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TIMELINES



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If Only I Had Known!

At first I was going to ask if you have ever said that. Then I decided to ask only how many *times* you've said that. Whether the topic is our children, our careers, our health or our wealth, we often reach the conclusion that hindsight is 20/20. A few years ago I listened to an award-winning National Geographic photographer for speak. When asked how he was able to capture the most incredible shots of animals, he responded that he was gifted with "intuition." He described it as "the ability to anticipate what was *about* to happen." The result? The perfect wildlife photograph.

The opposite of this type of gift leaves most of us saying "If I had only known...." For the vast majority of our planning clients, personal tax is the single largest annual transfer of money we experience. When you look at Federal, State, Sales, Gas, Social Security, Property, etc we would find that taxes take most of our money. Generally speaking, do you think that is true for you? Intuitively speaking, do you think this is going to get better or worse in the future?

According to a Gallup Poll published Aug. 21, 2009, the vast majority of Americans expect taxes to go up in the next four years. In his July 21, 2009 column in the *Washington Post*, George Will wrote "...approximately 60 percent of taxpayers now pay either no income tax (43 percent) or less than 5 percent of their income." Simple math tells us that the lion's share of taxes comes from you, the 40% who pay.

The real focus of our planning is to help you develop a strategy that delivers more long-term net worth than you would have achieved without our help. The ultimate purpose of that long-term net worth will be the production of income during retirement. How we carefully design your strategy to achieve that goal must anticipate the possibility and probability of higher taxes in the future. President Obama has promised that



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Long Term Care Insurance...

Who Needs It?

Planning

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Do you have at least \$100,000 in investments and own your home? If so, you may want to talk to us about some measure of Long Term Care Insurance (LTC).

Surveys say approximately 70% of people over age 65 in this country will require some form of LTC. Though many believe Medicare will pay for the majority of their LTC services, it does not; in fact, it will only

pay for short-term medical care after a hospitalization.

What are the chances of your home burning down or your car being totaled? While these areas can be tragic, the odds of an occurrence are small compared to the risk of some sort of nursing care or assisted living when we are older. The average cost of a private room in a nursing facility is moving over \$70,000/ year...some areas

more, some less. But still, expensive.

Some folks have enough wealth where they can self-insure this risk. But if that's not you call us for further information about this offering.

If you would like to explore this, email me at jim@financialarch.com or give me a call at 248-482-3612 and we can discuss your options.



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taxes will increase for the top income earners. This is going to happen if for no other reason than someone must pay for all of the money the government is spending!

To achieve this we need to work together to break free from the "you should always do "ABC" and

never do "XYZ" crowd. We can help. That is what we do. Questions or comments are encouraged.

Ken Grace

Should You Convert a Traditional IRA to a Roth IRA in 2010?

This will be one of the big questions in early 2010. As you know the traditional IRA is in essence a tax delay strategy. You receive a tax deduction for the year that you make a contribution. When you take any money from the IRA you then pay ordinary taxes. No capital gains, by the way. All ordinary. If your tax bracket is lower in retirement the delayed tax strategy had an advantage. If your taxes are higher in retirement? The opposite can be said.

Enter the ROTH IRA. Generally speaking no deductions in the year of contribution but the withdrawals come out tax free. So our clients with large incomes and good saving habits would naturally love the Roth. But. If you have an adjusted gross income (AGI) in 2009 over \$176,000 you cannot have a Roth. If you want to convert a traditional IRA to a Roth, you cannot do this if your AGI exceeds \$100,000! So the very people that really need one can't get one. By default those that do not necessarily need one can get one. Logical? Heck no! The government set the rules.

Enter new rules for 2010. The income rules for converting existing traditional IRA's to a Roth IRA are being changed in a



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drastic manner. The \$100,000 AGI limit is being removed.

Be prepared!

This is where it gets tricky. Just because "you can" does it necessarily mean "you should?" No! We will be able to help you and your friends work through the short and long term complexity related to this issue. Be prepared for an onslaught on advertising and marketing hype by mutual funds, banks and insurance companies. They will lead everyone to believe that this is good news. And the government? It could be a windfall for them. Why? Taxes will be due on the converted amounts.

Call us!

Give us a call. We will look at this from a macro perspective. There is a right answer for everyone. Please do not listen to the hype from the financial community and assume any sense of direction. Let's get together and see what you should do. Let's find your right answer. Stay tuned for more on this in future TIMELINES. We will also be posting new information on our Web Site www.financialarch.com

Back to Basics!

"Gentleman, this is a football." Legendary Coach Vince Lombardi is famous for this line. We can learn as well.

When times get tough, the tough get back to fundamentals and basics. Is it time to get some basic answers?

Here are some questions to ask when getting back to Basics:

- Have I reviewed my auto, home, business, and other casualty coverages this year?
- Do I have the liability protection I need and want? Do my deductibles make sense?
- What is my "income plan" if I get sick and can't work?
- Are my will and trust current? Is my trust funded? (It probably isn't if you don't understand the question)
- Have I reviewed my Life Insurance desires and wants lately?
- Have I looked at my Bank Accounts and Money Markets to gain the best rates?
- Do I have Savings Bonds which need a review and organization?
- Am I taking advantage of Tax Free and Tax Deferred Savings and Investment plans?
- Do I have some guarantees in my Strategy? Important today with all of the uncertainties out there!
- Have I reviewed how Income Taxes could impact my retirement?
- Do I use a process to preserve assets in this unpredictable market?
- Have I reviewed my mortgage this year?
- Do I have a Budget? Is my debt under control?
- Is my plan organized for my family in the event I can't make decisions?

If any of the questions ring true for you it's probably time to get together and review. Perhaps someone else came to mind that you feel could benefit from a review. Have them contact me as well. Email me at cort@financialarch.com or call (248) 482-3606.

Planning

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