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PROTECT WHAT'S YOURS

"You can't take it with you," as the saying goes. So how do you protect what's yours? Especially if you don't want "Uncle Sam" to get more than his fair share.

You need a plan – an estate plan. Don't sell yourself short because you are young or a long ways from achieving financial success. You might be surprised at how much you have accumulated.

An estate isn't just expensive property surrounded by a fence. It's everything you own in your own name. It also includes your share of anything you own with other people. Property can be real – meaning land and buildings – or personal, such as jewelry, a stamp collection, or a favorite table or chair. Money is property, too, along with stocks and bonds, a mutual fund account, or a life insurance policy.

A good estate plan gives you peace of mind. It sees that the right people will receive the right property at the right time. It involves a will and should include health directives, a power of attorney, and perhaps a trust. All of this helps you estimate the value of your estate. That's important because the value determines whether any estate taxes will be due.

Remember, however, that estate planning encompasses far more than calculating and providing for future estate taxes. It provides for your family's future, your business, your favorite charities and even your community. By taking action now, you can protect and preserve for your heirs what has taken you a lifetime to achieve.

It's wise for everyone to have an estate plan regardless of age or finances. Getting started is relatively simple. Look inside for a step-by-step approach to help you get going. Next, talk to your trusted financial professional to start putting together an estate plan to meet your needs.

ARTICLES OF INTEREST

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THIS PLAN'S FOR YOU

If you think the term "estate plan" doesn't apply to you, think again. Estate plans aren't just for the rich and famous. They're something for anyone who wants to help ensure their family's financial security, avoid or reduce the estate tax burden on their heirs, facilitate the quick distribution of their estate and ensure their wishes are met. They are for anyone looking for peace of mind.

An estate plan doesn't have to be complex. It can be simple and straightforward. A basic estate plan involves:

- Figuring out what you have.
- Deciding how it should be distributed.
- Eliminating or minimizing any taxes.

Taking It One Step at a Time

Step 1: **Estimate Your Estate.** Add up all of your personal and real property, savings and investments, retirement and other assets. Subtract your liabilities (personal debts, credit cards, loans and investment debt). This is your net worth, also known as your "estate." This is what you want to protect with an estate plan. It starts with your will. Continue with steps 2-5 to set up your plan of protection.

Step 2: **Write Your Will.** Everyone needs a will. It provides instructions on how your assets (personal savings, property, retirement savings, etc.) are to be divided among your heirs. It also names a guardian for your minor children should both you and your spouse die unexpectedly.

Step 3: **Create a Living Will/Power of Attorney.** A living will gives written instructions about your care if you are mentally and/or physically incapable of directing your own healthcare. A durable healthcare power of attorney takes the living will one step further by appointing someone to make medical decisions on your behalf.

Step 4: **Establish a Trust.** Trusts help reduce taxes and probate burdens. By leaving or transferring your assets to a trust, and not directly to your heirs, you can save them the cost of estate taxes. Trusts are also designed to hold assets for young children until they reach a specified age. Trusts come in many shapes and sizes (living, irrevocable, revocable, charitable, spendthrift, etc.). Your financial professional can help identify the ones best suited to your situation.

Step 5: **Talk to Your Heirs.** This is important. Tell them about your estate plan and your wishes. Sharing this information will comfort your family. It shows you were thinking about their well-being and you wanted to bring them some relief from what would be a stressful period following your death.

Next Steps

Review your estate plan periodically, especially if there are changes in your family situation. And think ahead. Incorporate contingency plans. Cost of living increases, inflation, and long-term care expenses from an unforeseen illness can take a bite out of your estate.

Don't Let Inflation Sneak Up

"Don't look back," baseball legend Satchel Paige once warned. "Something may be gaining on you." Today, that "something" is inflation.

Even low inflation rates can make a sizable dent in your buying power. For example, an item that costs $100 today will cost $181 in 20 years with a 3% annual inflation rate. At 4% – the approximate annual rate of inflation since 1954 – you'll need $219.

What's a wise investor to do? Think long term, diversify using asset allocation, and rebalance your portfolio at least annually.

Go Long Too often, equity investors react impulsively to market conditions. Instead, they should let time work to their advantage. Between 1992-2006, for example, Standard & Poor's 500 Index – a familiar benchmark of U.S. equities – posted gains for 11 out of 15 years. Even with the market's 2000-2002 downturn, the S&P's average return was 9.8%. Past performance cannot guarantee future results. In addition to weathering bear and bull markets, holding on to investments also allows you to benefit from compound interest and, perhaps, enjoy a more favorable tax rate when you convert your investments to cash.

Mix It Up Asset allocation is the method of dividing your money among different investments (stocks, bonds, and cash, for example). It's designed to help you find the best combination of asset classes that balances your tolerance for risk against your expectations for reward. It's the principle of diversification at work. That means that when some asset classes are experiencing a downturn, others may be enjoying stronger performance. In the end, the average should work in your favor. Of course, asset allocation does not guarantee a profit or protect against a loss.

Keep Your Balance Over time some of your investments may grow faster than others. Rebalancing brings your portfolio back to your original asset allocation mix and in alignment with your investment goals. Rebalancing your portfolio either quarterly or annually ensures that you do not overemphasize one or more asset categories. It also restores your portfolio to a level of risk that's comfortable for you.

STOP UNWANTED SPAM, MAIL AND PHONE CALLS

Less is more – especially when it comes to junk mail, telemarketers and spam. These tips can help reduce these unwanted distractions.

Phone Calls: Register your residential telephone number on the National Do Not Call Registry. Call 1-888-382-1222 (you must call from the phone number you wish to register) or by Internet (https://www.donotcall.gov/).

Mail: Sign up for the Direct Marketing Association's Mail Preference Service either online or by mail. Forms can be found on DMA's website (https://www.dmaconsumers.org/cgi/offmailing). There is a $1 fee.

Spam: Reduce unwanted email with anti-spam software. Another good tip is to use a separate email address when posting messages to any public forum, such as newsgroups and mailing lists. For more suggestions, see the ScamBusters website (http://www.scambusters.org).

AH, THE GOOD OLD DAYS

Looking at these 1964 prices may make you wish for the good old days.

- The selling price for a four-bedroom, two-bath house in South Bend, Indiana, was $16,000.
- A Hershey chocolate bar cost 5 cents.
- A ticket to the movie "Goldfinger" set you back $1.
- Prices started at $2,358 for a new Ford Mustang.
- On the other hand, minimum wage was $1.15.

Past performance may not predict future results, but it may be a good indicator of the "sticker shock" to expect when you're ready to retire. If saving for retirement isn't already a priority for you, it's time to reconsider.

Source: "The Cost of Living," American Heritage Magazine, October 2006.

PAYING BILLS WITH A CLICK INSTEAD OF A CHECK

According to a 2006 poll by the Pew Research Center, the number of bills paid with a check is losing ground to those paid online. The survey found that nearly three-in-ten adults (28%) use an online or electronic payment method to take care of their regular monthly bills. A slight majority – 54% – mostly uses checks. Only 15% use cash. Although the under-30 crowd is the group most likely to pay bills electronically (32%), they use checks 35% of the time.

IT'S YOUR LUCKY DAY

About one out of five baby boomer households has received an inheritance averaging $64,000, according to a 2006 report from the AARP's Public Policy Institute. Another study by the Federal Reserve Board indicates that 39% of baby boomers will inherit more than $100,000. Are you one of the lucky ones?

If a windfall like this comes your way, there's no shortage of ideas about how to use the money – some frivolous, others practical. What should you do to make the most of an unexpected inheritance?

The first step would be to review your financial situation with a financial professional. Perhaps the money should be added to your retirement savings. If that's not a concern, you may be more worried about estate taxes and how well your children will manage their inheritance.

A survivor life insurance policy and irrevocable life insurance trust can help pass on your estate to loved ones without sizeable estate taxes depleting your children's inheritance. Since the owner and beneficiary will be the trust, it will be an asset held outside the estate.

With proper planning, an inheritance can be preserved for future generations to enjoy. Talk to your financial professional about ways to make the most of an unexpected windfall.

Wise Words

Before buying life insurance, learn as much as you can about the insurance company offering the policy. Independent ratings agencies provide information about the company's financial stability, history, and fiscal management.