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Golden Strategies®

A Practical Financial Guide to Your Retirement



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Managing Wealth in Retirement

According to a 2005 study, more than half of new retirees experienced a significant growth of their total wealth between 1992 and 2002.¹

But how much money is enough? Considering that your retirement could easily last three decades or more, it's important to be prepared for the long haul.

Calculate the Cost

The first step is to make realistic assumptions about the cost of retirement. Half of today's workers believe they will be able to survive on 70 percent or less of their pre-retirement income. But more than half of today's retirees say they need 95 percent or more of their previous salary.²

The discrepancy might be due in part to higher-than-expected health-care expenses, which are difficult to predict with any certainty. For the past several years, health-care costs have far outpaced general inflation.

It's critical for retirees to take inflation into account. As the accompanying chart shows,

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Keeping Pace with Inflation?

Because the cost of living rises, you might need more cash toward the end of retirement to maintain your lifestyle. In this example of a \$2 million portfolio (earning a 6% rate of return), withdrawals beginning at \$102,000 and adjusted 3% per year for inflation could grow to about \$247,000 after 30 years (depleting the portfolio).



This hypothetical example is used for illustrative purposes only and does not represent any specific investment. It does not consider investment fees and expenses or the effect of taxes on distributions. It assumes a 3% inflation rate and a 6% rate of return. Rates of return will vary over time, especially for long-term investments. Actual results will vary.

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Going Up?

Although rising interest rates may be a sign of economic improvement, they can be bad news for bondholders. With recent rate hikes fresh in their minds, many investors are looking for ways to manage risk in the fixed-income portion of their portfolios.

A bond ladder is one solution that can help protect investors from changing interest rates. For example, bond values typically fall when interest rates rise, because bonds purchased yesterday become less attractive to buyers in light of higher yields. If you were to buy a single long-term bond during a period of low interest rates, you might be stuck with the low rate for the length of the term. Or if you decided to sell the bond early, you might be forced to take a loss.

Building a Bond Ladder

When you set up a bond ladder, you purchase a number of bonds with varying maturity dates. For example, you might invest \$25,000 in five \$5,000 bonds that mature in two, four, six, eight, and ten years. When the first bond expires, you could use the money to purchase another ten-year bond to keep the ladder going. If interest rates rise after you set up the ladder, a portion of your investment would become available within two years for reinvestment at the higher rate. If interest rates fall, the majority of your investment would continue to earn yesterday's higher rates; only \$5,000 would have to be reinvested at a lower yield.

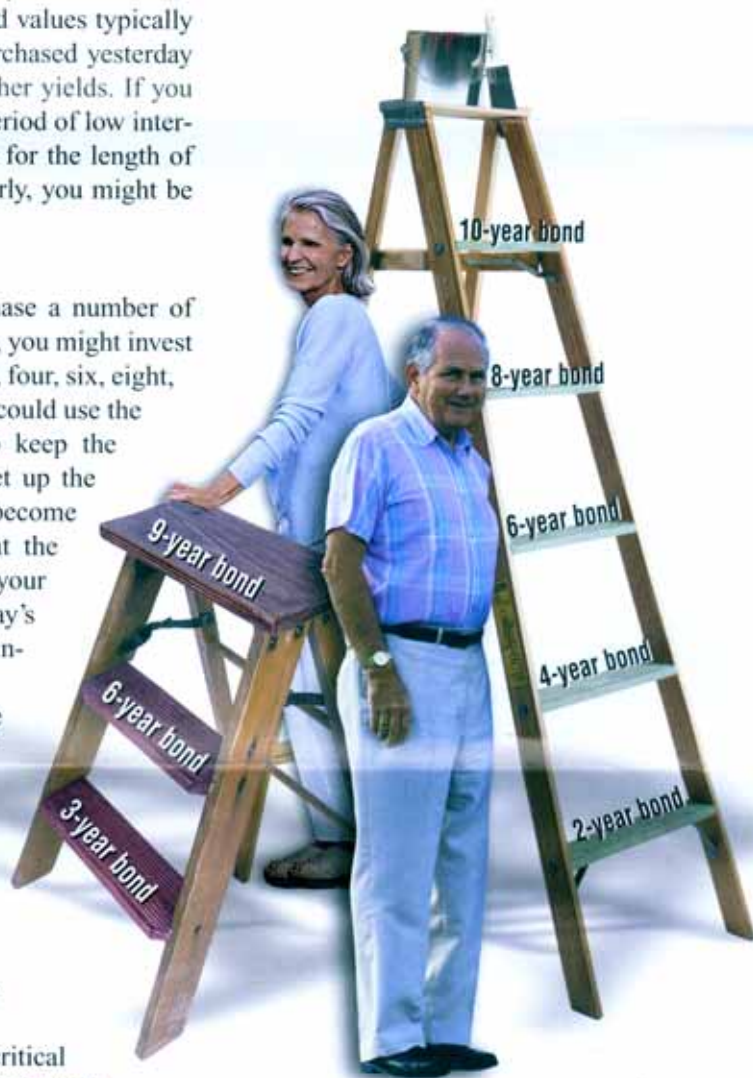
The principal value of bonds will fluctuate with changes in market conditions. If sold prior to maturity, bonds may be worth more or less than their original cost.

Not only does laddering help you manage interest-rate risk, it can offer added liquidity to your bond holdings. By investing in a ladder as opposed to a single long-term bond, you may have access to a portion of your investment on a regular basis.

Despite interest-rate risk, bonds can play a critical role in almost any portfolio. If you are concerned about the consequences of interest-rate fluctuations, setting up a ladder could be a wise move.

Made to Order

Bond ladders can vary to accommodate your investment objectives.



Preserve Assets in an Inherited IRA

Mismanaging an inherited IRA could result in one of the toughest income tax penalties in the tax code. By failing to withdraw the required minimum amount, you could face a 50 percent federal income tax penalty.

The tax code provides strict guidelines for taking distributions from inherited IRAs. The regulations differ based on whether the IRA was bequeathed by a spouse or another person.

At the Source

How affluent individuals obtained their wealth



Maintaining Tax Deferral

To maintain the tax-deferred status of an inherited IRA, you must take the required minimum distributions, as defined by the IRS. Generally, the required withdrawal will be taxed as ordinary income. However, these withdrawals will not be subject to early-withdrawal penalties, which normally apply if a distribution is taken prior to reaching age 59½. You can also withdraw more than the required minimum distribution amount without incurring penalties.

The Widow Rule

Widows and widowers can roll an IRA inherited from a spouse into their own IRA. However, this rule does not apply if you inherit an IRA from another individual. In fact, if you mistakenly deposit inherited IRA funds into your own account, you could trigger immediate taxes and an excess contribution penalty.

So, what should you do if you inherit an IRA from someone other than your spouse? Under certain circumstances, you may be able to stretch out required withdrawals over your lifetime, rather than take them within the required five years. This would allow you to postpone taxes, increase the time that earnings accumulate tax deferred, and possibly grow your inheritance. Before you take any specific action, be sure to consult with your tax professional.

Careful attention and adherence to tax rules can help protect assets you inherit. Call to learn more about retirement assets and other ways to preserve your money.

Managing Wealth

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inflation can significantly affect the amount of money retirees need to withdraw each year in order to maintain their standard of living.

Take Control

Once you have an idea of what retirement costs, you can determine where you stand in terms of savings and how much you can feasibly withdraw each month. This is a complex task that requires careful consideration of a number of variables, including expected earnings and inflation.

Estimating how much you can spend each month will give you added control over the depletion of your savings. If you suffer losses or gains to your portfolio, your withdrawals can be adjusted accordingly.

After examining your savings and future expenses, you might find that your portfolio needs some modification — either to better safeguard what you have or to help bolster your savings to meet oncoming needs. Allocating assets appropriately for your financial situation in retirement can help you preserve your purchasing power and manage the ups and downs of the financial markets.

Everyone has sunny visions of what retirement should be. Careful preparation can help increase your chances of living out those visions.

1) Employee Benefit Research Institute, 2005
2) 2006 Retirement Confidence Survey, Employee Benefit Research Institute





FINANCIAL FUNDAMENTALS

A Quick Study of College Funding Options

They grow so fast, don't they? College costs, that is. For the 2005-06 school year, tuition costs at four-year public universities were up an average of 7.1 percent over the prior year.¹

If you have a child or grandchild with college aspirations, there are a number of tax-advantaged options available to help fund his or her higher education.

Coverdell Education Savings Accounts. The tax-favored ESA is a popular alternative for college savings. Up to \$2,000 can be contributed per child every year. Funds accumulate tax deferred and are free of federal tax if used for qualified education expenses. ESAs also offer investment flexibility, allowing you to choose your investments.

Section 529 plans. Section 529 plans are state-sponsored plans that allow tax-free withdrawals for approved education-related expenses (tuition, fees, room and board, and supplies). Contributions are made after tax, but any earnings grow tax deferred. Contribution limits are also higher than ESAs.

As with other investments, there are generally fees and expenses associated with participation in an ESA or a 529 savings plan. In addition, there are no guarantees regarding the performance of the underlying investments.

The More You Know...

College itself is an investment that, on average, enjoys a healthy return in median annual income.



Source: The College Board, 2006

The tax implications of a 529 savings plan should be discussed with your legal and/or tax advisors because they can vary significantly from state to state. Also note that most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. The tax-free qualified withdrawal provision of these plans is scheduled to expire after December 31, 2010, unless new legislation is enacted by Congress.

As college costs continue to climb, these tax-advantaged investment vehicles may help you send your child or grandchild to school. Call today for college funding information.

1) The College Board, 2005

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Are you concerned about having enough income in retirement? We can help address your concerns about a fulfilling and comfortable retirement.

For help with your financial decisions,