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Sponsored by The Financial Planning Association of Central Ohio

FINANCIAL PLANNING WEEK

OCTOBER 4 TO OCTOBER 10, 2010

FPA®
FINANCIAL PLANNING ASSOCIATION OF CENTRAL OHIO
The Heart of Financial Planning™

Why hire a Certified Financial Planner™?

A CFP® professional is an individual who has a demonstrated level of financial planning technical knowledge, experience in the field and holds to a client-centered code of ethics.

CFP® professionals are dedicated to using the financial planning process to serve the financial needs of individuals, families and businesses. To earn the prestigious CFP® certification and remain certified as a CFP® professional, individuals must meet four main requirements.

FOUR Es TO BECOMING A CERTIFIED FINANCIAL PLANNER™

EDUCATION

CFP® practitioners develop theoretical and practical financial planning knowledge by completing a comprehensive course of study at a college or university offering a financial planning curriculum registered with the Certified Financial Planner Board of Standards.

EXAMINATION

CFP® practitioners must pass a comprehensive two-day, 10-hour CFP® Certification Examination that tests their ability to apply their financial planning knowledge in an integrated format. Based on regularly updated research of what planners do, the CFP® Board's exam covers the general principles of financial planning, insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.

EXPERIENCE

CFP® practitioners must have a minimum of three years experience working in the financial planning process prior to earning the CFP® mark. As a result, CFP® practitioners have demonstrated a working knowledge of counseling skills in addition to their financial planning knowledge.

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As a final step to certification, CFP® practitioners must pass an ethics review and agree to abide by the CFP® Board's Financial Planning Practice Standards and a strict code of professional conduct, known as the CFP® Board's Code of Ethics and Professional Responsibility. The code of ethics states that CFP® practitioners are to act with integrity, offering professional services that are objective and based on client needs.

RE-CERTIFICATION

It is also necessary for every CFP® certificant, once certified, to complete a re-certification every two years. Those seeking to maintain their certification must attain a minimum of 30 hours of continuing education in order to stay current with developments in the financial planning profession and to better serve their clients. Two of these hours must be spent studying the CFP® Board's Code of Ethics and Professional Responsibility or Financial Planning Practice Standards.

FIND A PLANNER

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To find a planner, visit: www.fpaforfinancialplanning.org/FindaPlanner/

CFP®, CERTIFIED FINANCIAL PLANNER™ and federally registered CFP® (with flame logo) are certification marks owned by Certified Financial Planner Board of Standards. These marks are awarded to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Letter from the President

One of the most valuable lessons I learned from my parents was to be responsible for my own actions. Each decision I made carried its own consequences.

Jamie P. Menges CFP®

Many would say the decisions we have made in the past decade have led us to the financial position we're in today as a society. This is tough to argue, but rather than dwell on the costly choices of yesterday, I would challenge each of us to consider the future value of the decisions we make today.

Let's consider the opportunities all around us. For example, rather than deciding to make financial fitness your New Year's resolution, make the decision to start this week. Make the decision to increase the level of contribution to your retirement savings plan. Consider only buying things when you can pay cash for them, and focus on paying down credit card debt.

Seek out financial professionals who can help you navigate these decisions. The central Ohio financial planning community is well equipped to assist you in attaining your goals as well as help you put your financial concerns behind you.

If we challenge ourselves to be responsible for our actions, I'm certain we will be pleasantly surprised with the favorable outcomes these sound decisions provide to us.

Jamie P. Menges, CFP®
President, Financial Planning Association of Central Ohio

Maximizing your wealth

The dream of many Americans is to one day live a life with long-term financial independence. Reaching the dream requires hard work and dedication.

Yet even the hardest workers must begin with a well-conceived plan. Before beginning a relationship with a financial planner, you can take steps to begin the journey toward your financial goals. Here are five helpful tips for planning for the future:

1. IDENTIFY YOUR GOALS

Without solid, obtainable goals in mind, even the best intentions fail. Begin the planning process by asking questions such as:

- Do we intend to retire? If so, when?
- Do we expect to live the same lifestyle later in life as we do today?
- What legacy do we want to leave?
- Do we have any long-term dreams such as traveling or building a new home?
- What type of financial situation do we want to provide for our parents as they age?
- What about our children?

Once you have determined exactly how you want to live in your later years, you can put a plan in place to work towards those goals.

2. BUILD A BUDGET

Agreeing upon goals is only the first step in the process. Set a budget that allows you to live comfortably while also saving money or paying down debt. Budgeting does not have to be difficult. Once a budget has been created, stick to it. A well conceived budget can help to achieve the goals you set forth.

3. REPAY CREDIT CARD DEBT

Credit card companies can charge upwards of 20 to 30 percent interest on debt owed to them. Minimum payments might only account for 2 to 4 percent of the total balanced owed. By paying down credit cards quickly, you can often save large amounts of money on the interest you would have otherwise accrued.

4. INVEST IN YOUR SAVINGS

Consider investing 5 to 10 percent of each paycheck into a savings plan. Making the investment in a low-risk plan, such as a money market or high interest savings account, can pay off in the long run. Having a savings plan and sticking to it will help you to achieve your long-term financial goals. Consult with a financial professional if you are unsure as to what type of savings plan will best address your needs.

Jason E. Farris

5. CONTRIBUTE TO A RETIREMENT PLAN

Many places of employment offer some type of retirement plan. These plans are generally well diversified to increase the potential for long-term growth. Some employers even match employee contributions.

Retirement plans offer easy strategies for building savings for the future. If your employer does not have a retirement plan, consider opening an IRA. If you already are saving in a retirement plan, consider increasing your contribution, especially if you have not yet maximized the contribution that will be matched by your employer.

Planning for the future begins with a commitment to the goals that are important to you. A financial planner can provide the tools to help a client achieve their goals, but ultimately the client is responsible for achieving them.

Jason E. Farris, CFP®
Senior Planner, Waller Finanical Planning Group

Paying for college now?

IT'S NOT TOO LATE TO USE A 529 COLLEGE SAVINGS PLAN

College savings plans aren't just useful for saving money for the future education of young children. They also can help reduce your Ohio income tax bill if your children (or grandchildren) are currently in college.

For example, assume you are writing a $6,000 check this year to pay for your daughter's college tuition.

As an Ohio taxpayer, you can deposit $2,000 into a CollegeAdvantage 529 Savings Plan account for your daughter, and deduct $2,000 from your Ohio income tax.

If your Ohio income tax rate is 5 percent, your deduction reduces your tax bill by $100 (5 percent of $2,000). If you deposit $6,000 into the 529 plan account, you could deduct $2,000 this year, and carry $4,000 forward, to deduct $2,000 in each of the next two years and save $100 each year.

Tom Davison

It will take several weeks after opening the account before you can make a withdrawal.

To pay your bill, you can have the 529 Savings Plan send the money directly to the school, or write a check to the school and reimburse yourself.

Any reimbursement needs to be made in the same calendar year as the school payment.

Therefore, if you have already paid a bill this year, you still have time to make a deposit into your 529 Savings Plan, request a reimbursement, and take a deduction this year.

In the $6,000 example, if this year's college costs are $6,000, you can withdraw all $6,000 now to pay qualified education expenses.

The savings can multiply with more years of college or if you have more children in college.

Before using a 529 Savings Plan, also consider other tax advantages for paying for college. See the very readable IRS publication 970 *Tax Benefits for Education.*

If your college bill is not due until next year, you can invest in a CollegeAdvantage CD yielding 1 percent. Adding the 5 percent tax savings brings the effective yield to 6 percent.

To find more practical tips for your college-age children, go to: http://tinyurl.com/collegekidlist

Tom Davison, MA, Ph.D., CFP®
Summit Financial Strategies, Inc.

Is a Roth IRA right for you?

Jeffrey D. Smith

2010 marks the first year that the possibility to perform a conversion from a traditional IRA to a Roth IRA has existed for all income tax filers, regardless of income level.

The fundamental difference between the two types of IRAs is in the tax status of the account assets. Traditional IRAs are deferred tax vehicles that postpone the income tax on account assets until the time of withdrawal from the account.

Assets in a Roth IRA are deposited with funds from which income tax has already been paid. However, in a Roth IRA, any growth in the account values can be withdrawn in the future with no income tax liability.

If a traditional IRA is converted to a Roth IRA, income tax must be paid on the taxable portion of the account. If all assets in the traditional IRA are pre-tax, the entire balance of the account will be taxable at the time of conversion.

This can create a significant taxable event and a barrier to performing conversions for some individuals. This hurdle is potentially alleviated this year by the ability to spread the conversion income tax liability throughout the 2011 and 2012 tax years. The current and expected future income tax rates play an important role in the Roth IRA conversion decision.

Unlike Traditional IRAs, there are no required minimum distributions that must be withdrawn from a Roth IRA upon reaching age 70½.

This feature, and the fact that income tax already has been paid on the account assets, make Roth IRAs attractive estate planning vehicles for clients that might not need to take additional distributions from the accounts during their retirement years.

For most individuals, having assets with different tax characteristics provides attractive options for taking income distributions from a portfolio during retirement. With the ability to make distributions from traditional IRAs, Roth IRAs, and personal assets, a person has greater control over their taxable income during the years distributions are being made from an investment portfolio.

The flexibility gained when adding Roth IRA assets as part of a comprehensive financial plan warrants consideration for many individuals.

Jeffrey D. Smith, CFP®
Smith Wealth Planning

Should you stay or should you go?

THE FINANCIAL IMPACT OF DIVORCE ON WOMEN

Diane Armstrong

Many are focused on the recent recession and how it has reshaped the global economic framework, but for some it hits closer to home. According to researchers, the recent recession has prompted increasing numbers of couples to end their marriages. Finances are one of the main reasons couples divorce, and current economic times are adding stress to relationships.

According to federal statistics, 22 percent of divorced female retirees live in poverty. Poorly constructed divorce settlements and short-term thinking (e.g. trying to hang onto a dream home that took two incomes to support) can damage women's finances.

PREPARING FOR DIVORCE

Once you've decided to separate, you must work through important financial decisions to avoid detrimental consequences. Financial planning is a must, and women need to consider the following things that will impact their cash flow and long-term financial health:

• Living apart is much more expensive than living together. The same level of income will have to stretch to cover two households after a divorce. Work out your budget so you have realistic expectations going forward.

• Joint credit accounts should be examined. During a marriage, the credit and financial histories of the husband and wife become intertwined. When you decide to divorce, it can be difficult to separate financial matters without causing damage to credit scores.

• Other financial issues include alimony and child support. Who will pay, how much and how the payments will be delivered are all matters that must be determined.

• Legal fees are another financial aspect of divorce. These fees will vary depending on the complexity but can range between $10,000 and $20,000.

Don't try to go it alone. It is an emotional time so you need support from objective experts that can help you navigate the financial and legal landscape. Many of the decisions that you make during this transition will impact you for years to come.

Diane Armstrong CPA, CFP®
Weatlhstone

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The Financial Planning Association of Central Ohio serves and inspires those who deliver, support and need financial planning.

Teach your (grand) children well

Pamela Birkenholz

Grandparents might be best-suited to teach young people about managing their money. In our fast-paced world, few parents take time to teach their children about money. Grandparents have wisdom of experience that really could help the younger generation.

There are several online articles and games focused on teaching children about money. Here are a few basics.

1. Teach your grandchildren that money should be earned from hard work, not a weekly allowance gift.

2. Talk with your grandchildren about saving for short- and long-term goals, a toy versus a car.

3. Encourage them to save at least 20 percent of what they earn. This can be used for college, their first home and eventually for retirement. Encourage them to donate 10 percent of their earnings to their church, community or to other worthy causes. Enlighten them that as they increase their earnings they can redirect a portion of their raise.

4. Show your grandchildren the science of compounding, even if you need to boost their interest rate to keep them saving.

5. Shopping should not become a shared pastime. Play with your grandchildren using activities that involve more exercise that is beneficial to both of you.

6. When you do go shopping, teach them to compare prices and make choices that are within their budget. If they have been saving for a large purchase, encourage them to think about it for 24 hours before they buy. Think of how many purchases this might have saved each of us.

7. Teach your grandchildren to use coupons and store ads, especially at the grocery store. Your receipt usually tells you how much you saved.

8.Talk with your grandchildren about credit card. Buy now, pay later. Show them your credit card statement, including interest rates and penalties. Help them figure out how this debt fits into their budget. Pay them off every month, if possible.

9. Make this a fun, game-like relationship with your grandchildren, and you may become the go-to person when your grandchildren need advice about money. Not a bad plan.

This article is meant to be general in nature and not be construed as investment or financial advice related to your personal situation. Please consult your financial advisors prior to making financial decisions.

Pamela Birkenholzm CRPC
Waddell & Reed

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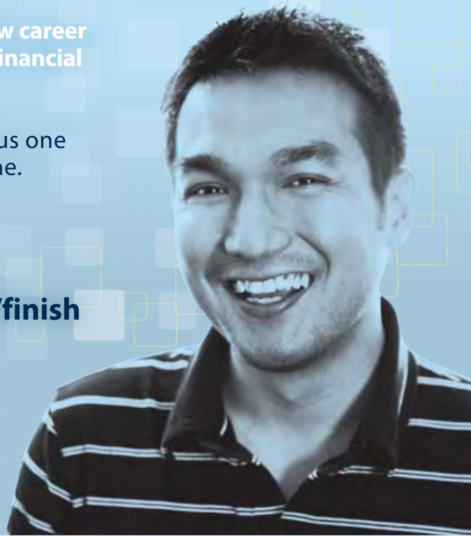

Qualified experts strengthen personal savings plans

Martina Peng

No matter where you are in your career, your quality of life during retirement will be defined by what you're doing right now.

Why? Because the average American today cannot expect to retire on Social Security alone, and retirement is expensive.

The U.S. Department of Labor concludes that most of us will need between 70 and 90 percent of our pre-retirement income to maintain our accustomed standard of living for the expected 20 years spent in retirement.

GET SAVVY ABOUT SAVING

The difference in funds accumulation can be dramatic. If you save $4,000 a year for 35 years and your money earns 7 percent annually, you'll wind up with more than $550,000. The same saving schedule During a 25-year period will accumulate $250,000. During a 15-year period, just $100,000.

Whatever your age and life circumstances, it is recommended you consult with a personal financial planner to develop an effective savings approach. An experienced personal financial planner can help you understand the numerous financial products available and organize your life priorities.

HELP OTHERS PLAN FOR THEIR FUTURES

Not only can you consult with a financial expert to plan for your future, you also can pursue a rewarding career in this fast-growing, highly valued field.

By completing a comprehensive course of study in financial planning, you will acquire the knowledge required to help families and individuals develop plans to handle both expected and unforeseen economic events.

And the need for qualified financial planners increases as members of the Baby Boom generation seek retirement assistance and a new generation desires strong financial guidance as they negotiate an ever-changing marketplace.

In fact, according to the U.S. Bureau of Labor and Statistics, personal financial planners will increase 41 percent by 2016. This makes financial planning one of the most rapidly advancing careers in the United States.

Martina Peng, Ph.D. Program Chair, Financial Planning
Franklin University

Estate and financial planning

TIPS FOR FAMILIES WITH SPECIAL NEEDS CHILDREN

According to the 2000 US Census, about two out of seven, or 28 percent, of families in America have a family member with a disability. About 62 percent of parents with a special needs child don't yet have a long-term plan in place for managing their child's care.*

About half of parents are expecting to leave money or property outright to the child. This could jeopardize qualification for government programs.* At the other extreme, some families are planning on disinheriting their special needs child to avoid disqualification – instead giving their wealth to their non-special needs children and expecting them to take care of "Johnny." If you have a special needs child, there is a greater need for developing and sticking to a financial plan. Your child's quality of life depends on it.

If you haven't already, you should learn about the various federal and state programs. Two good resources to start with are the Ohio Department of Mental Health (www.mh.state.oh.us) and the Ohio Department of Developmental Disabilities (odmrdd.state.oh.us/).

If you're worried that assets left to your child could disqualify them from valuable financial aide, you should review asset titling and beneficiary designations of all family members (including grandparents) to make sure no funds could be inherited outright by your child. You also should have adult, non-married siblings draft a Will. Ohio's intestate laws might consider your special needs child to be an heir of their sibling. Also, don't allow family members to buy savings bonds with the child's name on it or open custodial UTMA/UGMA accounts for the child.

Matthew J. Stewart

There are ways, however, that assets can be allocated for the benefit of your special needs child that should not affect government aide. A common tool is the use of a special needs trust, or a wholly discretionary trust. Life insurance (with the trust as beneficiary) is a way to create funds that the child will need after you are gone. You might also want to consider a professional corporate trustee, even if the trustee is to consult with siblings or other family members.

Many parents become overwhelmed with the information and decisions with which they will be faced. It might be helpful to have a few professionals to consult with, such as an attorney and a CERTIFIED FINANCIAL PLANNER™ practitioner – both of whom should have experience working with special needs.

* Information is according to a 2009 survey conducted by the Hartford Financial Service Group. This article is not intended to provide specific tax or legal advice. Please consult with your advisor about your particular situation.

Matthew Stewart, CFP,®
Vice President, Senior Financial Planner
Key Private Bank

The Columbus college doctor

THE 3 MOST COSTLY FINANCIAL AID MISTAKES

$50,000: That's the annual cost of attendance to several elite private colleges in the U.S. Over the last decade, Ohio four-year public universities alone have increased tuition and fees by 33 percent. But only 55 percent of Ohio students seeking a bachelor's degree graduate within in six years.

With schools facing budget cuts, endowments with investment losses and colleges paring back financial aid packages, the high costs of college will certainly loom large for you as a parent. Moreover, many upper-middle class families are too financially successful to qualify for significant need-based aid, yet they are not wealthy enough to just write the check.

The intent of the college financial-aid system is to ensure that funds go to those who need it most. The reality is that aid goes to those who understand the ins and outs of the formula and can navigate the system.

Most colleges award financial aid based on the FAFSA (Free Application for Federal Student Aid), while a few private schools use the College Board Profile Form. Either way, the purpose is to gather input for the following formula:

Cost of Attendance (COA) – Expected Family Contribution (EFC) = Financial Need

The COA includes tuition, fees, room and board. EFC includes parents' income/assets and student's income/assets.

Now that we know the formula, let's look at the Columbus college doctor's three most costly financial aid mistakes:

1.WE'LL ACCUMULATE FUNDS IN OUR STUDENT'S NAME.

The aid formulas count assessable assets held in a student's name at 20 to 25 percent. This includes custodial accounts such as UTMAs and UGMAs, which can be liquidated with the proceeds transferred into a custodial 529 plan. If the parents are the owner, the assets are assessed at a much lower rate of 5.64 precent. But proceed with caution, as capital gains or income could add to your EFC.

2. I'LL WITHDRAW FUNDS FROM MY IRA, SINCE THE IRS SAYS I CAN AVOID THE PENALTY.

Not only can this derail your retirement goals, but if you're a financial aid candidate, this will also reduce your chances for need-based aid.

Education costs do qualify for an exemption from the otherwise applicable 10 percent penalty on early IRA distributions.

However, it will increase your taxable income for the year, add to your tax bill and decrease your family's "financial need" at the same time.

3. GRANDPARENTS WANT TO GIVE MONEY TO HELP PAY FOR EDUCATION.

A financial gift to a student can be double-counted for financial aid purposes – as both income and as a resource. A $10,000 gift would be assessed 20 percent as an asset and 50 percent as income. Great intentions, but that $10,000 gift could have just cost as much as $7,000 in financial aid the following year.

Joseph S. Messinger

For many families, the ability to accumulate college funds is in the past.

That's why this article is not about saving for the cost of college, it's about saving on the cost of college by avoiding costly mistakes.

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The new 'safe' investment

Gary Vawter

People that lived through the Great Depression learned the hard way that buying stocks can have a disastrous outcome. They also saw that putting money in banks could be a shaky proposition.

For this reason, many turned to investing in their homes, often paying them off before considering any other types of investments. This became known as the "depression baby mentality."

Today, the "Great Recession," or whatever we call the most recent financial crisis, may be changing this fundamental thinking again. Sure stocks have always had their share of doubters but now investing in one's home no longer seems to be the safe investment it was for a generation. What's the new safe investment now and going forward?

There are actually few asset class choices. These are stocks, bonds, real estate, cash and tangibles (commodities).

If you have been burned in stocks, they are "bad." If you owe more on your real estate than it's worth, that investment is "bad." If you were used to getting 10 percent on your money market or CDs and now you (might) be getting 1 percent, that is "bad."

Gold? Gold is on quite a run right now, but does anyone think they'll sleep well with a core asset that historically rose 400 percent then lost 70 percent during the next 20 years before its current revival?

Today the "safe" asset class, at least according to the tremendous amount of money flowing into it, is bonds of all kinds. If/when interest rates rise, these, too, will become a "bad" investment.

The reality is the safest investment won't likely be any one of these choices but rather a diversified mix of all these asset classes.

Until the current and future generations learn this fundamental principal, we are destined to keep buying (and shunning) something precisely when we shouldn't.

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Start Planning Now to Cope With Estate Taxes

Jim Atkinson

It's always challenging to create financial strategies because they are somewhat dependent on tax laws, and these laws are always changing. In 2009, your estate could have passed as much $3.5 million to your heirs before incurring federal estate taxes at a maximum rate of 45 percent. In 2010, the estate tax was repealed, but in 2011, it is supposed to return with a maximum exemption of $1 million and a top rate of 55 percent. But this might change, as Congress considers extending the 2009 exemption and tax rates into 2011 and possibly even further.

You might think you'll never have enough wealth to incur these taxes, but virtually every asset – your home, cars, life insurance policy, IRA and 401(k) – might be included in your taxable estate. These assets could push your estate over the exemption amount and cost your heirs a substantial amount in estate taxes.

To help address this potential problem, you might want to think about some of the following estate considerations. For example, if you owned a $1 million life insurance policy, and it was subject to an estate tax rate of 55 percent, your beneficiaries would receive a death benefit of just $450,000. But if you established an irrevocable life insurance trust (ILIT) with a new insurance policy, the trust would own the policy and distribute the proceeds to the beneficiaries you've chosen. By using an ILIT, you would keep the life insurance out of your taxable estate.

Another estate planning consideration is a charitable remainder trust, which might be useful if you have a sizable amount of assets, such as stocks, that have significantly appreciated since you bought them. If you kept these assets in your estate you heirs would inherit them on a step-up basis, which means the value of the stocks would be the same as their fair market value on the date of your death. (However, in 2010 only the step-up basis is limited to $1.3 million for your children or other heirs and $3 million for your surviving spouse. Beyond those figures, your heirs would assume, or carry over, your basis – the amount you paid for the assets. In 2011, full step-up is scheduled to return.)

All stocks, especially those that receive step-up treatment, could add to your heirs' estate-tax burden. But you could remove the stocks from your taxable estate by placing them in a charitable remainder trust. Furthermore, you could receive an income stream for life once the trust sold the stocks. You could then use this income to make gifts to your loved ones, further reducing the size of your taxable estate. You can give as much as $13,000 per year to as many individuals as you like without incurring gift taxes, as much as $1 million during your lifetime.

Before making decisions related to estate taxes, consult with your estate planning professional and tax advisor. Vehicles such as life insurance trusts and charitable trusts are complex and don't lend themselves to "do-it-yourself" solutions. Edward Jones does not provide tax or legal advice.

Jim Atkinson, CFP®
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Estate planning: It's never too early

Christopher K. Johnson

It's never too early to begin thinking about your legacy or to shape your estate plan. Contrary to what many people think, you don't need to be a millionaire to have an estate plan. An estate plan is an important part of any ongoing financial planning process.

YOUR LIFE, YOUR DREAMS, YOUR LEGACY

Your legacy transcends money – it also encompasses your values. Your wishes and dreams might include using your assets to help secure your family's future or you might choose to support another cause close to your heart. This might be your favorite charity, your community, or your place of worship – to name a few.

ELEMENTS OF AN ESTATE PLAN

• A will lets you specify your wishes, including how you want your property distributed, who will administer your estate and who will care for your minor children.

• A trust holds your assets for the benefit of one or more people (you, your spouse, your children). You'll need an attorney's assistance to create a trust.

• Life insurance proceeds are paid to a beneficiary at your death.

• Gifts are transfers of property made during your life to family, friends or charity.

• Tax exclusions are available as important estate planning tools. Consult your tax professional for details.

PREPARING TO PLAN YOUR ESTATE

Designing a legacy consistent with your dreams and values is a personal, often complex process. But it's well worth the effort. Consider setting up a family estate planning meeting to help improve communication, prevent conflicts and let your family know what's important to you.

After giving some thought to your wishes, including the needs of family members you want to provide for, seek the professional guidance and estate planning advice you need from your attorney, tax professional and financial advisor. To help you value your estate, you'll need to take into consideration:

• Current income and likely future income
• Annual expenses
• Current assets and debts
• Tax implications of federal transfer taxes, state death taxes and federal income taxes

REVISIT YOUR ESTATE PLAN REGULARLY

Just like your financial plan, it's important to review your will and other estate planning documents regularly, or when significant life events occur.

Ameriprise Financial and its representatives do not provide tax/legal advice. Consult with your tax advisor or attorney regarding specific tax issues.

Ameriprise Financial cannot guarantee future financial results.

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