FRANK ORTNER JR.
ESQUIRE

JOHN O'BRIEN
CERTIFIED FINANCIAL
PLANNER®

FRANK ORTNER, III
CPA

CALM ADVICE IN TIMES OF CRISIS

INVESTOR PSYCHOLOGY

Review Your Financial Plan with Us

When you were younger, you needed to figure out how much mortgage you could afford to pay. Today, and maybe more than ever before, you need to know you have a long-term plan you can live with no matter what happens to the economy or the financial markets. During our visit together we will consult with you, review your financial plan and make any necessary adjustments to keep you on track to meet your retirement goals.

Don't Obsess Over the News

With our global economy currently in a recession, the bad news reports are likely to continue for several more months. It will be important to step back from the Internet or T.V. and remove yourself from the crisis of the day.

According to Dr. Joseph Coughlin, Director of MIT's AgeLab, he says "With today's instant media, it's easy to be paralyzed by fear. Realistically assess your current plan, long-term situation and identify what you need to do to survive and thrive in the current cycle."

Invest in Your Other "Portfolio"

During tough times and periods of crisis, your personal social "portfolio" of friends and family can often be more important than your financial portfolio. So this begs the question: Is there somebody that you need to reach out to? Or, is there a certain person you miss having more time with in your life? Now is the time to make that connection. We encourage you to keep working on mastering your retirement and building up <u>all</u> your assets.

Identify Your "Cash Bucket"

The biggest myth about tough times is: they often don't last as long as people think they do. However, to get through tough times it does require that you have cash flow. Those in retirement need to fill in the "gap" between their fixed income and their spending goals. Funding or identifying a "cash bucket" is an effective and simple method to place a few years of "buffer" in between your investment portfolio and what you need to meet your spending goals. This allows your cash flow to continue, while you wait for your investment portfolio to grow back in value.

- John O'Brien, CFP®

PLANNING IDEAS

ADVANCED PLANNING

Required Minimum Distributions

In a move that doesn't make much sense, the government has suspended the RMD requirement for 2009 from IRA's and other retirement accounts so that those over 70½ can rebuild their retirement savings. The smarter move would have been to keep the RMD but make it tax free for 2009 because for those over 70½ who need the money from their retirement account will feel like they got the short end of the stick. We will be talking to clients who are affected by this change to determine what the strategy will be for the year.

Tax Changes for 2009

- A big change for 2009 is that if you don't itemize and claim the standard deduction, you will now be able to increase it by $500 for singles or $1,000 for couples if you pay that much or more in property taxes. We will be sure to remind you of this when compiling your return.
- Mileage rates for attending to medical needs are down to 24 cents/mile. Rates for charitable purposes remain unchanged at 14 cents/mile.
- Going Green: The credit for making your home more energy efficient returns for 2009. Keep receipts for window and door replacements, new HVAC systems and any other improvements that improved the energy efficiency of your home.
- Better to give than receive…the annual gift-tax exclusion increases in 2009 from $12,000 to $13,000.

Roth IRA Conversions

With the market down, a few of you have asked if paying taxes to convert to a tax-free Roth IRA from a tax-deferred Traditional IRA is a prudent move. There is a break-even point in the future (depending on certain assumptions) where it is advantageous to make the conversion and pay the taxes, depending on your tax rate. We generally don't like to convert if your tax rate is higher than 15% because the breakeven point is too far out in the future to be certain that it is the right decision.

Currently, you must have AGI of less than $100,000 to be eligible to convert. In 2010 the law will change so that anyone will be eligible to convert to a Roth IRA regardless of income and they will allow you to stretch the taxes over 2 years, 2011 and 2012 which could make conversion an attractive planning idea.

- Frank Ortner, III, CPA

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Reach Us: *We are glad to hear from you!*

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Nutritionist, Wellness Coach

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Carmel is an expert in nutrition and she coaches people to live better through healthy eating. She teaches classes and conducts personal consultations. We think the timing is good, now with the holidays over, to learn how to eat better! Carmel will be at our February Client Update Meeting.

INSURING CASH FLOW

LONG TERM INVESTING

Our investment committee reviewed the crisis year of 2008, and concluded there were three basic things we could do:

1. Stay the course. This means staying invested partly in stocks for the long run with the caveat that we remain diversified. For most people, this will be the best option despite the volatility they have experienced.
2. Cash out. Sell out of the financial markets and purchase some mix of bank and guaranteed accounts. For all but a few people, there is a real risk due to inflation that they run of money while earning a low return.
3. Insure the portfolio. This means transferring some of the risk that financial markets under perform, so that we know what the future cash flow will be from part of the investments.

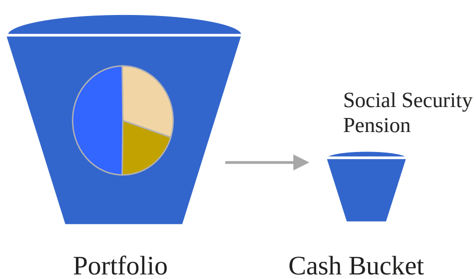
Idea number three, insuring the portfolio, can be a solution to provide a level of predictable income and cash flow; and we want to share this concept.

Over the past few years, there have been a number of new innovations in insurance products. A new feature called, a Lifetime Withdrawal Benefit, protects clients in case the stock market drops dramatically or if the stock market under performs in the future—by giving you a minimum predetermined income amount. Basically, even if your portfolio remains in decline, you receive a minimum predetermined income amount.

We believe this new insurance benefit is most appropriate for clients who have a "gap" between what they plan to receive from Social Security/Pension and what they expect to withdraw from their investment portfolio. With the stock market in crisis, and the current global recession, this "gap" could become significant for clients with limited resources—if the stock market under performs in the future.

Here's how this would typically work: You establish an IRA account for part of your IRA assets with an insurance company that offers the Lifetime Withdrawal Benefit. The money is invested in a diversified portfolio of professionally managed investments. Assuming the portfolio is "balanced" and holds both stock and bond investments, this is really no different than the way your IRA account is being managed currently. The portfolio will go up and down with the financial markets. This will always be your money, separate from the assets of the insurance company, and will always be yours to withdraw any time you wish. You may also change the stock and bond investment options any time you wish.

What the insurance company provides is a predictable stream of withdrawals from your portfolio into your "cash bucket".



This gives you an amount you can count on for cash flow. Companies we reviewed offer a 5% lifetime withdrawal benefit- which they guarantee you cannot outlive. This allows you to have a safety net, yet still be invested for when the market recovers. Sounds too good to be true, you say? It isn't. After reviewing the products, we believe a Lifetime Withdrawal Benefit is very profitable to the insurance company as they charge about a 1% extra expense on the portfolio. However, the benefit could be of significant value to a client who wishes to transfer the risk of a bad stock market to the insurance company in return for a future predetermined income amount.

Q: How do you explain the Madoff Investment scandal – how do smart people get swindled for all their money?

A: Bernard Madoff was arrested on Dec. 11th for running a $50 Billion Ponzi scheme, much to the surprise of numerous affluent investors and astute advisors. What we can learn from the Madoff scandal? The first lesson is the same lesson we have learned before: And that is not to write checks directly to your advisor and then allow them to do the accounting. We recommend that our clients have their assets held at a third party custodian (e.g., Fidelity or TIAA-CREF). Madoff allegedly held custody of client assets in a brokerage firm that he owned, and then he paid a small-time accounting firm to audit statements. Essentially, clients received statements that Madoff's firm generated showing what their assets were worth and how their investments performed. We have seen a few smaller scale schemes like this one that were local and they had the same recipe – statements generated by the adviser that showed the clients assets and investment performance.

The other lesson is an oldie but a goodie and that is: don't put all your eggs in one basket. (Particularly, if you are going to invest in Hedge Funds!) I feel badly for actor Kevin Bacon and others who invested their entire net worth with Madoff. Experienced Advisors also had hedge fund money with Madoff—just not all of their money.

- John O'Brien, CFP®

Mindful Eating

RETIREMENT MASTERY™

Over 2500 years ago, Buddha taught, “Stopping and seeing”. Mindful eating brings each of these components into our awareness and helps us to determine what influences our eating habits. Many of my clients tell me, “I know what I should be doing. I just don’t know why I don’t do it.” Surely, everyone knows that to develop a healthier lifestyle requires changing some basic behavior patterns regarding eating and exercise. Mindfulness helps us first to look objectively at our current choices and actions, and then to examine why we do what we do, or don’t do. Then you can decide what to change first, second, etc. Simply put, you can’t make improvements until you know what needs to be fixed

Ask yourself: Do I think about food and my choices or do I react to food? Do I stop eating when the food runs out or am I aware of how much my body needs (portion awareness)? At what pace do I eat? Is food used to fuel my body, or to sooth my emotions? During meals, is my mind focused on the food and the act of eating or is it wandering? Do I eat out of habit, or choice? After identifying your behaviors, you must now identify the thoughts, emotions and physical sensations that trigger them.

After identifying your behaviors, you must now identify the thoughts, emotions and physical sensations that trigger them. For example: At night, you may unwind in front of the TV with a pint of ice cream, and you finish it. Why? Obviously it tastes good. But- are you lonely, bored, stressed or hungry? If you are hungry, could you have chosen something else? Or eaten less? Could you have eaten better during the day? If you were stressed, could you have gone for a walk? If you were lonely, could you have called a friend?

“Stop and See,” next time you sit down to eat. Feel the empowerment that comes from knowing you made thought out choices, created a new relationship with food and with yourself. You were in charge. You ate because your body needed food and you savored it. Try it. It takes about a month until the new behavior becomes habit. These changes can and will happen solely because of your awareness and mindful choices.

- Carmel Rickenbach, MS, RD, LDN

Extra

WHAT’S NEW AT OO&O

Website Update

For your convenience, we have posted our client presentations – meetings and conference calls – on our website in the Client Access area. If you cannot attend a meeting or would like a copy of what we’ve discussed in the past go to our website:
www.onesourceretirement.com
The ID is: “ooo”
The Password is: “ooo”

Referrals

Our aim is give everyone you refer to us a positive experience and value when visiting our office for a consultation. Please let us know if we may help someone you care about. This economy is not the time or place to act like an ostrich and stick our heads in the sand.

Green Tax Return

If you would like to save a tree, we can prepare and file your tax return electronically. We keep your records secure here in a digital file; and we could send you the same via email.

Year End Cleanup

A few of you have taken advantage of our commercial paper and records shredding service – by dropping off your old paper receipts, tax returns and other records at our office. Feel free to drop off a box of older records or paper you would like to be safely shredded.

Our general advice to hold on to three years of tax returns. Call Roseanne or Frank3 if you want to discuss “permission” to let go of any old records!

Client Update Meeting & Lunch

Wednesday, February 4, 2009
12:00 noon – 1:30 p.m.
Join us at our new location:
The Places Bistro at
The Peoples Light & Theater
on Route 401 near Route 30

“Mindful Eating & Nutrition”
- Carmel Rickenbach

“Cash Flow in a Bear Market”
- OO&O

Please RSVP to Eileen Paci
epaci@onesourceretirement.com

Guests welcome!