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FINANCIALink

Your Money Management Newsletter

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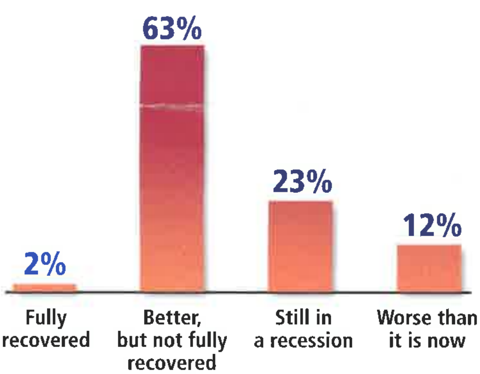
*Snap*SHOTS

CAUTIOUS OPTIMISM

Most Americans expect that the economy will improve by the end of the third quarter of 2010, but only a small percentage expect a full recovery by then.



Source: Gallup, 2009

Up FRONT

69% of women would change or delay marriage plans if their future spouse had substantial debt or bad credit, whereas only 51% of men would do the same.

Source: *Journal of Financial Planning*, October 2009

Quick HITS

More than three-fourths of grandparents prefer to give small financial gifts to their adult children and grandchildren throughout their lifetimes rather than to leave a larger sum at death.[1]

Sixty-three percent of Generation Xers agree that it is "important to be well-insured when it comes to life insurance."[2]

American consumers spend more on Saturday than on any other day of the week, with Friday running a close second.[3]

Over the last 20 years, large-cap value stocks have slightly outperformed large-cap growth stocks.[4]

A 40-year-old man is three times more likely to suffer a disability than to die. For a 40-year-old woman, the risk of disability is six times greater than the risk of death.[5]

Sources:
1) *Journal of Financial Planning*, September 2009
2) *Journal of Financial Planning*, October 2009
3) Gallup, 2009
4) Thomson Reuters, 2009
5) *2009 Field Guide*, National Underwriter

Practical insights for your **FINANCIAL GOALS**

Get Started Now on Your Own
FINANCIAL RECOVERY

Although most Americans expect the economy to improve in 2010, very few expect a full recovery.[1]

However, the economy doesn't need to be in great shape before you can make strides toward your own financial goals. In fact, you may be able to turn some economic difficulties to your advantage.

RESET A ROTH CONVERSION

Converting tax-deferred retirement assets to a Roth IRA may be appropriate — unless you do it right before a downturn. Fortunately, if you convert assets that subsequently lose value, you may be able to recover some of your tax money by *recharacterizing* your Roth IRA. This involves undoing your Roth IRA conversion before the deadline (October 15 of the following year) and filing an amended tax return seeking a refund of the income taxes you paid on the conversion. You can then reconvert to a Roth IRA one year from the date of the original conversion or 30 days after the recharacterization, whichever is later. If the asset values have not recovered, your second conversion would incur a lower tax bill. This strategy can become complicated, so be sure to consult with your tax advisor.

To qualify for a tax-free and penalty-free withdrawal of earnings (and assets converted to a Roth), Roth IRA distributions must meet the five-year holding requirement and must take place after age 59½ or as a result of the owner's death, disability, or a qualifying first-time home purchase ($10,000 lifetime maximum).

GIVE IT AWAY NOW

When asset values fall, it can create an opportunity to transfer wealth to heirs. One obvious example is transferring shares of stock that have fallen in value. The lower the fair market value, the greater the number of shares that can be transferred before triggering tax consequences. This strategy enables the recipient to participate in any future appreciation of assets that may have declined in value. Current law allows you to give up to $13,000 annually per person without incurring gift taxes.

RESTORE BALANCE TO YOUR ACCOUNT BALANCE

You might be tempted to ignore your portfolio when its value has fallen, but doing so may only make matters worse. Periodically rebalancing your portfolio to match your desired asset allocation is important regardless of market conditions. Rebalancing during a downturn may help put you in a better position to take advantage of a recovery. Moreover, rebalancing when asset values are down may help reduce any potential tax liability.

Any time the economy falters, there will be opportunities among the prevailing doom and gloom. Call today to discuss strategies to help reach your long-term goals.

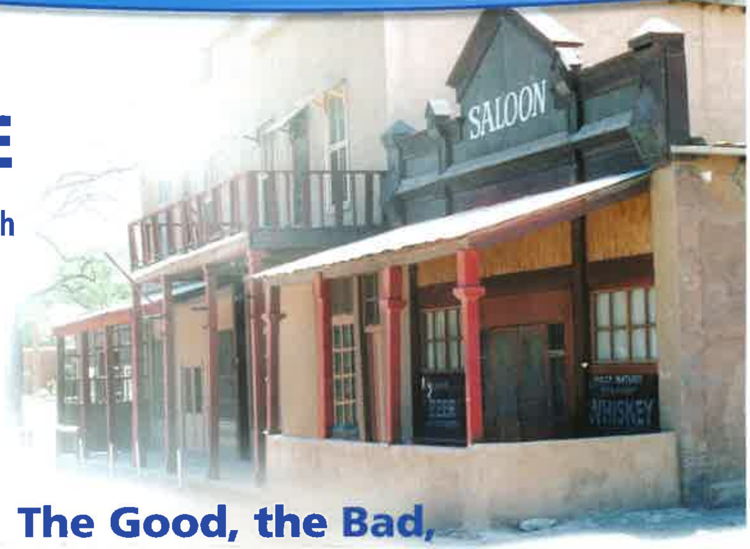
1) Gallup, 2009

Balancing Act

Some studies suggest that rebalancing a portfolio annually may be a sound idea, no matter what shape the economy is in. Consider two identical, hypothetical portfolios worth $100,000 in 1970. One was rebalanced every year, while the other was never rebalanced. By the end of 2008, the rebalanced portfolio was worth considerably more.

Source: *Money,* June 2009. Based on a moderate portfolio consisting of 35% large-cap stocks, 10% small-cap stocks, 15% international equities, 35% bonds, and 5% cash. This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included. Past performance is no guarantee of future results. Actual results will vary.

Pursuing Both
GROWTH AND VALUE



Growth and value stocks have taken their lumps along with the rest of the market, but over the past 20 years these two asset types have experienced similar gains (see chart).

However, the returns from growth and value investments in any given year are not always closely correlated. Maintaining a balance of growth and value investments may help you add a new dimension of diversification to your portfolio. A good first step is to understand the key differences between these investing approaches.

GOING FOR GROWTH

Growth stocks are associated with companies that tend to have a strong historic growth rate as well as strong growth potential. These companies usually don't offer dividends because profits are typically reinvested in the company.

A growth company might have an advantage in a rapidly growing new industry or be on the verge of a major breakthrough. Because growth stocks can offer high potential rates of return, they may carry significant risk, which should be considered carefully before investing.

VETTING VALUE

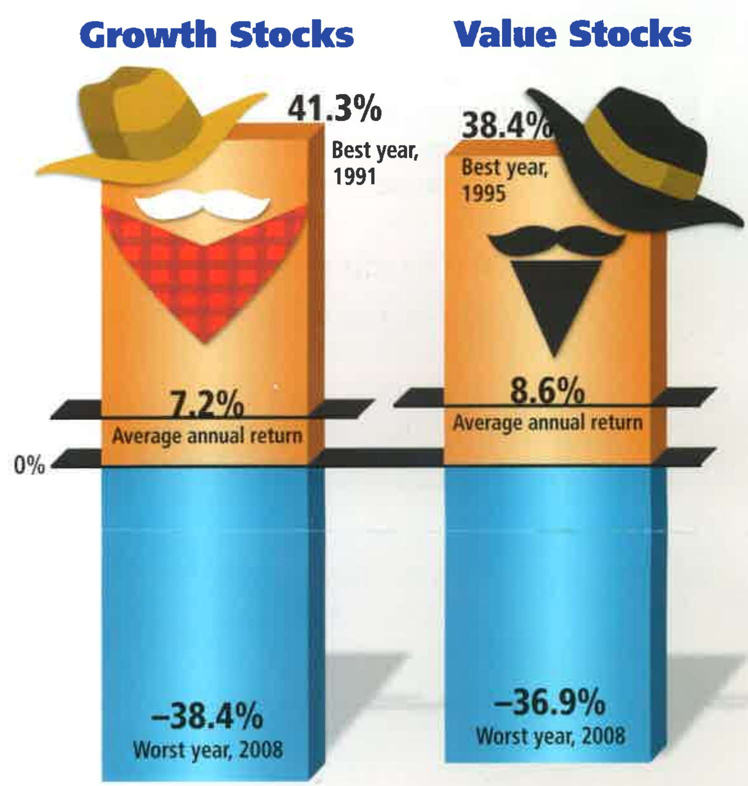
Value stocks are typically believed to be undervalued by the market. Good candidates are often firmly established companies with solid earnings, but the market has not yet recognized their potential. A value stock investor strives to buy shares of these companies at a bargain price with the expectation that the broader market will eventually realize the companies are a good investment, potentially causing the share price to rise. Value stocks may or may not be a good source of dividends.

The return and the principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk. Diversification does not eliminate the risk of investment losses; it is a method used to help manage investment risk.

Some investors swear by growth or value investing. But by picking the best opportunities from both types of investments, you may be able to broaden your return potential while spreading risk over a more diversified portfolio.

The Good, the Bad, and the Average

The highest, lowest, and average annual returns for growth stocks and value stocks over the period 1989 to 2009



Source: Thomson Reuters, 2009, for the period 9/30/1989 to 9/30/2009. Growth stocks are represented by the Russell 1000 Growth Index, which is generally considered representative of large-cap growth stocks. Value stocks are represented by the Russell 1000 Value Index, which is generally considered representative of large-cap value stocks. Expenses, fees, charges, and taxes are not considered. 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.

Don't Let a Disability
CRIPPLE YOUR FAMILY'S FINANCES

You probably understand the important role that life insurance can play in helping provide for your family in the event of an untimely death. But did you know that a 40-year-old man is three times more likely to suffer a disability than to die? The risk of disability for a 40-year-old woman is six times greater than the risk of death.[1]

A disability can send expenses sky-high while drastically reducing income, placing a newly disabled breadwinner's family in a difficult position. One way to help protect against the financial ruin that a disability can bring is through disability income insurance.

INSURING YOUR INCOME

A disability income insurance policy can replace some of your salary, up to the policy limit, if you should suffer an illness or injury that makes it impossible for you to continue working. The benefits of an individual policy can last for a set number of years or until you reach retirement age, and they usually are not taxable if you paid the premiums yourself.

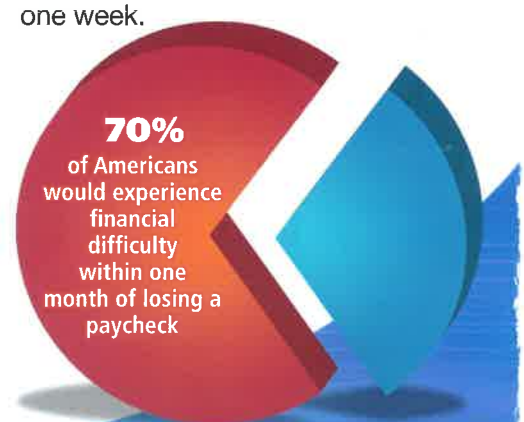
Some disability insurance policies pay a benefit if you are unable to perform your current occupation, whereas others pay out only if you are unable to perform any type of job. Although many employers offer group disability plans, the benefits from these plans may replace a smaller portion of income than is possible with an individual policy. Furthermore, benefits from an employer-provided disability policy are generally taxable.

Most people insure their cars, homes, and expensive jewelry. Consider insuring what may be your most valuable possession: your ability to earn a living.

1) *2009 Field Guide*, National Underwriter

Falling Behind

Consider what would happen if you lost your income and were unable to work. How long would it be before your family encountered financial difficulties? Without a paycheck, 70% of Americans would run into trouble within one month, and roughly 25% wouldn't make it one week.



Source: LIFE Foundation, 2009

Are you worried about the possible effects that a long-term disability could have on your family's financial well-being? Call today to discuss ways to help protect your family financially.

Working toward a better financial future,