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Important Financial Dates

September 15

- 941 deposits due
- Federal 3rd qtr. estimated taxes due
- All Corporate extension must be filed

October 1

- Deadline to establish SIMPLE IRA retirement plans

October 15

- Personal, Partnership, Trust & 5500s tax returns on extension due

October 31

- 3rd qtr. payroll tax returns due

November 15

- 941 deposits due

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Attitude

On a beautiful Saturday in September I went sailing with a friend that had just retired after teaching most of her career. We discussed many topics but the low point was when we hit upon her Medicare premium. Normally it is deducted from Social Security, but as a teacher she gets a teacher's pension funded by the taxpayers of her state. The comment was made that some of these entitlements might have to be reduced, because each recipient was going to have to put some skin in the game. Her immediate reaction was that no one was going to reduce or change her entitlements. After the fiasco in Washington this summer I asked her who was going to pay for all these benefits. Her response was that she didn't know, but "that was their problem".

Well, their problem is ours...yours and mine.

Unfortunately, this attitude is not confined to government union retirees. It seems there are significant groups of the population with this attitude in the US and Europe.

Greece is in the news every day this summer threatening to default on its overspending debt. Italy and Spain are not far behind. Greece committed to a number of austerity programs to cut spending and pay down some debt. It was just announced last week that the Greece government spent more this year than last year. The Southern PIGS want the conservative Germans to pay for all their irresponsible spending and liberal benefits. They keep kicking the can down the road every month. Sooner or later, the Northern European countries are going to say enough is enough. Has anyone ever been successful in getting 17 cats to go in the same direction at the same time? With all the centuries of diverse cultures and wars, it will be impossible to get the necessary agreements. The EZ is doomed to fail. When it does, it will not be a pretty site. Many European banks will go under and have significant negative effects on the US banks, fed, IMF and US taxpayers. This is known as a financial tsunami. Sound familiar?

Close to home the President went out to dinner with his staff at a local restaurant last week. They ordered all kinds of gourmet food, fine wines and exotic drinks. When the bill came they did not have enough cash, so they automatically tried to put it on the US credit card. The charge was denied when the Tea Party shut off their overspending. Suddenly one of the President's staff came up with the idea to keep ordering (spending). If they kept ordering food they would not have to pay the bill.

Quest Financial Stats

- 150...**Average expense ratio (in basis points of actively managed mutual funds).
- 62...**Percentage of investors who, when asked what they would do with an unexpected \$25,000, said they would invest the money; just 14 percent would spend it.
- 53...**Percentage of more-affluent Americans (investable assets of at least \$200,000) who believe the help of a professional financial adviser is required when planning for retirement.
- 27...**Percentage of one-person households in the United State in 2010, up from 25 percent in 2000.
- 22...**Percentage of survey respondents under age 30 who use an online bank as their primary banking institution, compared to 11 percent of those 40 and older.
- 51...**Percentage of retirement plan participants who say that it's more likely scientists will clone dinosaurs in their lifetime than it is that Congress will save Social Security.
- 32...**Millions of uninsured people expected to gain health insurance coverage by 2019 because of the Affordable Care Act: 17 percent will be between the ages of 50 and 64.
- 42...**Percentage of Americans who say health care overhaul legislation passed in 2010 goes too far; most of those favor repealing it and passing a new health care bill in its place.
- 50...**Percentage of U.S. workers who said they paid off their credit cards in full each month in 2010, up from 42 percent in 2009. \$64,000...Median amount of inheritance projected to be received by baby boomers over their lifetimes.
- 702...**Number of FDIC-identified "problems" banks in 2009, a nearly 300 percent increase from 2008, and a 17-year high.
- 28...**Median age in 2010 for men in the United States to marry for the first time, up from 26 in 2000; median age for women was 26 in 2010, up from 25 in 2000.

Attitude cont.

Now let's look at the three states here with the biggest deficits, New York, California, and Illinois. What is their common denominator? They have the largest unfunded entitlements driven by union contracts that they cannot afford. Coincidentally these states have the highest percentage of union government workers (NY 26%, CA 19%, and IL 18%). By contrast, North Carolina, Wyoming and the Dakotas all have under 5% union government workers. One does not see or hear these states having deficit problems. Before you know it, you will hear that California wants Texas and New Hampshire to bail out their \$900K Selectmen and \$100K jail guards. How about Washington state and Alaska bail out New York 100K teachers and police. Does this sound like Greece and Germany? These states must take responsibility and stop promising entitlements they cannot afford to finance. Promises will have to be broken. After all, New Jersey Governor, Chris Christy just did it to repair New Jersey's health.

At the national level, 51% of US citizens do not pay any income taxes. Many of them are recipients of government handouts. The current administration wants to increase spending, block cuts to any entitlements and tax all the millionaires.

That is not the answer. We need to significantly cut spending (even entitlements), lower the tax rates and broaden the tax base. This would also include a consumption tax for all goods and services purchased. See Rx for Government Finances on www.questfsi.com.

This entitlement attitude is going to ruin us. For those of us baby boomers growing up in the 50s and 60s, we all remember Alfred E. Newman with MAD magazine. "What, me worry?" Yes, I am worried. Generation X and Y taxpayers should be scared to death.

Adviser Influence on Consumer Financial Health...

Consumers who have spent some time with a financial professional save more, feel they have greater investment knowledge, consider their investment style less conservative, and express more confidence in a sunny retirement than those who have spent no time with an advisor. According to data from 14,000 users of ING's peer comparison web tool (www.INGCompareMe.com), those who have spent time with an adviser report saving two to three times the amount that people who have not used a planner save. They also believe they know more about investments than their peers.

Interestingly, people who spend time with an adviser most often label their investment style as moderate (60 percent), compared to 48 percent of those who have not visited with an adviser; the non-advised tend to consider

Adviser Influence on Consumer Financial Health... cont.

themselves more conservative. This may be reflected in the finding that investors who have spent time with advisers feel highly confident about experiencing a rosy retirement (62 percent), compared to 34 percent who have not worked with a financial professional.

Alimony Reform Act of 2011, Signed Into Law

Alimony will no longer be a life long responsibility for divorcees in Massachusetts. Massachusetts' Governor Deval Patrick signed the much anticipated Alimony Reform Act of 2011 into law on, September 26, 2011. This law has the ability to free many people from the once life long burden that was alimony in Massachusetts by establishing durational limits on the periodic term of alimony.

The Alimony Reform Act has the power to make the conclusion of alimony a more predictable factor in your divorce. This new Act emphasizes the duration of time the marriage lasted as being a deciding factor in the maximum alimony terms. It takes the ambiguity away from previous laws that defined marriages with general concepts like “short” or “long-term” and exchanges them with more direct time-specified restrictions. For example, for marriages lasting more than 20 years alimony will end at retirement age. The maximum alimony terms for marriages lasting less than 20 years are decided upon the following:

- 5 years or less - 50% of the number of months of marriage.
- More than 5 years to 10 years - 60% of the number of months of marriage.
- More than 10 years to 15 years - 70% of the number of months of marriage.
- More than 15 years to 20 years - 80% of the number of months of marriage.

The support toward these changes is undeniable; it garnered a unanimous vote from both the state house as well as the senate. Many believe the revisions are long overdue. The changes will be effective as of 90 days from enactment of the law and people who have had an alimony judgment prior to March 2012 can file for modifications as early as December of 2013.

To find out how these reforms will help you, please contact Attorney John P. Rauseo of Rauseo Law to provide answers to any of your questions during a free consultation. He may be reached at 781-245-3370 or john@rauseo.com or you may consult his website at www.rauseolaw.com.

Roth Recharacterization

Sometimes it may become apparent that you should “undo” a Roth IRA conversion — not because the conversion was a bad idea, but because the timing turned out to be less than ideal. Fortunately, you have the ability to recharacterize a Roth IRA conversion if you change your mind or if it would be more advantageous tax-wise to “undo” the conversion. The deadline for a recharacterization is October 15 of the year after the year in which the original conversion took place. For example, if you converted in 2010, you would have until October 15, 2011, to recharacterize.

The steps involved are to notify the custodians of both IRAs in writing so the funds can be moved (as in a trustee-to-trustee transfer), to complete the recharacterization before the October 15 deadline, and to amend your previous year's tax return, if needed. Then the taxes paid on the original conversion can be returned to you.

Roth Recharacterization cont.

You can change your mind again if you want to reconvert some or all of the recharacterized funds back to a Roth IRA at a later time. You must wait at least 30 days after the recharacterization date or until the calendar year following the initial Roth conversion, whichever is longer.

Recharacterizations and reconversions can easily become complicated, so it's wise to work with your tax professional to help ensure that these transactions are performed correctly.

So You Want to Retire to Nevada?...

Nevada, Michigan, and Alaska are the three worst states to retire to according to a ranking by MoneyRates.com, an online information source for bank rates and personal finance. The site ranked all 50 states according to economic factors - including cost of living, unemployment, and tax rates - crime rate, life expectancy, and average climate from various data sources.

Nevada ranked the worst thanks to its high cost of living (105 percent of the national average) and unemployment rate (14.3 percent). And although the climate is ideal and the tax rate is low, the other economic factors, along with having the third highest violent crime rate in the country, make Nevada the worst choice for retirement living.

Based on the same criteria, MoneyRates.com find that New Hampshire, Hawaii, and South Dakota are the best states to retire to. Check out the complete rankings at www.money-rates.com/blog

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