



DICKHOLTZ WEALTH MANAGEMENT

Strategies For Life

NEWS

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Financial Goals Should Top the List for New Year Resolutions

Consortium of Experienced Advisors Offer 10 Financial Resolutions for 2009

CHICAGO, IL (December 16, 2008) – Once the halls have been decked many will turn their attention to the New Year and resolutions. Filled to the gills with stories of business bail outs to massive lay-offs, Americans will undoubtedly make some financial resolutions this year. A group of experienced financial advisors have put their heads together to provide a range of philosophical and tactical advice designed to help investors ensure their joys outweigh anxieties in 2009.

1. Purpose should define risk. “The down market isn’t permanent, but when markets are as volatile as they are right now, unhappiness results,” says Rusty Cagle in Greenville, SC. To combat unhappiness, Cagle is helping his clients to reassess the level of risk they want to take and ensure they are not taking on more risk than they need or want. He says, “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.

2. Get all your advisors on the same page. In light of all the bailout packages and tax relief coming out of Washington, Lisa Dickholtz in Chicago, IL, suggests that it’s a good time to ensure all your professional advisors are working together. “I often meet 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 in their best interest.”

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3. Consider converting a traditional IRA to a Roth IRA while its value is low. According to Brett Ellen in Los Angeles, CA, when converting a traditional IRA to a Roth IRA income taxes must be paid on the account balance in the tax year in which the conversion was made. However, once those taxes are paid, all qualified withdrawals from the new Roth IRA are tax-free provided it has been held for at least five years and the account holder is at least 59 ½ years of age. If the traditional IRA account has declined in value over the past year, less taxes will be owed at conversion than 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,” says Ellen. A traditional IRA can be converted to a Roth IRA if the modified adjusted gross income (MAGI) is under \$100,000. “The income cap is scheduled to disappear in 2010, so after 2010, a traditional IRA can be converted to a Roth IRA, regardless of your income or filing status,” says Ellen.

4. Reassess estate plans. “Estate planning during a market downturn presents challenges and opportunities,” explains Patricia Hinds in St. Cloud, MN. “A quick to-do list should include reviewing the will to ensure that losses in asset value have not resulted in unplanned disproportionate distributions to heirs. “We review revocable trusts, wills, health directives and POAs to see if they match the client’s wishes,” says Hinds. Hinds advises that now could be a good time to gift assets whose values have plummeted to minimize transfer taxes if gifting is part of the estate planning strategy. She also suggests trustees inform trust beneficiaries if their distributions will be decreasing significantly due to market losses.

5. Reassess changes to the household. “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,” says Jim Coleman in Waterbury, CT. “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.

6. Pinch pennies. According to John Jenkins in San Diego, CA, “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 wisdom of keeping six months of your current income in a liquid, interest-bearing account so you can manage unforeseen unemployment, or other unexpected expenses 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.”

7. Stop focusing on that one number needed to retire. “We’re re-visiting what we want to accomplish and recalculating our expectations, but we’re also talking about life goals,” says Terry Anderson in Denver, CO. “I’m reminding clients that money isn’t a goal, but a tool. If they have less money at retirement, that doesn’t mean 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.

8. Save. According to Brad Bofford in Fairfield, NJ, time can be an investor’s biggest ally in any market environment. “The earlier you start saving 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.”

9. Analyze employment benefits. “Don’t put it off until next fall when you are in scramble mode,” says Andy Smith in Charlotte, NC. “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.

10. Focus on what brings you joy and seek to eliminate what causes you stress. “If you structure thoughts and actions such that they bring joy into your life and the lives of loved ones, it is a step toward improving health, work, social and family life,” says John Checki in Dallas, TX. While his recent client meetings certainly address portfolio moves, he’s also counseling investors flustered by economic conditions to focus on what can they can control.

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Written in conjunction by advisors quoted in the above article, and industry journalist, Marie Swift, President of Impact Communications