

financial INSIGHTS

Building secure futures, one relationship at a time.



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Financial Planning *now, more than ever*

True financial planning involves a holistic approach to one's financial situation.

In October, we mailed out a market commentary entitled, ***Panic Is Not A Strategy***. Decisions made in a panic, especially financial decisions, are often riddled with regret – calm and self-control are the better choices. However, it can be a challenge to remain calm when one believes their financial survival is at risk. A reminder of the basics, the foundation on

which your financial plan was built, may help.

Financial Insights designs financial plans by taking investment, retirement, estate, tax and insurance needs into consideration. Unless you have experienced a life change, your financial plan should remain the same regardless of stock market fluctuation. However, it is always appropriate to review your current plan to assure you are still on track with your original goals.



INSURANCE PLAN

Long term care insurance, life insurance, disability insurance and health insurance are an important part of any financial plan. Planning for adequate coverage is crucial.

Did you know that you may experience an approximate 7-9%

savings rate by paying your insurance premiums annually rather than quarterly or monthly?

Some carriers also grant a discount for establishing automatic payments from your checking account, or for holding multiple policies with the same company.

YOUR FINANCIAL PLAN

If you have a financial plan in place and your asset allocation is appropriate for the plan, then you should stay the course. Keep in mind, however, that your current plan is only as good as the information you put into it. Informing your financial advisor of changes in your life and finances are imperative to the plan's success and a responsibility that you should take seriously. Large expenditures or cash needs, employment changes, health status, and marital status changes all have the potential to significantly impact your plan.

COMMUNITY INVOLVEMENT

Financial Insights will be teaming up with Bikers Against Statewide Hunger (BASH) by donating turkeys and manpower to fill and distribute Holiday Baskets to needy families in the South Sound Region. This is our fourth consecutive year in helping with this project.





ESTATE PLAN

If you have a charitable intent, consider adding a charity as one of your beneficiaries. A charity receives the money tax-free. Separate from the “roll over” rules, a child or grandchild receiving the money will be taxed on the distribution.

A Durable Power of Attorney (POA) is a document granting a person that you designate the ability to handle personal and business affairs when you are disabled or incapacitated. It is important that the “Confidentiality language (HIPPA) be included in the POA document, especially for medical situations. If the HIPPA language is absent, then medical providers will not provide information to you. Please consult your attorney.



INVESTMENT PLAN

Cash and income needs play an integral role in any investment strategy. Those who are retired, nearing retirement, or who expect to have cash needs within the next 3-5 years should keep enough assets liquid or in CD's to appropriately accommodate their cash needs. **Now is not the time to acquire new debt, but rather to pay down existing debt.**



RETIREMENT PLAN

Workers are encouraged to continue contributing to 401(k)s and 403(b)s. If there is a company match, that should be the minimum contribution amount. For 2009, the maximum contribution amounts are:

- 401(k)s and 403(b)s: \$16,500 or \$22,000 if age 50 or older
- Traditional and Roth IRAs: \$5,000 or \$6,000 if age 50 or older

403(b)s: There are new IRS rules for 403(b)s which are complex. School districts contract with an outside company to provide the investment vehicles and keep the plan IRS compliant. Early review of several investment options revealed the options to be limited and not the best. Most school districts have not informed employees that the Washington State DCP is an available investment option. We encourage you to contact your district to see if this option exists for you.

Social Security Benefits: You are getting a raise! Due to a sharp rise in the cost of living adjustment this year, the Social Security Administration is increasing benefits for Americans by 5.8%; the biggest increase since 1982. On average, that will mean an increase of \$63 per month.



TAX PLAN

The IRS said personal exemptions and standard deductions would rise in 2009 to keep pace with inflation, providing more than three dozen tax benefits. The value of each personal and dependency exemption is \$3,650, up \$150 from 2008.

- The new standard deduction is \$11,400 for married couples filing jointly (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,530 for heads of household (up \$350).
- Tax bracket thresholds will increase for each filing status. A married couple filing jointly, for example, the taxable income threshold separating the 15 percent bracket from the 25 percent bracket will be \$67,900, up from \$65,100 in 2008.
- The annual gift exclusion is rising to \$13,000, up from \$12,000 in 2008.

For residents of Washington State, as well as residents residing in other states that do not have a state income tax, the sales tax deduction has been extended for 2009-2010. Save your sales receipts in order to take advantage of the deduction.

A tax deduction is also available to those who pay investment management fees or IRA fees from a taxable account. Financial insights will provide fee recaps to clients to submit to their CPA or tax preparer upon request.