JSW Financial™

E-newsletter
February 2013

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Upcoming Events

- **NRV Agency on Aging Caregiver Conference and Resource Fair**
  - Saturday, March 16 from 8:00 a.m. – 3:30 p.m. at Edwards Hall, New River Community College, Dublin. Click here for more information.
- **19th Annual Client Appreciation Event**
  - Tuesday, March 19, 6:30 p.m. at the Blacksburg Country Club. Click here for more information.

Tax document mailing schedule

Turning the calendar to a new year also means turning our attention to preparing year-end tax returns. In years past, First Clearing, LLC has used an IRS-approved extension to mail 1099 forms to clients in February. This approach was used because of the increasing complexity of tax reporting and successful reduction of 1099 amendment rates. This year, First Clearing has once again applied for an extension from the IRS.

The mailing will be done in batches. If you have multiple accounts, you may have received 1099 forms as early as late January, but not receive 1099s for all accounts until mid to late February.

Please allow adequate time for mailing before contacting our office for missing 1099 forms. March 1 might be a good target date to check to see if you have received all your 1099 information.

Examples of some non-correlated investment strategies reporting on 1099s are Frontier (Aspen reports on K-1), KBS, and Behringer Harvard.

As you begin to gather your tax documents for your accountant, please keep the following in mind:

- You will not receive a 1099 for an IRA unless you received a distribution from the account.
- If you do receive an amended 1099, please make sure you provide your accountant with both the amended and original 1099. Capital gain / loss information, as well as cost basis, is only reported on the original 1099.
- Schedule K-1s (for partnerships and some mutual fund investments- examples: Oil & Gas, Triton Pacific, note programs, Aspen) are mailed by the General Partner, not First Clearing. The mailing deadline for Schedule K-1s is March 15.
- Our advisors strongly encourage all clients to talk with their CPAs about their situation and consider filing an extension.

Tax tips

1. *Consider filing an extension.* Due to the nature of many of your investments, reporting is delayed. Please work with your CPA and alert them to this issue. Planning ahead will take away the stress.

2. *Wait until March 20* to take information into your CPA. Allow your CPA to know that some of your tax information may still be outstanding. Ask your CPA what works best for them “estimates and extensions”, providing the data in stages or some other plan.

3. Check and make sure you have both “original”* and “amended” 1099s if applicable. **Original 1099 have the cost basis information*, *amended do not.*

4. *Look over all data* before taking it to your CPA. If you see that cost basis is missing, call our office immediately. It takes time to research your accounts. *Please do not wait and ask your CPA* to do this…CPA’s often notice the missing data at the last minute.

5. *Notify your CPA* that *requests* for missing data need to be into JSW&A *prior to March 31 to ensure a 3-4 day* response time. Requests in April may take up to 5 to 7 days.

6. *If you are traveling during this tax season:* Please call our office.

Long-term care realities

When we talk with our clients about long-term care and long-term care insurance (LTCi), we inquire about their experiences. Many people know one or more individuals who have needed long-term care. Most people who have experienced a long-term care situation have either had their loved ones cared for at home by a family member (or family members), or cared for in a nursing home or assisted living facility.

In many of these instances, the families didn't plan for the hardship that came along with the care responsibility, whether performing the actual care or the cost of it.

When the loved one was taken care of by family members at home, the stories tend to reveal that the responsibility of care was much more than the family members expected. Family members have to work with each other to make sure that no one is over-burdened by providing the care. As such, they share in the responsibilities of all the different times that care is needed. Often, they need to work in shifts, whether to care for the person at intervals throughout the day or all 24 hours of the day. Indeed, even though the family members want to care for the person, if this care is needed for a very long time, the family members soon, and understandably, become tired. This care can be quite challenging, as well as physically and emotionally taxing. Unfortunately, even though respite care is welcomed, it often simply isn't enough. While the care is one significant aspect of long-term care needs; the other major aspect to consider is the cost. If a family hasn't planned for this cost (whether using LTCi, their savings, etc.), there can be substantial care expense hardship also.

When families have planned for long-term care needs, the stories are different. Outside help is used sooner than later. Most individuals needing care want to remain in their home as long as possible. Instead of family members helping with moving, bathing, feeding, etc., a hired assistant can do the "heavy lifting" while the family members supervise and coordinate care. Individuals can often be cared for longer in their home because the support system is established, reliable and not exhausted. If nursing home care is eventually needed, the transition is easier on everyone involved. Many LTCi policies help with coordinating care as well, so family members can better understand all that encompasses their loved one's individual desires for care.

Long-term care can be a very expensive and complicated matter. Let us help you plan for your long-term care needs.

- Sara Bohn

Social Security - making the most of it

If you are getting to that age where the term "Social Security" has gone from you thinking, "That's for old people…" to thoughts of "I should probably learn a little more about it"-- this article is for you. The rest of you can save your precious time and get back to checking your Facebook page. 🙂

In thinking about Social Security, an old car slogan comes to mind: "This is not your father's Oldsmobile." When your parents took Social Security, they didn't have to think much about it. Social Security was as simple as (a.) turn 65 and (b.) start collecting. Over the past few decades, however, adjustments have been made which allow more flexibility (and complexity) such that now Social Security should be treated as an asset on par with your other investments. Simply put, the choices you make may mean a difference of hundreds of thousands of dollars over your lifetime.

The most important decision to make regarding your Social Security is when to start collecting benefits. If you're married, have been divorced, or are a widow(er), you have more options available to you. Nationally, 48% of women and 43% of men begin taking benefits as soon as they are able, at age 62. Some people do not have a choice financially, but for those that are still working or have other assets at their disposal; this usually isn't a good idea. Indeed, a simple break-even analysis finds that you only need to live to age 76 to have collected the same amount of total benefits had you waited until 66 to begin taking Social Security. This is because those who begin taking at 62 have their monthly benefit reduced by 25%. If you are in your 50s or early 60s and in reasonable health, your odds of living to at least age 85 are better than 50%. Waiting until 70, the maximum age you can begin benefits, can mean a much larger lifetime benefit as your monthly check will be over 60% more than if you began collecting at age 62.

If you're married, the decision on when each of you begin taking benefits could be even more important, as the odds that at least one of you will live to at least 85 are 75%. As previously mentioned, you also have more options at your disposal. One spouse could claim early while the other waits. One or both could also begin taking benefits based on the other's work history while still building up their own benefit and switching to their now higher benefit at a later date. The mechanism for doing this is a technique called *File and Suspend* that's just now starting to gain some awareness.

Unfortunately, it's impossible for me to cover every rule and scenario in a short article. If we haven't yet discussed your Social Security options and you would like to speak with us about an individualized strategy for your retirement, please let us know.

- **Mike Jones**

Joel's Corner: All is Not Bad with the US Economy

The US is well positioned in "The Infinite Loop" of the Global Economy.

The global marketplace is moving rapidly. Contrary to media pundits, growth and change are everywhere as the world's economic needs evolve and opportunities for the right companies emerge. Employers cannot find workers, today in the US, to fill "new jobs" resulting from this growth and change. Investors who recognize strategies centering on key issues such as *Raw Materials and Resources*, constant *Innovation and Transformation*, the effects of *Global Rebalancing* and *Great American Companies* could benefit from what is referred to as *The Infinite Loop* (Or basic Economics 101: Supply and Demand).

Global Rebalancing

Cash transactions are declining as mobile payments and credit card transactions increase. The share of dollars spent with cash or check has declined to 39% from 85% in the past 20 years, and 43% of all American adults say they've gone a week without paying cash. About a dozen firms, ranging from Square to PayPal to Google, have launched mobile payment platforms. Meanwhile, 50 to 66% of all U.S. currency is held outside the U.S. (Source: Fortune)

Raw Materials and Resources

Food prices have increased 35% since 2009, with soybeans, dairy, meat, sugar and cereal prices up 29-52%. Drought in the U.S. has had a big impact on rising prices, with heavy rain in India and Australia affecting other crops. But even absent weather-related events, many analysts see a global food crisis developing as 2 billion people join the world's population in the next 25 years. They fear it may add to the 866 million people around the world already suffering from hunger. (Source: Bloomberg Business Week)

Innovation and Transformation

One sign of societal transformation is a reduced reliance on agriculture as a source of overall economic power. Currently, many African countries are following the steps China began taking 30 to 40 years ago when it began the shift from an agrarian focus to an export-oriented focus and eventually to urbanization. In Africa, agriculture's share of gross domestic product (GDP) in Mozambique fell from 42% to 26% between 1995 and 2010. Similar to this, increased manufacturing, construction and services effectively reduced farming's share of Uganda's and Ethiopia's GDPs from 25% to 16%, and 49% to 41%, respectively. Angola, Nigeria and Chad also have reduced reliance on agriculture as they've increasingly tapped oil reserves for exports. Note that all this bodes well for the US agricultural industry, which in my opinion, will be a leading sector for investments for decades to come. (Source: Financial Times)

Great American Companies

The four areas of the Infinite Loop often intersect, and *Forbes*' recent list of the world's 50 Most Innovative companies offers a primary example. It also indicates that U.S. companies aren't getting left behind in terms of innovation. Actually, it's quite the opposite. The U.S. is home to 24 companies on the list, easily more than any other country, and six of the top 10 companies on the list are based in the U.S.

Concluding Footnote

The above comments reflect my optimism about the investment opportunities and of working with money managers that use investment strategies that are consistent with our visions of the future at JSW Financial. I personally have turned the corner in my thinking of looking for housing sales and prices to turn up and return to a level that will produce the jobs needed to bring the unemployed back to work.

My outlook and advice have changed. The housing market, in my opinion, will take five years or more to recover from the economic problems in Europe and Asia, the future of Freddie Mac and Fannie Mae, to the elimination of mortgage interest deduction in the tax code. In my opinion, job recovery will not be fast enough to keep many workers from being under-employed or unemployed for a long time.

Whether you are 30 or 70, you should invest from 6-18 months in gaining the skills needed for a job that will be waiting for you upon completion of your training. There are corporate and government programs available, but one has to make the effort to find them. I would not wait any longer for the government to “do something” or for your previous job to return at the same level of pay. That expectation is no longer viable…and if you have a job and skill set, you may want to be thinking about a second skill set…whether you make $50k or $500k.

Think: *The Infinite Loop!!*

Until next time,

Joel
