



The Strategic Advisor

Strategies for Success

December 2008

Strategic Wealth Advisors LLC

Richard C. Hanseen, CPA,
PFS
Founder
7881 West Charleston
Blvd.
Suite 220
Las Vegas, NV 89117
702-362-3123
richard@wealthadvising.com
www.wealthadvising.com

It is my pleasure to be able to provide information that can aid you in building your financial future. I hope you enjoy the content and find it helpful.

If I can be of assistance please feel free to call. We can discuss any of your concerns without obligation.

We wish you well as you travel the road to financial independence.

In this issue:

THE HUMAN SPIRIT

Immediate Annuities Offer a Source of Lifetime Income

Four Mistakes Women Make When Managing Money

Ask the Experts

SWA
Strategic Wealth
Advisors, LLC

THE HUMAN SPIRIT

I had the opportunity to represent the AICPA on local television yesterday. The subject matter was saving and investing for the future. It was directed at the 25-34 age group.

It seems that 25-34 year olds are heavily in debt as compared to other age groups. Statistics reveal they have 70 cents of debt for every \$1 of assets. That is quite high. They are not saving but rather using debt to acquire homes etc.

During my preparation a client came to mind. She is 91 now and has about \$4 million invested. Mrs. B is her name.

Mrs. B tells the following story; we lived in a small farming town in Kansas. My mother took in laundry to make ends meet. We were dirt poor. I remember sitting at the kitchen table one evening with my brothers and my mother. We were talking about the times. They were very bleak. I slammed my fist on the table and screamed I will never be poor again! I left for California soon after that. I worked for the Studios. Since I didn't have an education I worked very hard to make up for it. As time went on I was rewarded but I never spent all the money I made. I always saved and invested a good portion of it because I never wanted to be poor again.

It seems this story is appropriate for current times. That story was set in 1929.

Many news casters are comparing today to 1929. There are some similarities but many differences. I don't believe we are going into a depression! One thing is for sure, THE HUMAN SPIRIT WILL PREVAIL! And Mrs. B is the proof in the pudding; she is the embodiment of the human spirit.

The human spirit has overcome every major challenge ever handed it. It overcame the depression of the 30's and every financial crisis to date. It has overcome war and natural disaster. It just doesn't give up, no matter what.

The fact of the matter is, even given today's economic turmoil, we are still in the best position we have ever been in the history of the world.

I believe in the human spirit and that it will triumph over all.

Immediate Annuities Offer a Source of Lifetime Income

The good news is we're living longer. But the prospect of a longer life expectancy means we risk outliving our retirement savings. If the thought of receiving a steady stream of income that lasts for the rest of your life appeals to you, a single premium immediate annuity (SPIA) might be worth considering.

How does it work?

Unlike a deferred annuity, which is designed for long-term savings, a SPIA begins to make payments to you immediately. In exchange for a lump sum of money you pay to an insurance company, you'll receive an income that can last for the rest of your life. The amount of income you receive is based on a number of factors, including your age at the time payments begin, your gender, whether payments will be made to only you or jointly to you and another person, and whether payments will be made for a fixed period of time or for the rest of your life or joint lives.

You have options

Most immediate annuities include a number of payment options. The more common payment options are:

- *Life only.* Payments continue during your lifetime, but stop at your death.
- *Period certain.* Payments are made for a fixed period of time (e.g., 5, 10, 15, 20 years). If you die prior to the end of the chosen period, your beneficiary will continue to receive payments for the remainder of the fixed period.
- *Life with a period certain.* Payments are made for the rest of your life or a minimum period of time. If you die prior to the end of the minimum payment period, the beneficiary you name in the annuity will receive the payments for the remainder of the period certain, but no longer. If you outlive the period certain, payments will end at your death.
- *Joint and survivor.* Payments are based on the lives of two people, typically you and your spouse. When either of you dies, payments continue to be made to the survivor. This option can also be combined with a period certain option, in which case payments will continue until both of you have died or for the minimum period of time you select, whichever is longer.

- *Installment refund/cash refund.* If you die prior to receiving at least the return of your investment in the immediate annuity, your beneficiary will receive an amount equal to the difference between what you invested and what you received. Your beneficiary will receive this amount in either a lump sum (cash refund) or periodic payments (installment refund).

The amount of each SPIA payment you get can be affected by the payment option you select. For example, a 60-year-old man who invests \$100,000 in an immediate annuity may receive annual payments of \$7,260 for the life only option, \$6,696 for life with a period certain of 20 years, or \$7,920 for a fixed period of 20 years. (This example is for illustration purposes only and does not reflect actual insurance products or performance, nor is it intended to promote a specific company or product.)

Are there taxes to pay?

Generally, you pay income taxes on that portion of each payment that represents earnings or interest credited to the immediate annuity. The remaining portion of each payment is considered a return of your investment and is tax free.

Other factors to consider

While a SPIA can offer a measure of relief from retirement income concerns, as with most investments, there are other factors to consider. Generally, once you invest in a SPIA, your payments are "locked in" with little flexibility, although there may be some exceptions. Normally, you don't have access to the principal unless the annuity provides for it, so be sure the payment option you select will meet your income needs. Also, consider whether there are other investment choices available that may better suit your retirement income goals. Your financial professional may be able to present different options, including a SPIA, for you to consider when deciding how to best meet your retirement income needs.



Guarantees associated with annuities are based on the claims-paying ability of the annuity issuer.

Four Mistakes Women Make When Managing Money

Most of the time, you manage your money successfully, handling your day-to-day finances and saving and investing for the future. But nobody's perfect. Even if you've made some of the following money mistakes, there's plenty you can do to get your finances back on track.

Mistake #1: Ignoring your credit rating

One of the most common mistakes women make is not establishing a solid credit history. Having a good credit history will give you more--and often better--financial options. Lenders will review your credit history when deciding whether to extend you credit. If your credit history is good, you may be offered credit at more advantageous terms, potentially saving you hundreds or even thousands of dollars in interest. And here's some extra incentive: prospective employers or landlords may check your credit history before offering you a job or renting you a home. Here are some ways you can help keep your credit history healthy:

- Regularly check your credit history. You're entitled to a free credit report once a year from each of the three major credit reporting bureaus. To request your report, call 877-322-8228 or visit www.annualcreditreport.com.
- Don't cosign loans or sign joint credit applications without understanding the consequences. You will be legally obligated to repay the debt, and any late payments may hurt your credit rating.
- If you struggle with debt, don't wait to take action. Call your creditors. They may be better able to work with you before you get too far behind. Ignoring the situation will make things worse.

Mistake #2: Saving for your child's education--but not your own retirement

As a parent, you may feel it's your obligation to pay for all or part of your child's college education, and you may put off saving for retirement until you've done so. While it's natural to want to put your child's needs first, you don't want to sacrifice your own financial security. Your children have many options for financing college, and many years to pay for it. On the other hand, you can't borrow money for retirement, and with a limited number of years to save, it's hard to make up for lost time. Make saving for retirement your priority, and save for college when your budget allows.

Mistake #3: Underestimating the need for life insurance

Like many women, you may not have enough life insurance. If you're staying home to raise your family or if you have a part-time job outside the home, you may think that you don't need it, based on your income. But you're contributing a lot to your family's finances, even if you're not the primary breadwinner. The services you provide for your family are invaluable. If you were to die, would your family members be able to afford college or continue to save for retirement? Would they have enough to cover ordinary living expenses? Life insurance can help protect your family's finances even after you're gone.

Mistake #4: Not planning for a long retirement

The good news is that retirement is likely to last 20 to 30 years, but that's also the bad news--if you're not prepared. Outliving your retirement income is one of the biggest risks you face. According to recent statistics, a woman who reaches age 65 can expect to live until at least age 85 (with many women living longer). (Source: National Center for Health Statistics, Volume 56, Number 16.) Yet because women typically spend less time in the workforce and may earn less than their male counterparts, their retirement savings and benefits are often shortchanged.

So what can you do to make sure you'll have enough income to last throughout retirement? Here are some suggestions:

- Set a realistic retirement savings goal, save as much as you can, and keep track of your progress.
- If you're married, plan for retirement with your spouse. It's especially important to account for your joint life expectancies and ensure that you have a steady stream of lifetime income.
- Find out how much you can expect to receive from Social Security, and what you can do to maximize your benefits.
- Consider buying long-term care insurance to help protect your retirement savings from the high cost of long-term care. And because women are often the primary caregivers for a loved one, consider coverage for family members as well.



Here's some incentive to plan for a long retirement. According to the U.S. Census Bureau, at age 85 and older, there are more than twice as many women in the population as men.



Strategic Wealth Advisors LLC

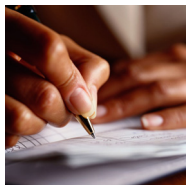
Richard C. Hanseen, CPA, PFS
Founder
7881 West Charleston Blvd.
Suite 220
Las Vegas, NV 89117
702-362-3123
richard@wealthadvising.com
www.wealthadvising.com

Neither Forefield Inc. nor Forefield Advisor provides legal, taxation, or investment advice. All content provided by Forefield is protected by copyright. Forefield claims no liability for any modifications to its content and/or information provided by other sources.

Prepared by Forefield Inc,
Copyright 2008.

SWA
Strategic Wealth
Advisors, LLC

Ask the Experts



Can I get an estimate of my child's financial aid eligibility before we officially apply for aid?

Yes. Last year, the U.S. Department of Education launched an online financial aid tool to help families better prepare for the cost of college. Called the FAFSA4caster, it's modeled on the government's official aid application, the FAFSA (Free Application for Federal Student Aid). The tool examines a family's financial data and estimates how much aid a student might expect to get. To use the tool, visit www.fafsa4caster.ed.gov.

To complete the FAFSA4caster, gather the following information for you and your child:

- Social Security numbers
- Federal tax information or tax returns, including W-2 information
- Information on savings, investments, and business and farm assets
- Records of any untaxed income (such as Social Security or welfare benefits)

To get as accurate an estimate as possible, you should answer all the questions on the tool, even if you have to estimate or guess.

Using the FAFSA4caster isn't exactly a quick process, but when you're ready to apply officially for federal aid, the FAFSA4caster will automatically transfer all of your data (that's password protected and saved securely) to your online FAFSA application, saving you the hassle of keying in all your information again. And, if your financial circumstances change, you'll get the opportunity to update any answers on the FAFSA that you originally submitted on the FAFSA4caster.

By providing an advance estimate of federal aid eligibility, the FAFSA4caster can help you forecast how much money you and/or your child may need to come up with to meet college costs--information that can also come in handy in the college selection process. By having an idea of the numbers ahead of time, you can help minimize unwelcome surprises.

When does my child need to submit financial aid applications?



The FAFSA is the federal government's financial aid application. It should be submitted as soon as possible after January 1 of your child's senior year in high school (and after every January 1 in any year your child is seeking aid). Several financial aid programs operate on a first-come, first-served basis, so getting your child's application in early increases his or her chances of securing aid.

Your FAFSA relies on the previous year's tax information. For example, a FAFSA filed in early 2009 would rely on information from your 2008 tax return. Because most parents have not yet completed their federal income tax return in January, one option is to complete an estimated tax return, which can then be used to complete the FAFSA, a practice the federal government considers acceptable.

You can fill out the FAFSA on paper or online at www.fafsa.ed.gov. A paper version takes

about four to six weeks to process; the online version takes only one week. The better route is the online application. Not only is the processing faster, but the form notifies you of inputting errors and does the math as you go along. Plus, if you've previously filled out the FAFSA4caster, the government's online financial aid tool, the online FAFSA will be automatically populated with your data.

Along with the FAFSA, some colleges require you to submit one or more additional financial aid forms to determine your child's eligibility for the college's own grants, loans, and scholarships. These colleges may have their own forms, or, more commonly, they require you to complete the College Board's PROFILE application. The PROFILE application can be submitted in the fall, before the FAFSA, but it's a good idea to check with individual colleges regarding their submission rules. Go to profileonline.collegeboard.com to file the PROFILE online.