the Investment Company Institute, only 34% of people under age 35 say they're willing to take substantial or above-average risks with their portfolios, down from 48% in 2005.[2]

The early market experiences of young investors were disappointing, and they learned a hard lesson in market risk — that their portfolios can take a big hit in an economic downturn. But they may not have the perspective of "time in the market" and staying power over the long term.

In fact, a bigger danger for young stock-shy investors could be missing out on potential long-term opportunities. For example, over the 41 10-year holding periods since 1960, stocks lost money in only two periods (see chart). Of course, past performance does not guarantee future results.

Time to Hold



Source: Thomson Reuters, 2011, for the period 12/31/1960 to 12/31/2010. The S&P 500 Composite (total return) is generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Rates of return will vary over time, particularly for long-term investments. Actual results will vary. Shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher rates of return also involve a higher degree of risk.

POST-2008 BULL MARKET

From the start of a bull market on March 9, 2009, to February 1, 2011, the Dow's total return (assuming reinvestment of dividends) was 92%. Investors who purchased stocks mirroring the S&P 500, a broader measure of the stock market, would have nearly doubled their returns (assuming reinvestment of dividends).[3]

The rise in stocks did not erase all the damage caused by the Great Recession, but it helped many investors recoup a chunk of their losses. Investors who pulled money out of stocks and missed this upswing also missed out on potential gains.

It's natural to be tempted to make investment decisions based on good news or bad news about the financial markets. But by sticking to a sound investing approach that considers your risk tolerance, time horizon, and long-term goals, you may be able to prevent emotions from taking your portfolio on a rollercoaster ride.

1) Yahoo! Finance, 2011, Dow Jones Industrial Average for the period 1/1/2008 to 2/1/2011. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.
2) CNNMoney, January 6, 2011
3) CNSNews.com, February 1, 2011

Tips for Surviving the **ESTATE TAX**

Although the federal estate tax is back after a one-year reprieve, the effect on Americans could be somewhat modest compared to what may be coming.

The federal estate tax was reinstated retroactively to January 1, 2010, by the 2010 Tax Relief Act. The good news is that the exemption amount has risen to $5 million, which excludes the majority of American households from being subject to the 35% estate tax. And because of the law's "portability" provision, married couples may be able to shield up to $10 million from federal estate taxes.

The not-so-good news is that these tax-law provisions are scheduled to expire on December 31, 2012. Unless lawmakers extend or amend the law, the federal estate tax will roar back in 2013 with a reduced $1 million exemption amount and a 55% top tax rate. These days, individuals who own a home and large retirement accounts could easily leave behind more than $1 million.

If you are concerned about the future of estate taxes and want to leave your heirs a legacy and/or liquid assets to help cover any estate liabilities, you might consider survivorship life insurance.

HOW SURVIVORS CAN BENEFIT

A survivorship life insurance policy (second-to-die insurance) insures two people but pays the death benefit after the death of the second insured person. The proceeds can be used to replace liabilities owed by the estate — or amounts left to charity — potentially without reducing the beneficiaries' inheritance. Having liquid funds could also help heirs keep inherited assets such as a home or a business without having to sell them to pay estate liabilities.

Because the premium is based on the joint life expectancy of the insured individuals, survivorship life insurance generally costs less than two individual policies. It also may be easier to qualify for than two single policies. Of course, the earlier in life that life insurance is purchased, the less expensive it may be over the long term, and it may eliminate the possibility that you will not qualify for insurance if you acquire a chronic health condition later in life.

Life insurance proceeds are generally considered to be part of your taxable estate. If your goal is to keep the death benefit out of your estate, you might consider an irrevocable life insurance trust. Trusts involve a complex web of tax rules and regulations, so you should consider consulting with an experienced estate professional as well as your legal and tax advisors for guidance.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable.

Survivorship life insurance offers a way to help cover estate liabilities without your heirs dipping into their inheritance. Even if your estate isn't subject to estate taxes, the proceeds could provide them with a cash cushion for their futures.

Most Unfair?

Percentage of U.S. adults who ranked the following federal taxes as unfair.

Source: Tax Foundation, 2009

Take a "Byte" Out of **CYBERCRIME**

Cybercrime cost Americans about $4.5 billion over a recent two-year period, and it could cost even more in the future with the expansion of online banking, shopping, and social networking.[1]

Online users may be able to help protect themselves from cybercrime and identity theft by taking some precautions and being careful before sharing personal information.

Use longer and stronger passwords. Using clusters of graphic cards, researchers found that an eight-character password could be cracked in less than two hours, but it would take 17,134 years to crack a 12-character password with the same processing power.[2] If it would be too hard to remember 12 characters, you could strengthen your password with a combination of numbers, letters, and special characters.

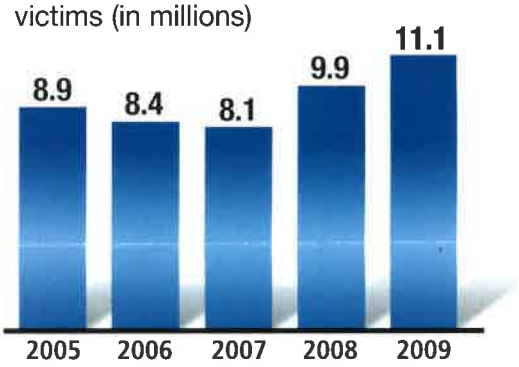
Check your credit on a regular basis. You are entitled to one free credit report annually from each of the credit reporting agencies (Equifax, Experian, and TransUnion). By ordering a credit report from a different agency every four months, you could check for any unauthorized activity more frequently.

Freeze your credit. You can place a freeze on your credit with each of the credit agencies (usually for a fee) to help prevent anyone from issuing credit in your name. However, if you go this route, it could take up to one week to lift the freeze, which could slow you down if you need to apply for credit quickly.

These are just some of the precautions you can take to help ward off identity thieves. For a more comprehensive list, check the Federal Trade Commission website at *www.ftc.gov* and click on the identity theft tab.

On the Rise

Number of U.S. adult identity fraud victims (in millions)



Source: Javelin Strategy & Research, 2010

1) *Consumer Reports,* June 2010
2) CNN.com, August 20, 2010

If your investment decisions are based on the fundamentals of your life — time horizon, risk tolerance, long-term goals — you could be free from having to guess whether the time is "right" to invest.

Working toward a better financial future,