FINANCIAL FITNESS FOCUS

Creative Capital Management, Inc.

1st Quarter, 2012

Over 35 Years of Enhancing Clients' Financial Peace of Mind

"Life isn't about waiting for the storm to pass. It's about learning how to dance in the rain."

- Vivian Greene

Planning for Longevity- Is an Annuity the Answer?

Due to medical advances and perhaps more attention being given to developing healthier lifestyles, Americans are living longer. Longer life spans for retirees, the 2008 and 2009 market declines, and baby boomers retiring in record numbers have generated a lot of attention from the press around annuities that can provide a guaranteed source of lifetime retirement income from the company issuing the contract, and offer an element of stability and security.

Annuities are tempting investments in that, when chosen carefully, they can protect consumers from outliving their money and provide some alternatives to stock market volatility. In addition, unless it is an immediate annuity, part of the allure of an annuity contract is that the investment return grows tax-deferred until the annuity starts paying out benefits.

Regardless of who sells the annuity, a tax-deferred annuity is a contract between you and an insurance company. (Please remember, CCMI is a fee only firm; thus, we don't sell investment or insurance products of any kind.) In exchange for getting your money today, the insurance company agrees to pay income to you for a specified period or for your lifetime. Those payments may start at some date in the future, as is the case with a deferred annuity, or they may start on the day you buy the contract, which is called an immediate annuity.

You pay for an immediate annuity with a lump sum of cash on the day you buy it. You pay for a deferred annuity either with a single lump-sum payment or with a series of payments made over a number of years. Your investment in the annuity will earn a return, and those earnings will grow untaxed until you start receiving your annuity payments.

As annuities have become more popular with the investing public, insurance companies have begun offering a wide variety of contracts and added features which are sometimes difficult to comprehend. Below are four basic types of annuities:

Immediate Income Annuity

For a single upfront payment, this contract provides monthly payments starting immediately for either a set period of years or your lifetime and even your spouse's lifetime. The longer the time frame of the payout, the lower the monthly payments. You pay tax only on the part of the annuity payment considered earnings. The advantage of this kind of contract is that the income stream is guaranteed from the company issuing the contract; however, the disadvantage with an immediate annuity is that with today's low interest rates, the pay outs aren't as high as they were several years ago, or as high as they could be in the future when interest rates rise. In addition, once you give your money to the insurance company, you can't access it in the event of an emergency-it is gone. Once the annuitant passes away, the principal remains with the insurance company and is not passed on to your heirs. Some immediate annuities offer payments that will increase with inflation; however, the annuity with inflated payments will pay less initially than the annuity with a level payment.

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"Guard well your spare moments. They are like uncut diamonds. Discard them and their value will never be known. Improve on them and they will become the brightest gems in a useful life."

- Ralph Waldo Emerson

Assessing Risk

Investing and poker have been compared on many levels. For starters, poker is a zero-sum game—what the winner wins has to be equal to what the losers lose. But investing is not a zero-sum game because over time stocks tend to have positive returns, making it possible for investors to be overall winners.

Both, however, are endeavors based on incomplete information with unknown variables and conditions that cannot be controlled. To offset these uncertainties, it is important for individuals of to assess and understand their appetite for risk. Doing so develops discipline, a strategy, and may help reduce unexpected setbacks.

The questions below are designed to help shed light on your risk tolerance. The questions are hypothetical in nature and are not meant to represent investment advice. Answers are symbolic of different risk levels: "a" conservative, "b" moderate, and "c" aggressive.

1. I am comfortable with investments that may often experience large declines in value if there is a potential for higher return.

a. Disagree
b. Uncertain
c. Agree

(Continued on page 2)

Assessing Risk (Continued)

2. Suppose you owned a well-diversified portfolio that fell by 20% over a short period of time. Assuming you have 10 years until you begin withdrawals from your account, how would you react?

a. I would immediately change to a more conservative portfolio.
b. I would wait at least 6 months to one year before changing to more conservative options.
c. I would not change my portfolio.

3. Which statement best describes your investment goals?

a. Protect the value of my account by minimizing loss and accepting lower long-term returns.
b. Balance moderate levels of risk with moderate levels of returns.
c. Maximize long-term returns and accept large or dramatic swings in the value of my investments.

4. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The data below represents five hypothetical investments of $100,000 over a one-year time frame. Which range would you feel most comfortable with?

a. Portfolio A: $139,000 – $88,800
b. Portfolio B: $179,000 – $75,700
c. Portfolio C: $215,000 – $59,500

Now, keep in mind that these are only guidelines meant to give you insight into how you think and behave as an investor. Once you have discovered that you are, let's say, aggressive, this certainly doesn't mean that you now have to invest in high-risk stocks and emerging markets for the rest of your life. On the contrary, your risk tolerance may change over time, and revisiting these questions periodically may let you know if it's time to change your investment strategy.

Please remember that diversification does not eliminate the risk of experiencing investment losses, and as always, past performance is no guarantee of future results.

(This article was provided by Morningstar. At CCMI, we determine a client's risk tolerance through a variety of means, not with a questionnaire like the one above. The Morningstar item above does make it clear that these types of questions are merely guidelines when determining investment risk tolerance. There is always an emotional component that affects investors' reaction to market risk, which is difficult to measure and track. When markets are volatile, a questionnaire is not going to provide comfort or peace of mind to an investor.)

"When everything seems against you, remember that the airplane takes off against the wind, not with it."

- Henry Ford

CCMI Coming Events

Munch and Learn
The CCMI team will be hosting a variety of focused educational programs this year. A client survey will determine the financial topics to be offered during small informal get togethers. Topics under consideration include college educational funding strategies, understanding investment terms and results, when to file for Social Security benefits, and planning a home purchase. The small group setting either at our office or at a nearby restaurant will allow interaction between attendees and time for questions.

Shred-it-Saturday
On Saturday, April 21 from 9:00 a.m. to 10:30 a.m., CCMI will hold its 2nd annual Shredding Saturday in the West circular driveway of our office building, Rio Vista Towers. Clients and friends of CCMI are encouraged to bring as many boxes of old paper documents as they can stuff into their vehicles to watch as they are shredded. A Shred-It truck will be on-site to ensure that materials are safely destroyed to prevent potential identity theft, a major concern in this era of wide-spread privacy invasion and financial fraud. A list of items to keep and what to toss is provided on our website at http://www.myccmi.com/resources/links/long-financial-records/.

For Women: Investment-ease
In response to our female clients' feedback, Peg will host a special luncheon on April 12, 2012 during which CCMI clients and guests will learn more about investment vocabulary, interpreting investment results, and how to become an even more comfortable, confident, and competent investor.

Financial Fitness Programs
The CCMI team is happy to present a variety of financial fitness topics for a small group at your office or for your professional organization. Taking this fast-paced interactive program on the road has proved helpful to groups at their work site or monthly association/organization meetings. Please call our office if we can customize a program for your particular group or organization.

"Reality is merely an illusion, albeit a very persistent one."

- Albert Einstein

Life After a Liquidity Event
by Mark Fackler, CCMI Guest Columnist

On October 30, 2000, investors wired money into my bank account to purchase enough stock in my company for me to 1) lose my position as majority owner and 2) have enough money to live a very comfortable lifestyle for the rest of my life. In that split second, I lost control of my company and found myself in very unfamiliar territory. What does a 42-year-old man do for the rest of his life when he has just lost his daily direction?

I had not expected this major life event to happen at this particular moment, but I had been preparing for a long time. For the ten previous years, I was blessed with the advice of my long time mentor, Pat Hyndman and a group of wise and experienced CEOs. I was a member of a CEO peer-to-peer learning organization called Vistage. Through this valuable group, I had seen other CEOs grapple with their retirement, some with great success and some with financial nightmares. Out of that experience, I learned a few simple, but important, rules of the road.

The first lesson learned, often considered the most mundane, is to be prepared with a financial plan. Peg Eddy and the team at Creative Capital Management (CCMI) did a fantastic job in working with me and my wife to plan a stable financial future. In 1993, we began our work with CCMI by gathering records, visiting lawyers and accountants, and wrestling with life decisions not considered front and center for a young married couple. Through this work, not only did we have our "number" that told us how much money we needed to retire on, but we also had the financial structures in place in case an opportunity ever presented itself. Having the "number" years before it was even possible to achieve enabled me to focus on growing the business without being preoccupied on the exit. Having the structures in place allowed for me to execute on the unexpected exit opportunity without fearing a financial blunder.

Though the first lesson is clearly prep work, the second lesson begins the day you retire. Having your identity and passion wrapped up in your work life creates a huge emptiness when you pack up your desk that final day. The emptiness is profound and exerts pressure that can lead to flawed decisions. Over the years, I had witnessed many entrepreneurs jump into new businesses literally after their exit, and a few years later lose not only the new business, but all their previous financial gains. Based on this knowledge, I made a commitment to live with the emptiness for 18 months.

This commitment was more exhausting than I anticipated. I saw new business opportunities all around me. Everywhere I turned, I was presented with opportunities to get involved and make major investments. This included both for-profit and not-for-profit adventures. To say "no" to each and every offer was difficult. Also difficult was resisting the urge to start my own new business. When an entrepreneur's mind is freed from the dominant passion, ideas for new endeavors swirl constantly around the mind. How all these opportunities stayed hidden from me while I was involved in running my business is startling. However hard, I still resisted jumping prematurely into a new situation.

I firmly believe that learning to live without direction is a crucial step in finding new direction. There is a temptation to settle on a new direction way too soon in the process. As the 18 months of emptiness passed, I realized that getting involved in another for-profit business was too limiting and too risky. Since I was financially secure, I no longer had the pressure to do what it takes to build a business. I had lost a significant motivator. So instead I decided to give back to my community. I began mentoring other CEOs who had not yet achieved their exit. This gave me the satisfaction of helping others and also provided enough business excitement to keep me from starting my own venture. Additionally, I dedicated myself to helping two local not-for-profits. These organizations welcomed my involvement and provided me another opportunity to give back. Building a successful not-for-profit requires all the skills and knowledge from the for-profit world, but has added complexities. It was a perfect opportunity for giving back and continued learning.

Simple as it sounds, post retirement life is about being prepared so you can take your time. Find a new passion, but not too quickly.

(Mark Fackler and his wife, Kathy, now make their home in Colorado and continue to be involved in various philanthropic endeavors. When he is not training for or participating in triathlons, Mark volunteers his time with a number of not-for-profit organizations, namely TKF and San Diego Social Venture Partners.)

"Allow yourself the freedom to grow and expand. Form the habit of saying yes to your own potential. Take time to think of all the reasons why you can and will embrace wonderous new possibilities and adventures."

- Don Ward

"The minute you begin to do what you really want to do, it's really a different kind of life."

- R. Buckminister Fuller

Is an Annuity the Answer? (Continued)

Deferred Annuity
Deferred annuities are long-term tax deferred investments; deferred annuities credit accounts annually and allow you to delay income payments until a later date. This kind of annuity usually comes with a death benefit which guarantees the beneficiary of the account principal and investment earnings. The payout from a deferred annuity is typically greater than that of an immediate annuity. A deferred annuity can be either a *fixed annuity* or a *variable annuity*.

Fixed Annuity
This kind of annuity takes the money you deposit, invests it, and guarantees a return. Your income payment will be the same each month, based on how much you invested, your age, and the interest rate when you invested your funds with the insurance company.

Variable Annuity
In this form of annuity contract, the funds you deposit are generally invested in mutual funds. The investment performance of the funds determines your payouts. For example, if the stock market rises, your payout will likely as well, and vice versa; thus, the term "variable". Normally you have the option to pay extra for a minimum return option that is set when you buy the variable annuity.

Keep in mind that even though your income stream is guaranteed with some annuity contracts, the buying power of these monthly payments can be eroded by inflation. Here are some questions to ask before you commit any funds to an annuity product:

- Will the insurance company selling this product be able to deliver on the promise to pay? Always look for an insurer with no less than an *AM Best* "A" rating.

- How much does the contract cost annually, including all expenses? Ask the agent for the administrative fees, mortality and expense fees, and any additional optional benefits such as an "access feature," which is an ability to withdraw account dollars free of any withdrawal penalty in the event of some defined emergency.

- What is the sales commission, what are the surrender penalties, and for what period of time do the surrender penalties exist? Commissions on annuities can be anywhere from 2 to 8% at the time of purchase and can be paid to the sales person on an ongoing basis, thus adding to the overall cost of the annuity. In addition, surrender or excess withdrawal fees can be as much as 10% and remain in effect on a declining scale basis as much as for ten years.

- What will your contract value be in one year if the market increases, falls, or stays flat? The answer needs to take all fees into consideration and you need to be aware that total return formulas may be difficult to understand. It's critical to understand the impact of all fees particularly before purchasing a deferred variable annuity contract.

- Is the annuity adjusted for inflation? Ask about inflation adjusted for inflation protections options.

- What are guaranteed retirement income benefits? Is there a minimum percentage that can be withdrawn from the annuity contract? As mentioned above, an additional fee of at least 1% might be charged for a minimum income benefit on an annuity contract.

- Should you buy mutual funds or an annuity? Keep in mind that mutual funds do not offer any guaranteed income, even though they are generally less expensive to buy. Also inquire about the fees charged by the mutual funds within the annuity. An annuity might fit into your overall financial picture, but beware of a salesperson who wants you to convert your entire portfolio to an annuity contract.

If you are thinking of buying an annuity from an insurance professional, be sure the individual is properly licensed and credentialed. In addition to checking on professional competency, ask how the sales person is compensated and demand transparency. If the agent isn't willing to provide an exact dollar amount, it would be best to walk away from the transaction. Be aware that several mutual fund companies have low cost annuity contracts available. If you have questions about whether an annuity should be part of your retirement income planning, please call us.

"At times, each of us needs to withdraw from the cares which will not withdraw from us."

- Maya Angelou

"The hall of fame of market timers is an empty room."

- Jane Bryant Quinn, Financial Writer

Don't Make Investment Decisions Based on Media Hype

In November and December of 2010, the following news stories were circulated by the media:

1. Second round of quantitative easing (QE2) by the Fed (the government would purchase long-term Treasuries in an attempt to push down long-term interest rates for the short term);
2. The Build America Bonds (BAB) program that had provided municipalities with new investments from non-taxable institutions, was not extended past 12/31/10, thus reducing the demand for municipal bonds in 2011;
3. Congress agreed to extend the 2001 tax brackets for two years, instead of letting the tax rates increase, which meant that instead of the top tax bracket becoming 39.6% starting in 2011, it remained at 35% for two more years; and
4. Meredith Whitney, who had correctly called the financial crisis in 2007, went on "60 Minutes" and said the there would be 50 to 100 sizable municipal bond defaults, totaling hundreds of billions of dollars, within 12 months.

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Don't Make Investments Based on Media Hype (Continued)

Due to this media "information," some investors panicked and sold their municipal bond investments and the market for muni bonds declined almost 5% from early November 2010 to January 2011. Along with Bill Gross, a bond manager for the largest bond fund in the country, some investors stayed calm and looked at the fundamentals in the muni bond market. The fundamentals indicated that the muni bond market had over-reacted to the media information, and these savvy investors purchased municipal bonds in December 2010.

Twelve months after Meredith Whitney's prediction, let's look back at what happened in the muni bond market: In 2011, defaults involving missed payments totaled $2.6 billion instead of the hundreds of billions that Ms. Whitney forecast. What was the performance of municipal bonds in 2011? They had one of the highest asset class returns in 2011 of over 10%. Will the 2012 return in muni bonds be similar to that in 2011? Highly unlikely, as part of the 2011 municipal bond return was due to a starting value in December 2010.

So what should investors learn from the story above? Here are a few lessons:

1. Don't rely on the media for your investment research;
2. Sidestep investor overreaction to media coverage;
3. Stay calm when others are in a "fight or flight" mode;
4. Fundamental research generally proves to be a more reliable predicator of future outcomes; and
5. Remember Warren Buffett's advice, "Be fearful when others are greedy and be greedy when others are fearful."

"If you keep following your own footprints, you will end up where you began, but if you stretch yourself you will flourish."

- Donna Basplay

Retirement Plan Limits for 2011 & 2012

	2011	**2012**
Elective Deferral Limit (401(k), 403(b) & 457 plans)	16,500	17,000
Elective Deferral Limit – Catch-up Contribution (401(k), 403(b) & 457 plans)	5,500	5,500
Total Elective Deferral Limit – Age 50 and Over (401(k) plus Catch-up)	22,000	22,500
Defined Contribution Plans – Annual Contribution Limit (415)	49,000	50,000
Defined Contribution Plans – Catch-up Contribution Age 50 and over (415)	5,500	5,500
Compensation – Social Security Taxable Wage Base Limit	106,800	110,100
Compensation – Qualified Plan Limit (401(a)(17), 404 & 408)	245,000	250,000
SIMPLE Plan Elective Deferral Contribution Limit	11,500	11,500
SIMPLE Plan Elective Deferral Catch-up Contribution Limit	2,500	2,500

"Learn some and think some and draw and paint and sing and dance and play and work everyday some."

- Robert Fulghum

The IRS and Congress allow U.S. taxpayers to save and defer income taxes by maximizing the funding of retirement plans. Make sure that you understand the retirement funding options your employer provides and try to take full advantage of the new 2012 funding limits. If you are self-employed, make sure you have adopted the correct retirement plan for your type of business and employee census. If you would like assistance with any retirement funding concerns, feel free to call CCMI.

Retirement- A Dream or Reality

With the baby boomers hitting 65, the market declines of 2008 and 2009, depressed real estate values, and uncertainty regarding the U.S. economy, more is being written about Americans retiring later or working longer. In the 1980's, at least 50% of American workers said they were adequately preparing for retirement *before* they turned 65. Today, less than 23% of Americans feel they can retire by age 65. What, then, has changed in the last twenty years, and what are the biggest impediments to investors retiring before 65? Some of the largest obstacles seem quite simple to define:

Not saving enough early enough
The common advice to start saving when you are young is apparently not being heeded. Time is your ally when you start saving early in life. For example, a 25 year old who annually funds a traditional IRA with $5,000 beginning in 2012 that earns 5% per year for 40 years will have accumulated $635,000 at age 65. Compare that to another person who waits until age 35 to fund the same dollar amount with the same rate of return over 30 years-the accumulation will be $332,000.

Ignoring "free money"
It is fool hardy to bypass an employer's matching contribution to a defined contribution plan, such as a 401(k) plan. At the very least, you should defer at least enough to obtain the employer's match in your plan; however, be aware that this strategy is not sufficient to accumulate a comfortable retirement amount.

Failing to diversify
Putting all of one's investable dollars into one or several stocks may be dangerous for your financial future. Solid investment results are generated by having a sufficiently diversified portfolio, containing growth and value stocks, stock from different economic sectors and from different countries. In addition, owning fixed income investments such as bonds helps to further diversify a portfolio.

Ignoring the threat of inflation
Most financial planning experts agree that assuming an annual inflation rate of 3-4% when completing a retirement plan is good practice. In addition, a good retirement plan should also take into consideration the impact of higher inflation. If you are retired and are relying on a pension/Social Security or living on a fixed income, the price of goods and services can eventually outstrip the rate your investments earn and thus, erode your buying power. Financial pundits will encourage retirees to invest in gold and real estate as inflation hedges. Unless a retiree is buying shares of a mutual fund that invests in gold mining stocks, gold is difficult to store, value, transport, and use as a method of exchange. Real estate can be problematic if you try to own and manage it yourself instead of investing in a publicly traded REIT (Real Estate Investment Trust) that has a good track record and holds a variety of types of properties in different areas of the world.

Not factoring in the need for and cost of health care
Health care costs are rising faster than inflation. At age 65, Medicare is available for retirees, but it doesn't cover everything. Thus, any good retirement plan takes into consideration supplemental health care insurance premiums and out of pocket costs for prescriptions that are not covered at all. A good plan will also include a higher inflation rate for out of pocket medical expenses as the result of medical expenses rising faster than inflation.

Doing it yourself
This is a really common mistake. Usually, planning your own retirement can result in missed investment opportunities, tax benefits, and an inadequate saving schedule. Studies have shown that people who have gone through the financial planning process remain calmer during times of market volatility and are more disciplined in their spending than someone going it alone.

It is true that some rigor and discipline is necessary to develop a solid retirement plan. The CCMI team is available to discuss your financial independence goals and help you design a personalized financial independence roadmap for you and your family.

"Every once in a while, take the scenic route."

- H. Jackson Brown, Jr.

"Live simply; love lavishly."

- Michael Nolan

Out and About

At the firm…

To celebrate the December season of giving, Peg and Bob packed gift bags for military families at the Del Mar Fairgrounds, and through Peg's Rotary Club 33, helped with Santa Shopping at the Armed Services YMCA and volunteered their time at the airport USO on December 16th. The CCMI team volunteered for a half day sorting toys for the Polinsky Children's Center. Also in December, Bob attended an all day tax seminar. In January, Bob, Matt and Brian presented a Financial Fitness program for CPAs at a local accounting firm.

In early February, the CCMI team held their annual all day business planning meeting to set goals and plan client events for the year ahead. Ryan and Sean Eddy attended and contributed their comments and insights during this intensive planning session. Also in February, Peg was quoted in a *Wall Street Journal* column that addressed tithing and how it impacts clients' financial lives. On February 28th, Peg presented "From Sesame Street to Wall Street" for a Montessori School parents' group and on February 29th, she joined George Chamberlin in the NBC studios to film a segment on financial literacy training for children.

In March, Peg presented "From Sesame Street to Wall Street" program to parents of children in a North County private school.

As membership committee co-chair, Emily Hoist Oliver assisted in organizing the San Diego Women in Business annual Outreach event in mid-March.

Bob has started providing pro bono financial planning advice to recovering military personnel at Balboa

Out and About (Continued)

Hospital. Our local FPA chapter is working with the Wounded Warriors to connect professionals like Bob to assist our servicewomen and servicemen.

Brian continues his involvement with the San Diego Downtown Breakfast Rotary club where he volunteered with Rotary at the Bayside Community Center providing a helping hand to their community garden. He also assisted in getting the club to donate to the Boy Scouts of America "Scouting for Food" drive that benefits local homeless shelters. Brian continues to serve as a board member of the local chapter of the BYU Management Society, which tries to grow moral and ethical leadership in business. In January their guest speaker was author Ken Blanchard who spoke to the group about the power of ethical management.

Matt is continuing his volunteer service on the Francis Parker Alumni Council and has given a "Financial Planning Essentials" presentation to the Junior League of San Diego. Matt also wrote a financial planning mini-case study for the *Union Tribune* that was published during first quarter 2012. Peg continues to write her monthly column for the *San Diego Daily Transcript*.

Peg was recently elected to the Rotary Club 33 Board of Directors. Her two-year term begins in July.

On the home front…

Matt and his wife, Alex, spent time with family both in San Diego and Hawaii over the holidays. They enjoyed time with their new baby, Elizabeth, as they waded out into the water for the first time as a family. They may have a little mermaid on their hands - Elizabeth really liked the water after a few initial tears.

In early February, Jessica started teaching her first regularly scheduled yoga class, The Weekend Unwind, on Sunday's at a studio in Crown Point.

Brian, his wife Nikki, and their children, Emma and Kainoa, enjoyed a day at Disneyland in January with family and friends. In early March, Brian's family also enjoyed celebrating his sister-in-law's wedding reception in Malibu and Nikki's grandmother's 95th birthday.

In January, Emily and her husband, Kenny, enjoyed a long weekend up in Big Bear. They snowboarded and also participated in a Husky Roundup, where their 2 dogs, Loki and Brody, and 75 other huskies enjoyed playing in the cold—unfortunately, no snow this time. In February, Emily's Mom came to San Diego for a quick weekend visit.

Diane's family enjoyed having eldest son Patrick home from college for a nice long visit over the holidays. In January, Diane's husband, Chris, received orders to take command of the USS Lake Champlain, a Navy cruiser, in July 2012. In February, Diane visited her parents and brothers and their families in Scottsdale, Arizona. Son Liam starts his second year of Varsity Lacrosse for Torrey Pines High School in March.

Monica and family enjoyed watching younger son Cole, play freshman basketball for St. Augustine. Older son Alex is starting the college search and the family may be planning some college tours in the future. With spring just around the corner, Monica is busy with her gardening and Spring Cleaning.

Bob and Peg enjoyed visiting their sons and daughters-in-law in San Francisco in late February. Joined by Bob's sister, Lynne and her husband, John, the Eddy's celebrated significant birthdays for each of them. Ryan and Jessica Eddy spent two weeks in Thailand in November. In addition to adopting elephants for the day in Chang Mai, they travelled to Phuket for sightseeing and snorkeling. Sean and Alison Eddy will be traveling to India for two weeks in March. They plan to visit Dehli, Agra, Udaipur, Jaipur, Jodhpur and Jaisalmer to learn more about Indian culture and history.

"The three grand essentials for happiness are: Something to do, someone to love, and something to hope for."

- Alexander Chalmers, Scottish writer

"If you want to keep your memories, first you have to live them."

-Bob Dylan

Tax Tips and Planning Pointers

"This is the gift - to have the wonderful capacity to appreciate again and again, freshly and naively, the basic goods of life, with awe, pleasure, wonder, and even ecstasy."

- Abraham Maslow

"A friend is one of the nicest things you can have, and one of the best things you can be."

- Douglas Pagels

$ Mileage Rate Increase

The IRS's optional standard mileage rate for using your car for business will remain unchanged at 55.5 cents/mile this year. But the rate for using your car for medical or moving purposes is down to 23 cents/mile for this year, from 23.5 cents in the second half of 2011. The rate for using your car to help a charity remains unchanged at 14 cents a mile.

$ Taxable Income Thresholds and Deductions for 2012

Federal income bracket thresholds for 2012 have risen for each filing status. For a married couple filing a joint return, the taxable-income threshold separating the 15% bracket from the 25% bracket is $70,700 for this year, up from $69,000 for 2011, according to the Internal Revenue Service. The standard deduction is up slightly. For singles, the basic deduction amount for this year is $5,950, up from $5,800 last year. For married couples, it's $11,900 up from $11,600 in 2011. There are additional amounts for those who are 65 and over, blind or both. The amount of each personal and dependent exemption is $3,800 for 2012, up from $3,700 for 2011.

$ Investing Incentive for Children/Grandchildren

With summer vacation looming ahead, talk with your high school or college student about working even part time this summer. Offer to match their contribution to a Roth IRA ($5,000 is current limit) to incentivize them to save for their future. The next step is to allow the Roth participant to invest the funds after they do their own research on investing. This is a wonderful way to provide financial literacy "training wheels" if you allow the child/grandchild to make their own investment decisions, and maybe mistakes, with a minor amount of money.

$ Stop Telemarketing Calls

If you haven't done so already, register with the Federal Trade Commission's National Do-Not-Call Registry at www.donotcall.gov, or by phone at (888) 382-1222. Opting out via telephone is preferable; if you opt out online, you are required to provide an email address for verification, which will be kept and shared with other agencies for "regulatory, compliance, or law enforcement purposes."

$ Is It Time to Refinance?

Mortgage interest rates are still very low. If you have not already refinanced your personal residence, rentals, or commercial property mortgage, contact your current lender to obtain current loan options. Using a mortgage broker can also make this process much easier. (We have a short list of mortgage brokers who have worked successfully with our clients; please call our office if you would like a copy of this list.)

$ Is Your Grant Deed Titled Correctly Post Refinance?

If you refinanced your mortgage, it is important that your grant deed is titled in the name of your living trust. Prior to refinancing a mortgage on a property that is held in a trust name, the lender may require the borrower to change the ownership on the grant deed to an individual title, not a trust. After the new mortgage has been funded, it will be necessary to change the ownership of the property back to the trust. Sometimes the escrow company will provide this service. If not, your estate planning attorney may be able to assist with this.

$ Senior Scam Prevention

Scammers skulk where they can find money, thus senior citizens are frequently the target of a multitude of financial scams as they are the wealthiest consumer group. Our recent blog, Tips to Avoid Senior Scams (available on our website at http://www.myccmi.com/2012/02/tips-avoid-senior-scams/), includes reasons why seniors are targeted. It also increases awareness of commonly used scams, so you or a loved one can avoid being taken in by con artists, who will do what they can to separate you from your hard-earned money or assets.

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