# Financial Partner

JSW™ Financial

A Quarterly Newsletter From JSW Financial

Fall 2011

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# In The News

## Cracking that nest egg


For more and more of us, retirement income will not be what our parents had. It used to be the conventional three-legged stool – Social Security, pension and some savings – could be counted on to help us get through our golden years. For an increasing number of us, our stools are missing the pension leg.

Several years ago we thought it was no big deal. Our retirement plans at work were growing nicely with the stock market while the value of our houses kept going up. Over the past 10 years, however, that plan has had to be adjusted -- again.

It's time to look at retirement not as a destination but just the beginning of another journey. For many of us, "retirement" will last almost as long as our conventional working years. If we don't have a pension as the third leg, we'll either need to rely more on the other two legs (a balancing act for sure!) or get creative and find something to replace that portion.

The good news is that there are more ways than ever to "crack the nest egg" so that it can better provide the income needed in retirement. The bad news is that, for now anyway, super safe CDs and U.S. government bonds are not one of the ways to do it. The current inflation rate is higher than the interest you can get from these investments.

You've heard us discuss our endowment model philosophy to investing. A nice benefit of this philosophy is that it can be customized to help meet retirement income needs. Colleges and universities need their endowments to provide income to the school each year and increase that income over time to keep up with inflation. Retirees do as well.

Another way that helps ease the burden of relying too heavily on savings is to either work a year or two longer in your present job or to take something else you love doing and figure out how to get paid to do it. Many of our clients have "retired" and then used their knowledge and skills to consult part-time for a few years. They've found that staying engaged has been very fulfilling. It also allows them to reduce the amount of income needed from their investments and may allow them to defer taking Social Security for a while longer. For most people, each year you delay taking Social Security, your benefit goes up by 6% or more on top of inflation. How many people do you know getting 6%+ raises each year?

Please get in touch with us if you'd like to review your retirement cash flow plan. And, as always, if those you care about would like to get a second opinion on their plans, we'd be happy to talk to them.

*– Mike Jones*

## Year-end reminders: RMDs, Roth IRA conversions and charitable gifts

A few reminders as we get closer to the end of the year.

RMDs. IRS rules require everyone who will be 70.5 or older by December 31, 2011 to take a Required Minimum Distribution (RMD) annually from your IRA. Official RMD notices were mailed by First Clearing (FCC) in September. The letter will indicate the amount of money that the IRS is requiring you to withdraw from your traditional IRA account this year. This amount can also be found on your monthly statement on or about page 3 in the Retirement Summary section. The IRS can impose a 50% penalty for not taking out the calculated RMD amount.

Your signature will be required on a IRA Distribution form that can be obtained by contacting our office. Please see page 2 for the information that will be required.

The end of the year also marks deadlines for Roth IRA conversions and charitable gifts. These need to be in our office by December 21st to ensure processing by December 31st.

JSW™ Financial

1995 South Main Street, Suite 903 | Blacksburg, VA 24060
P: 540.961.6706 •T: 888.553.2211 • F: 540.961.6910
www.joelswilliams.com • info@joelswilliams.com

Prsrt Std
U.S. Postage
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Blacksburg, VA
Permit No. 158

### Contact Us

Office hours: Monday -Thursday | 8 a.m. - 5 p.m.
Friday | 8 a.m. - noon


- Beth Ashe | betha@joelswilliams.com
- Joel Williams | info@joelswilliams.com
- Mike Jones | mikej@joelswilliams.com
- David Harder | davidh@joelswilliams.com
- Sara Bohn | sarab@joelswilliams.com
- Robin Hoback | robinh@joelswilliams.com
- Patrick Carroll | patrickc@joelswilliams.com
- Kristen Kopanda | kristenk@joelswilliams.com




## Some positive observations

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That's how we are succeeding. Call to schedule an appointment if you have not noticed your "overall portfolio" outperforming the market, after fees, over the past 12 months. Our absolute return strategy is absolutely working. This is not to say a given manager may not be down. But the mix is what is important and that has definitely worked. Ask us to back that up with numbers. This is because many of the publicly traded companies ARE making money and non-publicly traded investments are less volatile and generating respectable incomes in this low interest rate market. This is happening. The old saying is valid: "It's not the market; it's the economy, stupid!"

In summary, investors will survive the challenging times ahead, as compared to those non-investors who have only the economy on which to rely. Hunker down (this does not mean go to cash) for the next 18 months, and call us often. We will make it through this.

Until Next Time,
*– Joel*

# Ops Center

## Life insurance: A key component to almost everyone's financial plan


Life insurance is used for the benefit of those who are left behind. An example would be when a husband and wife purchase life insurance for the benefit of their children and the surviving spouse. The life insurance will provide money for the survivors (the children and the surviving spouse) to continue their lifestyle after death.

Many people get confused by terms associated with life insurance. Like, what is term or whole life insurance? Sometimes insurance agents use terms like level term, increasing term, permanent, universal, variable – the list can go on and on.

And then there are the terms of "insured," "owner," and "beneficiary." These terms can be a little easier to understand.

An "insured" is the person whose life the life insurance contract is based on. There has to be an insurable interest in the "insured" to issue a life insurance policy. There has to be a "death benefit" need in order to get a life insurance policy. In other words, someone or an entity has to be shown that they are in need of life insurance proceeds.

Typically, an "insured" would be a father and/or a mother who provide for their family (as mentioned above).

Sometimes parents or individuals want to leave a legacy upon their death. Sometimes foundations are created with life insurance proceeds. In many instances, people just want to make sure that no matter what they do during their lifetime, there is money left over to do things that they weren't able to do. Such as: take care of their family, donate to their church, donate to their alma mater, donate to a charity, create a foundation, etc.

Often, a life insurance policy will be an important part of estate planning. Life insurance provides the money, and an estate plan will determine how and where it goes.

An estate plan starts with a will. A will determines where all the assets of the deceased go, and to whom.

An estate can include a trust. A trust is a document that models the wishes of the deceased. For example, life insurance proceeds can be put in a trust, and the trust will then distribute the proceeds per the wishes of the deceased. A trust can be very explicit, while a life insurance beneficiary designation can only be so specific. Trusts are used to be as general or specific to the wishes of the deceased.

Trusts can be created to make sure a surviving spouse and children have sufficient income to carry on their lifestyle. A trust can also determine what to do with the leftover money (after it has taken care of the family).

In the end, there are many different circumstances where life insurance and estate planning can fit into a person's life. As financial professionals, here at JSW Financial we look forward to continuing our conversations with you to help you determine what your estate plan is, and helping you with your life insurance questions and needs.

*– Sara Bohn*

## Did you know?

You can donate all or part of your Required Minimum Distribution to charity in 2011. Ask us how.

## RMDs

When contacting us to begin your Required Minimum Distribution, please provide the following information:

- Tax with-holding of your preference. (Federal and State)
- How you would like to receive the funds (check, direct deposit, etc). If you prefer a direct deposit to your bank, we will need a voided check.

If this is your first RMD and you would like more information, visit our website or call us for assistance.

## Update your contact information

JSW has recently upgraded our client management application to serve you better. To insure your information was correctly transferred to the new database, we will be contacting you by mail in the near future to verify your contact information.

## Save the date

Saturday, November 19th is our Client Appreciation movie event to be held in the afternoon. Details coming. We are working to see if Santa can make an appearance!

# Joel's Corner

## Some positive observations

### The economy & the market

Over the past six months, as I've shared with you, I have surveyed the recent counter-productive messages coming out of the national media – the usual spin from Washington and why Wall Street will prevail as it manipulates Washington.

But there is something new: the people are getting involved to fight for survival. Finally! In my opinion this further demonstrates that we will not only survive but prosper as we exit this economic Armageddon.

To reiterate my view, the markets will be volatile, the experience will be painful for many and, at the least, very stressful for everyone. Jobs are the key to execution, but courage and an exhibition of the American spirit is required – a revolution, of sorts.

We have seen the volatility; we have seen the pain; EVERYONE has been stressed (the top 1% included) for the past three years. NOW we are beginning to see the seeds of courage and the American spirit. The demonstrators, now popping up around the nation, (the 99%) are only the tip of the revolution that is beginning.

The marchers are non-violent, fragmented in theme, but rapidly growing in numbers. A leader will evolve, hopefully one who will understand that the solution is not in attacking the top 1% of income earners. The problem is the system that created the 1% segregation from the 99%.

> "Our absolute return strategy is absolutely working."

At the risk of receiving thrown tomatoes and eggs, Herman Cain, a presidential candidate, is correct. I will explain:

- Cain has said in media interviews that the 1% making 24% of total income generated in the United States is not the problem. The problem is you and me. Obviously, the media are having a feeding frenzy on that one. You know what? I agree with him. The problem is you and me. Consider:
  - o What percent of the 99% actually vote in elections?
  - o Has anyone asked the 1% if they would agree to pay higher taxes to get the economy back on a path of growth and job creation? I hypothesize the answer would surprise you. I would, and I bet many of you would.
- Other related questions are:
  - o What percent of the 99 have wanted to accept a job for less pay had the union they voted in allowed it?
  - o What percent of the 99 chose to max out their unemployment benefits before seriously looking for a job or doing part-time work?
  - o What percent of the 99 are taking advantage of the many free opportunities to further their education to enhance their employment chances?
- We have become a people (not all; only the ones the media focus on) no longer of the American Dream, rather of Entitlements. Example: I interview many students seeking jobs, well trained and bright, but feel they are "entitled" to a high income with benefits because they graduated from college. Period. They feel all the work experience they need is six months. This is another symptom of the problem, like 1% of the population drawing 24% of the total income. These are both symptoms of the problem.
- Most political offices do not have term limits. They can be elected for life. They all (most) have noble intentions upon entering the political world, but very soon realize they have to "play the game" to survive in order to represent their constituency – or so they think. Eventually, as they learn to survive, they cannot even recognize they no longer work for their constituency; rather they work for the government.

You have read my past rants that Wall Street is the government's boss, not the people. This is why I say Herman Cain is right -- we are the problem because we elect or, more accurately, we do not elect the right people. In my opinion, the greater reason for that is that less than 25% of the people who can vote, vote. So back to my questions, the first being, "How many of the 99% actually vote?"

In summary, I am very excited about the MOW (March on Washington):

- The American spirit is beginning to rise.
- Hopefully, the leadership when it arrives will have the wisdom to focus on the problem, not the symptoms.
- I believe this movement could be the bipartisan movement this country wants and needs.
- The economy (U.S. and global) still have some real challenges before us and the next 18 months will be very difficult as we figure out what we will do to stabilize the economy and get incomes (jobs or self-employed) flowing again. It will happen.
- Due to the stock market's volatility attempting to "time" or "pick the best asset" to be in, is a fool's game. Recent numbers show that works only 5.6% of the time. Diversification, a long-term strategy based on cash flow needs and alternative allocations, in my opinion, are the only way to manage wealth. Preservation; then growth.

*(continued on page 4)*

### Markets

October 11, 2011

DOW | 11,416.30

Nasdaq | 2,583.03

S&P 500 | 1,195.54