ENDICOTT 607-754-7550
TOLL FREE 1-800-999-7550
FAX 607-754-7500

FULL SERVICE
INVESTMENT BROKERS
Members FINRA and SIPC

Cheevers, Hand and Angeline, LLC
Endicott Office: Square Deal Place, 111 Grant Ave, Suite 107, Endicott, NY 13760
www.chainvestment.com
Securities products offered through Excel Securities & Associates, Inc. • Member FINRA and SIPC

financial $UCCESS

SEPTEMBER 2011

Saving and Investing for College

When it comes to saving and investing for college for your children, there are really three different questions to answer:

- ✔ What asset classes should you invest in?
- ✔ What kind of account should you use?
- ✔ In whose name should the account be?

First Things First

The first step is to define your objective: how much are you going to need, when will you need it, and for how long? You can start by determining how much a college education is going to cost.

But no sooner than you estimate the total cost of a college education, you encounter a more difficult issue: of that total cost, how much can you reasonably be expected to pay out of your own pocket? That is going to depend on a number of variables that may be difficult to define, including:

- ✔ How much might your child receive in scholarships?
- ✔ What will your family income be?
- ✔ How much in savings will you and your child accumulate?
- ✔ How many other children will you be sending to college?

The closer you are to the date your student starts college, the easier these questions are to answer. Yet on the other hand, the sooner you begin planning, the better off you'll be when your child is ready to take that next step.

In part, how much you actually put away for your children's college educations will be a function of how much of what you earn you can afford to put aside.

In thinking about how much you might receive in need-based

Continued on page 2

Adjusting Your Retirement Portfolio

As you approach retirement age, it is often necessary to adjust your portfolio.

Assess your retirement financial needs. Keep in mind any health insurance expenses and medical expenses as you consider your projected budget. You will also want to consider mortgage payments and inheritances you would like to leave heirs. Additionally, determine how much you will receive from retirement income sources, such as Social Security, employer pension plans, and investments.

Determine appropriate portfolio adjustments. Once you have identified your retirement financial goals, you will need to take a look at your portfolio to develop an appropriate strategy for allocating your assets. Like any investment move, you should align portfolio changes with your individual level of risk preference and financial goals.

During retirement, you should review your portfolio regularly so you can make adjustments as needed. Life changes, such as an illness, the death of a spouse, or a move, can significantly affect the amount of money required to maintain your desired standard of living. ❍❍❍

Saving and Investing

Continued from page 1

aid, if you are already in a high tax bracket, it's safest to assume that you won't get much help. And the younger your child is, the safer it is to assume that he/she won't qualify for a scholarship.

Longer Time Frames Suggest Greater Risk Pays

If the child you're planning for is eight years or younger — meaning there's at least 10 years before he/she matriculates — stocks should definitely be part of your investment mix. Given that college costs have risen on average about 6% a year for the last 25 years, it makes sense to try to get at least that long-term compound rate of return. But that will probably only be possible if stocks make up a significant portion of your education portfolio mix.

As with any portfolio, as you get closer to the date you need to begin spending the funds, the more conservative you should become.

What Type of Account?

The basic choices are a taxable account and a tax-advantaged section 529 account. Section 529 accounts are funded with after-tax contributions but grow tax deferred, and all withdrawals for eligible education expenses are tax free. Unless you are investing in tax-free bonds, the tax advantages of a section 529 account are considerable.

There is always the risk that your child won't go to college or that not all of the assets in the section 529 account will be used. In that case, the beneficiary can be changed to another close relative.

All 50 states and the District of Columbia sponsor section 529 plans, and many of them offer different features, including types of investment options and expense ratios. It pays to shop around, because by law, you can invest in plans sponsored in other jurisdictions.

Another issue is whether to take advantage of some section 529 plans' option to prepay college expenses at locked-in prices. This requires caution, as the plans aren't backed by federal guarantees.

In Whose Name?

Before the advent of section 529 plans in 1996, parents and grandparents typically opened UGMA (Uniform Gifts to Minors) or UTMA (Uniform Transfers to Minors) accounts. Compared to section 529 accounts, these have several disadvantages: they are subject to income and capital gains taxes (although at the minor's rates), and the assets revert to the child's control once he/she reaches the age of majority. If funds remain at that time and the child hasn't completed college, there's no way to control how the child spends the funds.

Apart from that consideration, however, is another: since these kinds of accounts are held in the child's name, 20% of the assets will be considered available by financial aid officials for covering college expenses. In contrast, just 5.6% of nonretirement assets held in the name of a parent are considered available to pay for college.

Please call if you'd like help saving and investing for your child's college education. ❍❍❍

What's College Going to Cost?

According to the U.S. Census Bureau, in 1973, just 47% of those who earned a high school diploma went on to college. By 2007, the number had risen to 67%. And it's no wonder: over their lifetimes, people with bachelor's degrees earn nearly $1 million more than those with only a high school education (Source: The College Board, 2010).

But as college campus enrollments have risen, so has another number: the cost of a college education. In fact, over the past 25 years, the combination of tuition and fees for a year in college has risen an average of 6.1% a year. That's nearly twice as fast as the general rate of inflation (Source: Bureau of Labor Statistics, 2010).

According to the College Board, in 1987, tuition and fees for a year in the average private, four-year college totaled just over $7,000. In 2007, the number had ballooned to nearly $24,000 and jumped again in the current school year to $27,300. Throw in the cost of room and board, books, and personal expenses, and the fully loaded cost of a year at the average private university or college is now close to $40,000, and at "elite" schools, the price is as much as $53,000 or more.

Meanwhile, the cost of public higher education has risen faster: an average of 7% a year. Fully loaded, the average cost is around $19,000 a year for in-state students and $30,000 if your child attends a state university outside your state.

Educators note that because of the increased availability of student aid in the form of scholarships and need-based grants that don't have to be paid back, most families don't pay the advertised price for college. While aid does soften the blow for consumers, on average, it covers only about 35% of the expense of a year in college. ❍❍❍

FR2011-0325-0001

Taking the Plunge: When Should You Retire?

Most people know instinctively that deciding when to retire is one of the most important life decisions they'll ever make. What most people don't know, however, is how to actually make that decision.

The "traditional" retirement age is 65. But some people want to retire early, say, at age 55. Others look at how much they'll get from Social Security — benefits begin at age 62, but the longer you delay, the more it pays out. Then there's the matter of your retirement portfolio — with many retirement portfolios lower than they were a few years ago, many people are wondering if they might have to put off retiring far longer than they had expected.

The most important question to answer is: how many years can you afford the lifestyle you want in retirement? The worst thing that can happen is that you run out of money in retirement. To give you an idea of what's involved in making that decision, here's a summary of the main considerations:

What is your lifestyle going to cost in retirement? Is your house paid off? Are you going to travel and entertain frequently? Do you want to own two homes? What will the cost of living be in each of those places? What kind of uncovered medical expenses do you expect? Start by putting together an annual household budget.

What sources of income will you have? Will it be only Social Security, or will it include other regular payments, like from a pension, consulting or self-employment, rental income, royalties, and the like?

How much do you have accumulated, and what annual income can you generate from it? Sources of retirement savings often include IRAs, 401(k) plans, and taxable accounts.

Will your income cover your expenses? If so, you *might* be able to retire at the age you project. If the rate at which you withdraw money from your retirement portfolio is too high, however, you run the risk of depleting those resources before you die, which will likely result in uncomfortable adjustments to your lifestyle.

If you determine that your income won't cover your expenses, there are three solutions:

✔ Delay retiring while you add to your personal savings, and increase the amount you can collect from Social Security.

✔ Change the investment mix in your portfolio to potentially increase your rate of return.

✔ Aim for a less-expensive retirement lifestyle.

Please call if you'd like help with this decision. ❍❍❍

Deciding When to Sell

It's always difficult to determine the proper time to sell a stock. To help you decide when to sell, consider these signals:

✔ **The price of a stock with a large loss isn't moving.** Investors hate selling a stock with a loss, often wanting to hold on until they at least break even. However, just because the stock's price was much higher in the past doesn't mean it will hit that price anytime soon. You may want to sell and reinvest in another stock with better prospects.

✔ **The stock has hit your target sell price.** When you purchase a stock, set both high and low target sales prices. While you don't have to sell when the stock hits those prices, you should at least review it at that time. You might want to set rigid rules for selling a stock when it declines by a certain percentage of your purchase price, to ensure you don't incur substantial losses. Keep in mind that capital losses can be offset against capital gains and an excess of $3,000 can be deducted against ordinary income. Any remaining capital losses can be carried forward indefinitely.

✔ **Your stock's performance is lagging the market or its industry.** Compare your stock's performance to that of other stocks in the same industry and to the overall market. Keep in mind that your stock's performance will vary over time. Consider selling a stock that has lagged in performance for an extended period.

✔ **The stock's fundamentals have changed.** The world is constantly changing, and the market leaders of today may not be the market leaders of tomorrow. Thus, watch your stocks so you can spot when fundamentals are shifting.

✔ **The stock is subject to negative news stories.** You shouldn't sell a stock at the first sign of trouble. But if the news is continuing and involves significant events, it's time to reevaluate the stock.

✔ **The stock's price has run up too much, too quickly.** While this is a good thing, the price could have risen so significantly that you may not think it has the potential to increase much more in the future. At that point, you may want to sell and purchase another stock with better prospects.

If you have difficulty implementing your sell strategies, call for a second opinion. Often, discussing your thoughts with someone else causes you to consider other factors or helps ensure your reasons for selling are valid. ❍❍❍

It's Time to Review Your Estate Plan

Here are guidelines as to why and when you should take another look into how you can best pass your assets to your beneficiaries and charities of your choice.

Tax laws change — New federal laws reestablished estate taxation after a year of zero taxation, introduced new features that affect married couples, and changed the gift tax exemption limits. Without reviewing and redesigning your estate plan in view of these changes, it's almost certain that should you or your spouse die this year, there will be some unplanned consequences and missed opportunities.

Asset values change — Even more dramatic than the state of the U.S. tax code, asset values have undergone their most dizzying changes since World War II. Real estate prices are off as much as 50% to 60% from their peaks in 2006 (Source: *Realty Times*, 2011). Meanwhile, the Dow Jones Industrial Average and the Standard & Poor's 500 indexes have fluctuated significantly over the past few years, and individual stocks and bonds have been even more volatile. As a result, the total value of assets in estates and funded trusts may have shrunk or expanded significantly and may now be way out of tune with the new unified credit exemptions.

Life changes — Are you and your spouse earning the same amount of money and in the same health as you were the last time your estate plan was finalized? Are you still married to the same person? Do you still have the same number of children and heirs? Such changes happen as often as several times a year, and if you have a backlog of changes not yet reflected in your plan, there's no good reason to wait any longer.

Causes change — If charitable giving is part of your plan, there are several reasons it may need to be updated. The causes you want to support may have changed, new charities may have arisen that interest you, or the financial state of the charities you support may have become more dire or more flush.

Despite the fact that an estate plan deals with your passing, to be consistent with your wishes and concerns, the best guideline is to consider it a living document that needs periodic reassessment. Please call if you would like to discuss this in more detail. ❍❍❍

Pursuing Your Financial Goals

Set exciting goals. Putting money aside for a distant goal rather than spending that money now is a difficult thing to do. To make it easier, set exciting goals that will motivate you to pursue them.

Consult with a financial advisor. The number of decisions that must be made to help ensure you meet your financial goals can seem overwhelming. Even if you have a basic grasp of some financial areas, a financial advisor can help coordinate your entire plan.

Determine the financial issues that are causing you problems. Almost everyone has difficulty coming to grips with some aspect of their financial life. Whatever area is causing problems, resolve to make strides in overcoming it this year.

Spend less than you earn. To get a grip on your spending, take time to analyze your expenses and to set a budget. Try reducing expenditures or finding ways to spend less for the same things.

Save it before you see it. Set up an automatic savings program. Another good alternative is to sign up for your company's 401(k) plan, having funds withdrawn every paycheck. Try to save at least 10% of your gross income. ❍❍❍

Financial Thoughts

The percentage of workers age 55 or older increased to 40.2% in 2010, up from 29.4% in 1993. This increase was entirely due to higher labor participation rates for women, since the participation rate for men did not increase. Individuals with higher educational levels were more likely to remain in the work force. In 2009, 63.1% of individuals with a graduate or professional degree were working, compared with 22.4% of those with no school diploma (Source: Employee Benefit Research Institute, 2011).

In a recent survey, more than half (56%) reported less than $25,000 in savings and investments for retirement, not including the value of their homes and defined-benefit pension plans. While 20% of workers now expect to retire later than originally planned, 45% of retirees indicated that they were forced to stop working before they planned, typically for health reasons (Source: Employee Benefit Research Institute, 2011).

A recent survey of investors with assets of $1 million or more (excluding workplace retirement assets and real estate) revealed that 42% did not feel wealthy. Those who did not feel wealthy felt they would need $7.5 million to start feeling wealthy (Source: Fidelity Investments, 2011). ❍❍❍

FR2011-0325-0001