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Fall 2014

Fall 2014 is Almost Upon Us
Retirement Myths and Realities
The Potential Pitfalls of DIY Estate Planning
I just learned that my credit- and debit-card information was part of a data breach. What should I do?

Fall 2014 is Almost Upon Us

Although it was a relatively cool and wet summer with a few bouts of seasonal heat, we're still ready to welcome in fall. The changing leaves and fall colors are always a welcome sight.

Jim Featured in USA Today for his Women's Choice Award®
Spotlighting his commitment to all of his clients, but especially female investors, Jim earned the prestigious Women's Choice Award® for Financial Advisors and Firms* in March 2014. In August, he was featured in USA Today among a list of the first 100 advisors to achieve this award nationally, and is the only advisor in the Raleigh/Cary area.

The Women's Choice Award® for Financial Advisors is the premier recognition award earned by advisors who are providing the highest level of quality service to their clients. Women's Choice Award® advisors have been evaluated through a rigorous evaluation process including a 17 point criteria. To augment the process, advisors are also required to have participated in a survey of their clients to obtain feedback regarding service and practices. This award is based on an exceptional customer service experience, knowledge, overall satisfaction and other criteria.

Enclosed is a copy of the complete USA Today feature for your review.

** The Women's Choice Award® by WomenCertified Inc. is a recognition award for advisors who provide quality service to their female clients. The Women's Choice Award is based on 17 objective criteria associated with providing quality service to women clients such as credentials, experience and a favorable regulatory history, among other factors. Financial advisors do not pay a fee to be considered or placed on the final list of Women's Choice Award® for Financial Advisors, though they may have paid a basic program fee to cover the cost of comprehensive review and client survey. For more information please visit www.womenschoiceaward.com .*

Newly Released Articles:
What Widows Want and
When Life Changes, Money Changes
Jim recently released two new articles focusing on the financial issues related to some of life's most difficult transitions. Visit our web site, call or email us to get your copy.

Experiencing a major life event has an impact on everyone's financial situation. One key thing you can do is to create a Decision Free Zone. DFZ doesn't mean you don't make any decisions during a time of transition, but that you prioritize the most important, time critical decisions and leave the other decisions for later, when you are in a better place. You can get a **Decision Free Zone Worksheet** from our web site's Publications web page.

Jim's research showed him **What Widows Want** from a financial advisor. 70% of new widows switch advisors within the first two years of their spouse passing. New widows want an advisor who will spend time listening to her and her needs. Find out more about how our process takes that time to guide new widows through this transition.

Second Opinion Service
We work with clients from whom we feel we can have a major beneficial impact. We provide our Second Opinion Service for the people you care about the most. We'll take them through the same discovery and analysis process you experienced to help them get very clear on where they are now and where they'd like to go. One of three things can happen.

1. They are in good shape and should stay where they are, OR

2. They could better their situation, either by working with us or another advisor, OR

3. They have gaps in their current plan that we could provide an advantage to help them reach their goals.

Who do you care about the most that would benefit from this service? Let us know.

Retirement Myths and Realities

According to the Bureau of Labor Statistics 2012 American Time Use Survey, retirees in 2012 spent 4.5 of their total 8 leisure hours per day watching television.

We all have some preconceived notions about what retirement will be like. But how do those notions compare with the reality of retirement? Here are four common retirement myths to consider.

1. My retirement won't last that long

The good news is that we're living longer lives. The bad news is that this generally translates into a longer period of time that you'll need your retirement income to last. Life expectancy for individuals who reach age 65 has been steadily increasing. According to the National Center for Health Statistics, life expectancy for older individuals improved mainly in the latter half of the 20th century, due largely to advances in medicine, better access to health care, and healthier lifestyles. Someone reaching age 65 in 1950 could expect to live approximately 14 years longer (until about age 79), while the average 65-year-old American today can expect to live about another 19 years (to age 84) (Source: National Vital Statistics Report, Volume 61, Number 4, May 2013). So when considering how much retirement income you'll need, it's not unreasonable to plan for a retirement that will last for 25 years or more.

2. I'll spend less money after I retire

Consider this--Do you spend more money on days you're working or on days you're not working? One of the biggest retirement planning mistakes you can make is to underestimate the amount you'll spend in retirement. One often hears that you'll need 70% to 80% of your preretirement income after you retire. However, depending on your lifestyle and individual circumstances, it's not inconceivable that you may need to replace 100% or more of your preretirement income.

In order to estimate how much you'll need to accumulate, you need to estimate the expenses you're likely to incur in retirement. Do you intend to travel? Will your mortgage be paid off? Might you have significant health-care expenses not covered by insurance or Medicare? Try thinking about your current expenses and how they might change between now and the time you retire.

3. Medicare will pay all my medical bills

You may presume that when you reach age 65, Medicare will cover most health-care costs. But Medicare doesn't cover everything. Examples of services generally not covered by traditional Medicare include most chiropractic, dental, and vision care. And don't forget the cost of long-term care--Medicare doesn't pay for custodial (nonskilled) long-term care services, and Medicaid pays only if you and your spouse meet certain income and asset criteria. Without proper planning, health-care costs can sap retirement income in a hurry, leaving you financially strapped.

Plus there's the cost of the Medicare coverage itself. While Medicare Part A (hospital insurance) is free for most Americans, you'll pay at least $104.90 each month in 2014 if you choose Medicare Part B (medical insurance), plus an average of $31 per month if you also want Medicare Part D (prescription coverage). In addition, there are co-pays and deductibles to consider--unless you pay an additional premium for a Medigap policy that covers all or some of those out-of-pocket expenses. (As an alternative to traditional Medicare, you can enroll in a Medicare Advantage (Part C) managed care plan; costs and coverages vary.)

4. I'll use my newfound leisure hours to ______ (fill in the blank)

According to the Bureau of Labor Statistics 2012 American Time Use Survey, retirees age 65 and older spent an average of 8 hours per day in leisure activities. (Leisure activities include sports, reading, watching television, socializing, relaxing and thinking, playing cards, using the computer, and attending arts, entertainment, and cultural events.) This compares to an average of 5.4 hours per day for those age 65 and older who were still working.

So how did retirees use their additional 2.6 hours of leisure time? Well, they spent most of it (1.6 hours) watching television. In fact, according to the survey, retirees actually spent 4.5 of their total 8 leisure hours per day watching TV.

And despite the fact that many workers cite a desire to travel when they retire, retirees actually spent only 18 more minutes, on average, per day than their working counterparts engaged in "other leisure activities," which includes travel.

COMMONWEALTH *financial network*

The Potential Pitfalls of DIY Estate Planning

The one-size-fits-all, fill-in-the-blank forms that do-it-yourself estate planning sources provide may be attractive to some individuals because they cost a fraction of what attorneys typically charge. But is saving a few dollars worth the risk of doing things incorrectly?

Americans, by and large, are do-it-yourselfers. Books, websites, software programs, and even giant box stores exist solely to help ambitious Americans tackle all kinds of everyday challenges, from fixing leaky faucets to building backyard sheds. The same holds true for estate planning--there's certainly no dearth of information for those wanting to prepare their own wills and other important documents. However, do-it-yourselfers may want to exercise a bit of caution here.

Although do-it-yourself (DIY) estate planning can cost a fraction of what attorneys charge, depending on your personal situation, this may be a case of being penny-wise and pound-foolish.

Cheap, easy, and better than nothing

Proponents of DIY estate planning typically have two arguments:

1. **It's cheap and easy:** Creating a will and other estate planning documents on your own can cost far less than doing so with an attorney's assistance. You can find resources online and in the library that could help.
2. **It's better than nothing:** What happens if you die or become very ill without important estate planning documents? In that case, the state will make important decisions for you, such as how your property will be distributed, who will care for your minor children, and what medical care you'll receive if you are unable to make your wishes known.

These points are valid: For those who cannot afford to pay an attorney, DIY may be an economical alternative. For others, a poorly drafted will may be better than no will at all, especially when naming a guardian for minor children is involved. But there are several risks to DIY estate planning, including the risk that your wishes will not be carried out exactly as you intend.

Basic is not always ideal

Although DIY sources can typically handle the needs of simple estates, they generally are not appropriate for even the most common complexities such as children from a prior marriage, children with special needs, property that has appreciated in value resulting in capital gains, and estates that are large enough to be subject to estate taxes (typically those worth more than $5,340,000 in 2014). Also, DIY sources generally fail to take advantage of sophisticated estate planning strategies because they usually can't account for an individual's unique circumstances.

Further, you may make an error by failing to understand the instructions or by following the instructions incorrectly.

The result is that the documents you create could be invalid, ineffective, or contain legal language having consequences you never intended. You might not know if that is the case during your lifetime, but at your death your loved ones will find out and may suffer the lasting consequences of your mistakes.

You may benefit from legal advice

DIY sources provide forms but not legal advice. In fact, these sources clearly state that they are not a substitute for an attorney, and that they are prohibited from providing any kind of legal advice.

Estate planning involves a lot more than producing documents. It's impossible to know, without a legal education and years of experience, what the appropriate legal solution is to your particular situation and what planning opportunities are available. The actual documents produced are simply tools to put into effect a plan that is specifically tailored to your circumstances and goals.

Estate planning laws change

Laws are not static. They constantly change because of new case law and legislation, especially when it comes to estate taxes. Attorneys keep up with these changes. DIY websites, makers of software, and other sources may not do as good a job at keeping current and up-to-date.

Fixing mistakes can be costly and time-consuming

As previously stated, working with an attorney to create your estate planning documents can be very expensive, costing anywhere from several hundred to several thousands of dollars, depending on the complexity of your estate. But these costs are minor compared to the costs and frustrations that your loved ones may experience if there are serious errors in your DIY estate plan. Many more thousands of dollars and many hours with attorneys may have to be spent to undo what was done wrong. Before embarking on a DIY estate plan, consider these risks very carefully.

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I just learned that my credit- and debit-card information was part of a data breach. What should I do?

Now, more than ever, consumers are relying on the convenience of credit and debit cards to make everyday purchases, such as gas and groceries, and to make online purchases. With this convenience, however, comes the risk of having your account information compromised by a data breach.

In recent years, data breaches at major retailers have become commonplace across the United States. Currently, most retailers use the magnetic strips on the backs of credit and debit cards to access account information. Unfortunately, the account information that is held on these magnetic strips is also easily accessed by computer hackers.

While many U.S. banks and financial institutions are in the process of replacing the older magnetic strips with more sophisticated and secure embedded microchips, it will take time for both card issuers and retailers to get up to speed on these latest card security measures.

In the meantime, if you find that your account information is at risk due to a data breach, you should make it a priority to periodically review your credit card and bank account activity. If you typically wait for your monthly statement to arrive in the mail, consider signing up for online access to your accounts--that way you can monitor your accounts as often as needed. If you see suspicious charges or account activity, you should contact your bank or credit-card company as soon as possible.

In most cases, your bank or credit-card company will automatically issue you a new card and card number. If not, request to have new cards and card numbers issued in your name. As an additional precaution, you should also change the PIN associated with the cards.

Whether you will be held liable for the unauthorized charges depends on whether the charges were made to your credit- or debit-card account and how quickly you report them.

For more information on your rights if you are affected by a data breach, visit the Federal Trade Commission and Consumer Financial Protection Bureau websites.

Are con artists adopting trendy twists on old scams?

In a word, yes. You may be great at deleting e-mails from Nigerian princes to avoid online phishing, but fraudsters keep coming up with new schemes for prying information or money from potential victims. And while scams sometimes involve hot topics that are getting a lot of attention in the news, which may make them seem legitimate, they still may be based on old-school techniques such as phone calls.

If a broker contacts you about investing in high-yielding certificates of deposit, don't provide any information or send money right away. Why? Because of reports that scammers have been posing as brokers to pitch CDs, claiming to represent a legitimate firm--perhaps even one that you already do business with. They may give you a number to call or offer to have their supervisor send you forms to help you transfer funds in an attempt to acquire data that can be used to steal either your money or identity. Even caller ID can be rigged to fake a firm's number; check the number independently with the firm's website or your own records and call directly to verify the caller's identity.

Another area ripe for fraud is linked to the recent legalization of medical or recreational marijuana in some states. As with any enterprise making headlines, so-called "pump-and-dump" artists have begun touting small, thinly traded companies linked to that industry. In many cases, they hope to inflate demand and drive up the stock price quickly--the "pump"--and then dump their vastly inflated shares at a profit, leaving their victims holding the bag(gie). Any unproven company in a relatively new industry deserves extra scrutiny of its financials, management, business plan, and other information. Don't be rushed into a decision just because a stranger tells you the window of opportunity is closing or promises fast profits.

Finally, if you receive a phone call threatening you with jail time or the loss of your driver's license unless you pay what you owe the IRS, don't panic, even if they cite part of your Social Security number or you also get a call from your local police department or motor vehicles department that seems to "verify" the claim. Again, your first step should be to contact the IRS, police, or motor vehicles department on your own, using a phone number you obtained yourself rather than one provided by a caller.