

# New Year's Tips from Top Advisors

To ring in the New Year, a group of experienced financial advisors offer a range of philosophical and tactical advice to help ensure your joys outweigh your anxieties in the year ahead. More than any other new year in recent memory, change is on the horizon. From an historic election to the unprecedented efforts underway in Washington to bring our nation's economy back from the brink, 2009 promises to be a year of firsts. While hope always springs eternal as the calendar turns, it is unlikely market volatility will subside any time soon. So what's an investor to do?

**Rusty Cagle in Greenville, SC**, re-iterates to clients his belief that "purpose should define risk." Explains Cagle, "The down market isn't permanent, but when markets are as volatile as they are, that causes a lot of unhappiness. So I'm checking in with clients to reassess the level of risk they want to take and ensure they are not taking more risk than they need to. While we can't control the market or the weather, like the Boy Scouts, we can be prepared." Accordingly, Cagle is reviewing client portfolios in terms of best, middle, and worst case scenarios. "Dealing with a downturn is easier if you've planned for the possibility," he says.

**Lisa Dickholtz in Chicago, IL**, suggests that, in light of all the bailout packages and tax relief coming out of Washington, it's a good time to ensure all your professional advisors are on the same page. "I often meet together with clients and their attorney and tax advisor," she explains. "Serving as a quarterback with other advisors adds value for my clients." For example, Dickholtz might follow-up with an attorney to ensure a trust has been properly funded or check in with a client's CPA upon the passage of new tax legislation. "When clients understand there's someone managing the process, it can help ease any anxiety they may be experiencing," she says. "My clients feel empowered knowing that we're sitting on the same side of the table with their other advisors, all working together on their behalf."

**Brett Ellen in Los Angeles, CA**, offers a more tactical move. "Now may be an ideal time to convert your traditional IRA to a Roth IRA while its value is low," notes Ellen. When converting a traditional IRA to a Roth IRA you must pay income taxes on the account balance in the tax year you made the conversion. However, once those taxes are paid, all qualified withdrawals from your new Roth IRA are tax-free provided you hold your Roth IRA for at least five years and are at least 59 ½ years of age. If your traditional IRA account has declined in value over the past year, you will owe less in the way of taxes due at conversion than you might have in the past. The extra bonus is that a new Roth will capture gains from the market's eventual rebound on a tax-free basis. A traditional IRA can be converted to a Roth IRA if the modified adjusted gross income (MAGI) is under \$100,000, Note, however, that the income cap is scheduled to disappear in 2010. Therefore, after 2010, a traditional IRA can be converted to a Roth IRA, regardless of your income or filing status. (Currently, you cannot convert if you are Married Filing Separately, unless you have been living apart all year.)

**Patricia Hinds in St. Cloud, MN**, is spending time reassessing clients' estate plan. "Estate planning during a market downturn presents challenges and opportunities," explains Hinds. A quick to-do list should include reviewing your will to help ensure losses in asset values of your investments or real estate holdings have not resulted in unplanned disproportionate distributions to heirs. "When we do an assessment for a client we review revocable trusts, wills, health directives and POAs to see if they match what the clients indicate are their wishes. We also review title/registration of their assets and beneficiary designations," says Hinds. If gifting is part of the estate planning strategy, now could be a good time to gift assets whose values have plummeted to minimize transfer taxes." Hinds also suggests trustees inform trust beneficiaries if their distributions will be decreasing significantly due to market losses.

**Jim Coleman in Waterbury, CT**, suggests a look back to 2008 to determine if your household has changed. "If you were single when you put together your retirement savings plan and got married this year, you might sit down together to ensure that, collectively, you've allocated your retirement dollars to reflect your current goals.

If you work for different employers with different plans, consider investment options in each plan to create a joint retirement portfolio. Consider your personally owned life insurance, as well as disability, property and casualty insurance. If you previously made such adjustments with a significant other and are now single, now's the time to re-evaluate and make changes," Coleman says. He also suggests taking note of personal milestones. For instance, if you recently celebrated your 50th birthday, this year you can contribute an extra \$5,000 to your 401(k), thanks to the IRS' catch-up provision.

**John Jenkins in San Diego, CA**, says "Belt-tightening makes sense even if you figure your job is secure." He suggests that his clients reduce their consumption and spending. "Remember, sacrifices you make today could mean more lifestyle choices when you retire." Jenkins also notes that today's volatile economy underscores the importance of keeping six months of your current income in a liquid, interest-bearing account. This will help to manage unforeseen circumstances such as unemployment or an unexpected expense, without tapping into investments or retirement savings. "If you dipped into your emergency stash last year, replenish the fund, and make sure it reflects your current household income," he adds.

**Terry Anderson in Denver, CO**, is counseling clients away from focusing on that one, large number they figure they need to retire. "We're re-visiting what we want to accomplish and re-calculating our expectations, but in addition to the numbers, we're talking about life goals," he says. "I'm reminding clients that money isn't a goal, but a tool. If they have less money to retire on, that doesn't mean their life will be less joyful. It's important not to sacrifice present happiness in the pursuit of a particular number because the number itself won't make you happy." In fact, in spite of the downturn, Anderson recently has had clients decide they want to retire earlier than they'd planned. "They just decided they'd be fine living on a little less," he says.

**Brad Bofford in Fairfield, NJ**, is stressing to clients that time can be their biggest ally in any market environment. "The earlier you start putting away money for retirement, the better," he says. "The New Year is a perfect time to get started, or increase your contributions – and right now the market is on sale." If your retirement planning is stuck in neutral, Bofford says step one should be to enroll in your employer's retirement savings plan. If you can save more, establish an IRA. "You eliminate the save/spend debate when you contribute to your employer's retirement savings plan through payroll deductions," he explains. "You also can set up automatic contributions to an IRA through electronic transfers from your bank account. If you earned a 4% raise this year, consider increasing your 401(k) salary deferral or your IRA contribution by at least 2% of your new salary."

**Andy Smith in Charlotte, NC**, recommends spending time analyzing employment benefits. "Don't put it off until next fall when you are in scramble mode," says Smith. "By not investing the time to make informed choices, you may be leaving money on the table and putting your future at risk." The list to review includes 401(k) allocation, corporate stock options, health care plans and flex spending accounts. Consider long-term care or extra life insurance policies as well. Studying options now will help ensure full advantage of benefits when open enrollment season rolls around.

Finally, **John Checki in Dallas, TX**, has some foundational advice that applies to investors of all net-worths and goals. "Focus on what brings you joy and seek to eliminate what causes you stress," he says. "If you structure your thoughts and actions in the direction which helps you bring joy into your life and the lives of those you love, you're working to improve your health, as well as your work, social and family life." Checki notes that while his recent client meetings certainly address portfolio moves, he's also counseling investors flustered by economic conditions to focus on what they can control. "If we structure our lives the right way, we can enjoy life no matter what happens in the market," he says.

### **About Brett Ellen and American Financial Network**

Brett Ellen, founder and president of American Financial Network, is a financial planner and investment advisor representative with Securities America Advisors who specializes in wealth management and corporate benefit planning services. Additionally, Ellen established and is an active part of the Financial Solutions Alliance, a network of financial service providers from across the country that work collaboratively to address the financial and business needs of their clients. Unprecedented in his ability to serve both individual investors and corporate planners, Ellen is recognized by Securities America as their top advisor.

As a California native, Ellen believes strongly in giving back to his community. He and his firm actively support a variety of non-profit organizations. In 2008, the Muscular Dystrophy Association awarded Ellen the prestigious Humanitarian of the Year Award for his philanthropic endeavors and dedication towards making a difference. In 2001 he and his wife, inspired by their children, formed their own non-profit. TKOHelpingHands.org (Turn Kindness On) promotes community involvement and social responsibilities in young children. For more information about Brett Ellen, visit [www.afn-net.com](http://www.afn-net.com).

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