

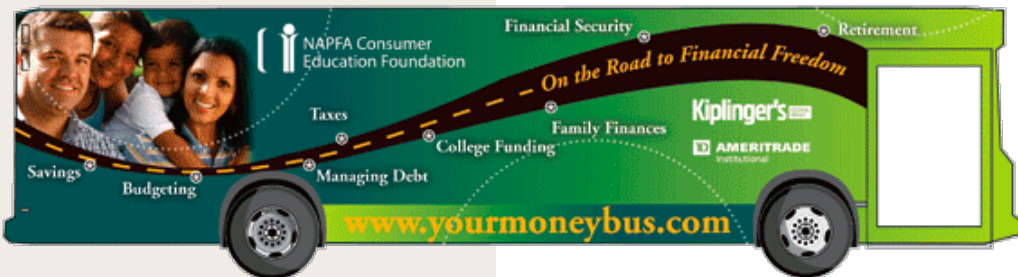


NAPFA

Planning Perspectives



Unique Program Takes Financial Education on the Road this Fall



In each city, NAPFA's bus will roll into town and be joined by local NAPFA members who will talk about saving for the future and will provide short one-on-one consultations.

NAPFA Your Money Bus Tour Fall Schedule 2008

- Jersey City
Sept. 29
- Washington DC
Oct. 1-2
- Baltimore
Oct. 3
- Philadelphia
Oct. 6-7
- New York City
Oct. 14-15
- Hartford, CT
Oct. 17
- Providence RI
Oct. 22
- Manchester, NH
Oct. 28
- Portland, ME
Oct. 30
- Burlington, VT
Nov. 7
- Hershey, PA
Nov. 10-12
- Richmond, VA
Nov. 20
- Charlotte, NC
Nov. 21
- Atlanta
Nov. 24

"It's a chance for people to meet with an advisor and start to get an understanding of where they stand financially, and what they might need. It's not a substitute for a full financial plan, but it's a start," said Macke.

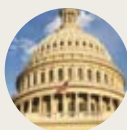
Consumers around the nation can follow the Your Money Bus Tour by logging in to a special Website, www.yourmoneybus.com. It will regularly be updated with blogs and video blogs from advisors along the route.

The Bus Tour will resume in St. Petersburg, FL, in January 2009, and it will be extended to other parts of the nation later in the year.

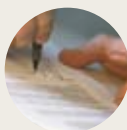
Financial issues are becoming more complex at the same time that traditional safety nets like pensions are becoming rare. That's why NAPFA is bringing savings strategies and financial education to tens of thousands of people this fall in the first leg of the national **Your Money Bus Tour**.

The Your Money Bus Tour will begin on Sept. 29 in Jersey City, and it will travel to a total of 14 cities in the Northeast and Mid-Atlantic, before ending on Nov. 24 in Atlanta. (See schedule on this page, or go to www.yourmoneybus.com for more information.) Investment broker TD Ameritrade and magazine publisher *Kiplinger's* are collaborators on the tour.

"We want to create something in the area of financial education and literacy that can have a real impact on people's lives," said Todd Macke, a NAPFA-Registered Financial Advisor and a member of the NAPFA Consumer Education Foundation, which is sponsoring the tour. "At a time when millions of Americans are struggling with rising energy prices, falling home values, higher interest rates, and tough times for employers, we believe that the need for accurate financial information is greater than ever."



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Taxes

Presidential Politics, the Stock Market, and Taxes: Does the Winner Really Make a Difference?

By Brent Brodeski and Thomas A Muldowney, www.savantcapital.com

U.S. presidential candidates Barack Obama and John McCain will be debating many issues in the coming months, from the environment to the economy. Investors are, understandably, wondering what a new administration means for the stock market and their investments.

A common misconception is that the stock market performs better under a Republican president. The Republicans' more pro-business and deregulatory policies are often thought to help stock returns, compared to the Democrats' willingness to regulate and tax more heavily.

Historically, there is no evidence to support this theory. In fact, stocks have performed better when a Democrat lived in the White House. Since 1948, the S&P 500 Index gained 15.8% with a Democratic president, compared to 11.2% under Republican leadership. (The counterargument here is that the Democrats only appear to be ahead—actually, they are benefiting on a delayed basis from the preceding Republican president's pro-business policies.)

A major challenge with predicting how the market might react to a candidate is giving too much credit to any president's ability to make a real difference in the economy. For instance, Bill Clinton took office in 1992, just as a recession ended and a bull market began. On the other hand, George W. Bush's 2000 term just happened to coincide with the bursting of the tech bubble; now he faces a worldwide surge in oil prices. Presidents certainly react to current economic

conditions, but that doesn't mean that they can actually control them.

Of course, politicians can affect your pocketbook through their tax policies, so it does make sense to learn the differences between the two current candidates. The table gives a summary of key policies that the candidates have proposed during their campaigns. In general, McCain is more in favor of keeping taxes where they are, while Obama is in favor of raising taxes for people in the higher tax brackets.

Summary of Presidential Candidates' Tax Proposals

	McCain	Obama
Income Taxes	Extend President Bush's income tax cuts and make them permanent, which would mean no change from today's tax rates.	Raise highest ordinary income tax rates back to 36% and 39.6% for families with incomes greater than \$250,000. Keep lower rates for low- and middle-income families.
Taxes on Capital Gains	Hold capital gains tax rates steady at 15%.	Raise capital gains tax rates to 20% or more for families with incomes greater than \$250,000.
Taxes on Dividends	Hold qualified dividend tax rates steady at 15%.	Raise tax rates on qualified dividends to the same rates as ordinary income.
Estate Tax	Raise estate tax exclusion to \$5 million from the current \$2 million and cut the tax rate to 15% from the current 45%.	Raise the estate tax exclusion to \$3.5 million from the current \$2 million and leave the tax rate at 45%.
Social Security Taxes	Opposes raising the Social Security tax rate.	Raise Social Security taxes for upper-income families.
Changes to Tax Deductions and Credits	Eliminate the deduction for employer-provided health insurance and replace it with a \$5,000 per family credit for health insurance premiums.	New tax credits for students and homeowners who do not itemize.



Retirement Planning

Tough Retirement Years Ahead for Americans

By Tom Adams, www.mentoradvisors.com

Many Americans are heading for delayed and/or difficult retirements, and they may not be able to maintain their current standard of living. A poll conducted in 2006 by Harris Interactive for the American Institute of CPAs found that there is a significant gap between reality and what members of the public think regarding their chances of achieving their retirement goals.

Almost half of the poll's respondents, 46 percent, expect to fund their retirement through Social Security and pensions, and an equal number expect that their retirement funds will last for 10 to 20 years. The fact is, people are living longer these days, and they should plan on living for perhaps 30 years after they retire. In addition, Social Security was intended to be nothing more than a supplement to retirees' income, not their main source of income. On top of that, more and more companies are eliminating or reducing guaranteed benefits such as pensions.

Americans are also underestimating how much they will need to fund their retirement years. Thirty-nine percent of respondents to the AICPA survey believe that as little as \$500,000 will be sufficient. However, a person trying to make this amount last for 30 years could not withdraw more than \$20,000 per year without increasing the risk of outliving his or her savings.

In short, people need to save far more than they anticipate, assuming that these trends continue:

- Life spans are getting longer and longer.
- Health care costs are increasing faster than the rate of inflation (or growth in medical benefits).

- Companies are eliminating or curtailing retiree health care benefits.

- Medicare and Social Security funds might have to be reduced, due to budget shortfalls in these programs.

The AICPA survey was conducted well before the housing crisis reared its head, oil prices tripled, and the stock market lost more than 20 percent of its value (reaching the official point of a bear market). It could be that these factors have made people more aware of the precariousness of their retirement strategies. Or it could be that these factors have made the situation even worse, without improving anyone's understanding of it.

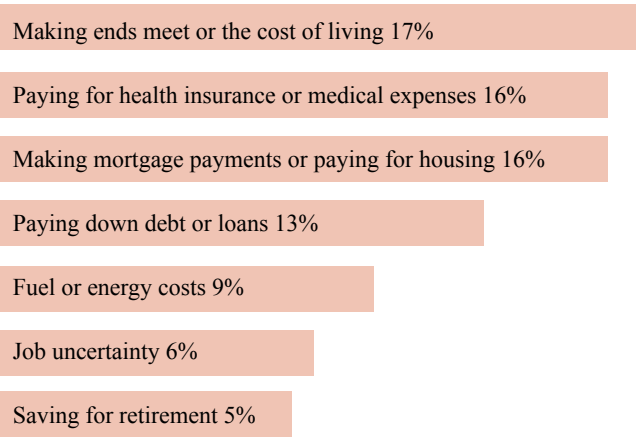
The bottom line is that many Americans are in denial about their chances of achieving their retirement goals, and they should take a serious look at how on track they are to retire when they'd like to do

so. It's better to start "bridging the gap" now, because waiting any longer will only make the problem more difficult.

Americans Not Focusing on the Future

The latest "Retirement Confidence Survey[®]" from the Employee Benefits Research Institute found that Americans are realizing that they are not saving enough money for retirement. "American workers' confidence in being able to afford a comfortable retirement decreased over the past year by a rate unmatched in the 18 years of the Retirement Confidence Survey[®]," said EBRI when the survey was released in August.

Unfortunately, Americans are not prepared to do anything about it. When the same survey asked what they considered their most important financial concern, working Americans didn't say retirement. They said:





Finances

Five Financial Tips for Recent College Grads

By Megan M. Brozowski, CFP®, and David Bugen, www.regentatlantic.com

In the hazy days of August, many people are enjoying a vacation at the beach, mountains, or lake. One group, however, is about to embark on the journey of a lifetime. Recent college graduates around the country will be starting their first jobs in the real world while the rest of us enjoy what's left of summer.

Here are five financial realities that every recent graduate should be aware of when entering the work force:

- 1. Understand Your Paycheck** – When you receive your first paycheck, understand the difference between the gross and net income amounts. Look at the various line items on your pay stub and understand what is being taken out for income taxes, Social Security, and insurance (if available).
- 2. Build a Budget** – After that net income figure hits your checking account, study how that money is spent. You'll need to figure out how much "disposable income" you have left over after paying your fixed expenses like rent, utilities, car payments, education debt service, etc. You'll also need to monitor your spending monthly and make sure that you are staying within your budget.
- 3. Understand Your Health Care Options** Review your company's health benefits and understand how much you are responsible for paying, and what the company's plan covers. Understanding your deductibles and co-payments can translate into big savings every year.
- 4. Pay Yourself First** – Review the company's retirement plans and make sure you enroll as soon as possible. Many companies require that you wait six to twelve months. If the company has a 401(k) plan, always contribute at least the amount the company will match, which is usually 1% - 3% of your pay. Otherwise, you're passing up free money.
- 5. Start to Build a Credit History** – Start to establish a good credit history on your educational loans and credit cards in order to receive more favorable rates when you apply for a car loan or a mortgage. Make sure to review your credit card statements monthly and to order a complete credit report annually (it's free) to monitor for identity theft or unauthorized charges.

Ten Best Cities for Recent College Graduates



Source: Forbes



Finances

Get Online and Improve Your Finances

By Gene Balliett, www.ballietts.com

Web-based services are transforming almost every industry in the world, and certainly financial services falls into that category. Here are some ideas about how you can improve your financial security and convenience by using common online tools and services.

Automatic investment. If you are receiving a direct deposit of a paycheck and/or Social Security, you should consider making a monthly fixed-sum investment automatically to your no-load mutual funds. Done right, you can jump-start a beautiful combination—dollar-cost averaging and consistent gains, with automatic reinvestment of distributions at a reduced price.

Save for retirement. Scottrade.com touts no-fee IRAs without annual, set-up, or termination fees. Others offering online IRAs include Fidelity.com, Schwab.com, TDAmeritrade.com, TRowePrice.com, and Vanguard.com. Also, ADP401k.com specializes in establishing retirement plans for small businesses. See NAFEP.com for a self-directed 401(k), if you are eligible.

Automatic bill-paying. This has been around for a while, but it continues to get easier. Both Microsoft Money and Intuit's Quicken offer online bill-paying services, as do increasing numbers of banks. Money Premium includes two years of free service through MSN Bill Pay. Other bill-paying services include AOL Bill Manager Plus, Bill Pay, Paytrust, Status Factory, and Yahoo!.

Credit reports. With a few keystrokes, you can get your credit report. AnnualCreditReport.com lets you request a free credit-file disclosure once every 12 months from each of the three nationwide consumer credit reporting companies, Equifax, Experian, and TransUnion.

Electronic Wallet. An “electronic wallet” is a term for services such as PayPal, which let you make payments to virtually anyone, and to accept payments from people around the world. Similar services are available through BillMeLater.com, Checkout.com, Google.com, and Neteller.com. Once you establish an account, funds can be electronically withdrawn from your account to pay for anything from taxes on your townhouse to flowers for your grandma. A safer course, though, is to link your account to a credit card, thus obtaining greater security and recourse if a transaction doesn't work out.

Personal finance information. A great starting point is the SmartMoney.com “Personal Finance” section. Its “Deal of the Day” will point you to savings on everything from seasonal shrubbery to private-charter jet travel. Also, check Fool.com, Kiplinger.com, Money.CNN.com, and NAPFA.org.

Software. Visit Quicken.com for a description of the latest affordable personal financial management programs from Intuit. Those include software that will coordinate all of your online accounts—banking, credit card, loan, 401(k), and investments. You can also automate your monthly spending plan, schedule online bill paying, identify tax-deductible purchases, and store important financial documents (bank statements, checks, and receipts) for easy reference online.

Find a loan. Whether you want a personal loan, a home mortgage, a home equity line of credit, or an auto loan, a good place to find the best deal is BankRate.com. Through it, more than 200 lenders will compete for your loan. For government business, agriculture, education, or disaster-relief loans, go to GovLoans.gov. If your spoiled grandchild, the jaded computer whiz, needs a few extra bucks until payday, suggest PersonalCashAdvance.com.



Estate Planning

When and How to Give Major Financial Gifts to Children

By Gary Pittsford, CFP®, www.castle3.com

For those of you who have substantial assets, gifting some of those assets to your children or grandchildren may be something to seriously consider. Before making a gift, here are some questions you should review with your advisors:

- Will my retirement income be secure if I give assets to my children?
- Can I gift the ownership of some assets to my children, but still maintain control?
- How are values of assets determined for making gifts to my family members?
- If I gift assets to my children, what happens if one of them dies, divorces, becomes disabled, or has a personal bankruptcy?

These questions and more should be discussed before you begin a gifting program with the next generation. Under current IRS Code rules, the federal estate tax exemption for 2008 is \$2 million for each person, and the federal gift tax exemption is \$1 million for each person. When you are working with your advisors and planning the transition of your assets, the first thing you do is to use these two tax exemptions to shift assets to your family members with the least amount of total taxes.

How Do I Keep Control?

Parents who own small businesses often consider gifting a minority ownership percentage of the business to children. This can be a very smart planning move because it removes all future appreciation from the parents' personal net worth.

Yet, these business owners do not want the next generation to have total control over making

business decisions for those assets. The solution is to give to children a certificate that says they own 10% or 20% of a limited liability company or a family limited partnership, but they do not have voting control over making business decisions, and they do not have control over payment of distributions.

What Assets Should I Give?

Often, financial advisors will recommend that a family limited partnership or a limited liability company be created, and parents put assets into that new company. Once the new company is funded, then the shares of that company can be valued by an appraiser, and a gift can be made. It's a fairly simple process.

Limited liability companies and the family limited partnerships are the most popular models for this strategy, though it can be done with an S-Corporation or C-Corporation, too. In addition to gifting a minority ownership percentage to family members, tax attorneys can also "freeze" the units of ownership that the parents retain. This also helps transition future growth to the next generation because all of the value of the growth goes to the younger generation and does not get counted as a future gift.

How Should I Structure the Income?

If your assets and income are such that you do not need the funds, you could consider making the gift soon. On the other hand, if you have assets to give, but yet you are not as sure about your future needs, you can design the gift so that you receive some or most of the income for a period of time.