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Financial Ink®

YOUR MONEY MANAGEMENT NEWSLETTER

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*Snap*SHOTS

HEALTHY CONCERN

A 65-year-old couple retiring in 2008 without employer-sponsored medical benefits will need $225,000 to cover medical expenses in retirement — $62,000 more than was needed in 2002.

Source: *InvestmentNews*, March 17, 2008

Up FRONT

60% of American couples argue over money at least once a month.

Source: *Journal of Financial Planning*, June 2008

Quick HITS

Almost 40% of workers who participated in a workplace retirement plan rolled some or all of the funds into an IRA after leaving their jobs.[1]

Credit-card debt is the number-one taboo topic among Americans, with 82% of U.S. adults reluctant to talk about it.[2]

By 2050, the United States is projected to represent 10% of world GDP, down from 21% in 2005.[3]

It's estimated that 17 million taxpayers could be subject to the alternative minimum tax by 2010.[4]

Nearly half of retirees (48%) indicated that feeling truly needed for an assignment would have been very effective in encouraging them to delay retirement.[5]

Sources:
1) 2008 Retirement Confidence Survey, Employee Benefit Research Institute
2) Netscape, 2008
3) *Money*, August 2008
4) MSNMoney.com, 2008
5) 2008 Recent Retirees Survey, Employee Benefit Research Institute

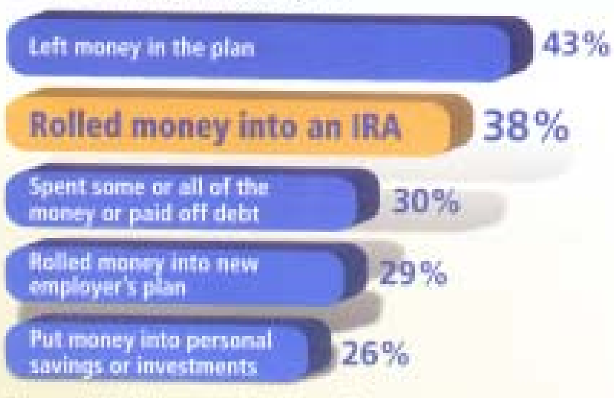
WORKING WITH YOU TO HELP ASSURE YOUR FINANCIAL SECURITY

A Simple
CONVERSION

Thanks to the Pension Protection Act of 2006, investors can now convert funds in their 401(k) plans and other employer-sponsored retirement plans directly to a Roth IRA. Before the provision went into effect in 2008, investors first had to roll funds to a traditional IRA before converting to a Roth.

Rollin' into Retirement

In a 2008 retirement survey, 46% of workers reported that they had participated in a workplace retirement plan. Of these workers, 38% rolled some or all of the money into an IRA when they changed jobs.



Source: 2008 Retirement Confidence Survey, Employee Benefit Research Institute

With a new streamlined process that allows for fewer possible transfer mistakes, now is a good time to consider whether a Roth IRA conversion would be appropriate for you.

Roth IRAs provide the opportunity to receive tax-free withdrawals in retirement. Also, unlike tax-deferred plans, there are no mandatory distributions from a Roth during your lifetime.

As attractive as a tax-free retirement income sounds, there are several factors to consider when determining whether to convert to a Roth.

DWINDLING DEDUCTIONS

If you expect to be in a higher tax bracket in retirement, or expect tax rates generally to be higher in the future, a Roth conversion could make sense. Your tax situation might look a lot different in retirement. You may have fewer deductions: little or no mortgage interest, no child dependents, and no tax-deductible retirement plan contributions.

TAX TIME: TODAY

When you convert funds to a Roth, you must pay ordinary income tax on the funds converted in the tax year of the transfer.* The amount is included in your gross income when you calculate your taxes. If you use some of the tax-deferred funds to pay the taxes incurred due to the conversion, there is a risk of triggering a 10% federal income tax penalty for early distributions before age 59½.

UNLIMITED MEANS

In 2008 and 2009, taxpayers (filing a joint or a single return) with modified adjusted gross incomes of $100,000 or less are eligible for a Roth conversion. In 2010, this income limit will be repealed.

To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½ or as a result of death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum).

It has never been easier to convert all or part of your employer-sponsored plan assets to a Roth IRA. Call today to determine whether you would benefit from a Roth IRA conversion.

*For conversions completed in 2010, the income taxes can be deferred until 2011 and 2012, with 50% of the tax bill due each year.

Investors **Without Borders**

Although the U.S. economy is the largest and one of the most stable in the world, it's projected that the U.S. share of the global economy will shrink in the future (see chart). As foreign markets step up to take their places on the international stage, investors content to stay at home may miss out on some opportunities. In 14 of the past 30 years, foreign stocks outperformed domestic stocks, bonds, and cash equivalents.[1] Of course, past performance is no guarantee of future results.

If you want to spread your portfolio outside national boundaries, international mutual funds are one idea to consider. By investing in companies outside the United States, international mutual funds offer a way for you to diversify not only across industry sectors and securities but across countries as well.

Yet juxtaposed to the opportunities afforded by international investing, there are risks associated with investing on a worldwide basis.

CURRENCY CONCERNS

Fluctuations in the exchange rate between foreign currencies and the dollar add an extra layer of risk, as well as possible upside potential. A weak dollar may make shares denominated in a foreign currency more expensive; but when you sell the shares, a weak dollar could strengthen your return.

STABILITY STRESS

When you move money into foreign markets, it is important to consider a variety of factors, such as how foreign markets are valued compared with U.S. investments and how the financial and political climate of the region can affect your investments. Civil unrest, elections, terrorist attacks, and even the threat of such events can be enough to affect stock prices.

Mutual fund shares fluctuate with market conditions and, when redeemed, may be worth more or less than their original cost. Diversification does not guarantee against loss; it is a method used to help manage investment risk.

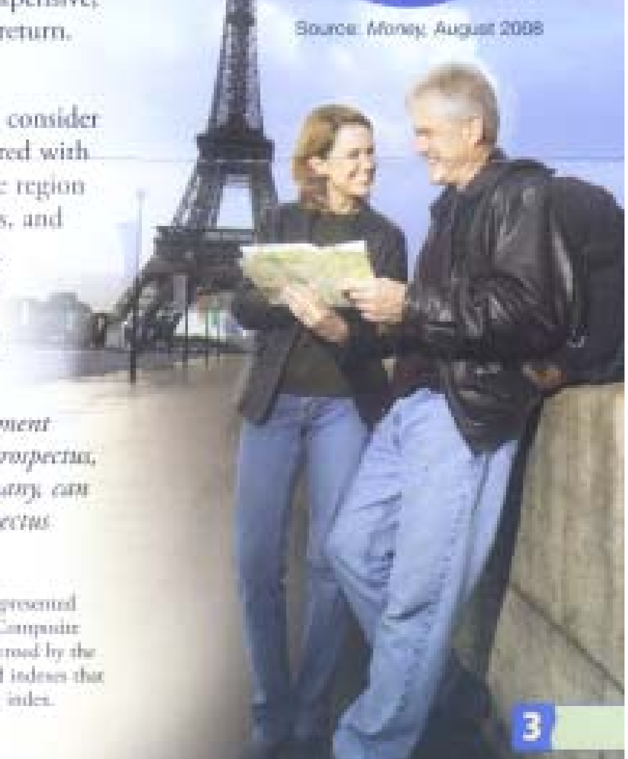
Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) Thomson Financial, 2008, for the period 1/1/1978 to 12/31/2007. Cash equivalents are represented by the T-Bill 3-Month Yield Index, bonds are represented by the Citigroup Corporate Bond Composite Index, stocks are represented by the S&P 500 Composite Index, and foreign stocks are represented by the Morgan Stanley Europe, Australasia, and Far East (MSCI EAFE) Index. These are unmanaged indexes that reflect the performance of these individual asset classes. Investors cannot invest directly in any index.

Foreign Affairs

Staying at home could limit your exposure to the global economy in the future.

Source: *Money*, August 2008



Understanding the **AMT**

By 2010, an estimated 17 million taxpayers could be subject to the alternative minimum tax (AMT), which was originally designed to ensure that wealthy individuals paid income taxes.[1] The AMT continues to loom over many middle-class families. Take this quiz to see how much you know about the AMT.

1. When the AMT went into effect in 1970, how many taxpayers were subject to the tax?[2]
   - a. 190
   - b. 1,900
   - c. 19,000
   - d. 190,000

2. What is the primary reason why the AMT affects more taxpayers every year?
   - a. Tax rates are lower than they were in 1970
   - b. The AMT is not indexed to inflation
   - c. In general, interest rates rise every year
   - d. All of the above

3. The AMT allows:
   - a. The standard deduction
   - b. Personal exemptions
   - c. All itemized deductions
   - d. None of the above

4. Which of the following items may trigger the AMT?
   - a. Mortgage interest on home-equity debt
   - b. Exercising (but not selling) incentive stock options
   - c. Foreign tax credits
   - d. All of the above

5. The AMT is imposed on individuals at a ___% rate on the first $175,000 of alternative minimum taxable income and at a ___% rate on taxable income in excess of $175,000.
   - a. 21/24
   - b. 26/28
   - c. 32/34
   - d. 40/45

Sources:
1) MSNMoney.com, 2008
2) SmartMoney.com, 2008

Answers:
1. c. 19,000
2. b. The AMT is not indexed to inflation
3. d. None of the above. The AMT does allow some itemized deductions.
4. d. All of the above.
5. b. 26/28. For married couples filing separately, the 28% bracket ends at $87,500.

Are you interested in the investment opportunities that could be available overseas? Call today to discuss diversifying your portfolio beyond these shores.