IWM PARTNERS
Your Wealth, Your Legacy, Your Partner

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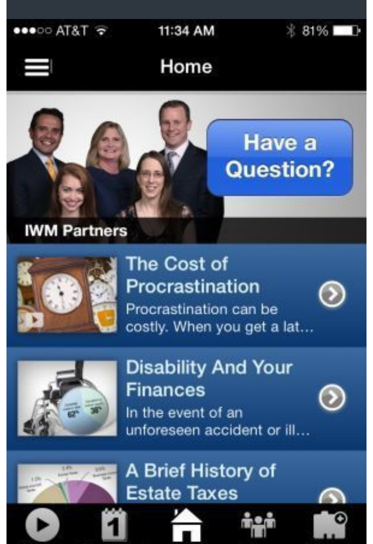

Upcoming Workshops

Investing Fundamentals 101
Tuesday, June 17th
6:30 - 8:00 pm

Investing Fundamentals 102
Tuesday, July 22nd
6:30 - 8:00 pm

The workshops will feature information about:
The impact of taxes and inflation
Asset allocation
Estimating the cost of retirement
Making informed insurance decisions
Sources of retirement income
Estate planning tools
Providing for your heirs
Trust strategies
What can you expect from social security
Investment philosophies and strategies

* Each workshop includes a 135-page workbook filled with useful information, quizzes, and worksheets

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ISSUE 06 May 2014
QUARTERLY JOURNAL

IWM Quarterly

this issue

Take a Page from Warren Buffet

A well-designed plan is necessary for successful investing, but you must also have the discipline to stay on course, rebalance, and tax-manage as needed with the help of your advisor. Unfortunately, many investors do not have a written plan. And, emotions such as greed and envy in bull markets, and fear and panic in bear markets, can cause investors to discard even well-designed plans.

Here are some of the best quotes by Warren Buffett, arguably the best investor of our generation, from *Thoughts of Chairman Buffett: Thirty Years of Unconventional Wisdom from the Sage of Omaha* by Simon Reynolds:

On hiring: "Somebody once said that in looking for people to hire, you look for the three qualities: integrity, intelligence, and energy. And, if they don't have the first, the other two will kill you."

Problems with Probate

Many people have heard they should avoid probate, but few understand what probate is and how the process works.

What Is Probate?
Probate is the legal process that wraps up a person's legal and financial affairs after their death. During the probate process a person's property is identified, cataloged, and appraised. In addition, probate makes certain any outstanding debts and taxes are paid.

If someone dies without a valid will, the probate court sees that the deceased person's assets are distributed according to the laws of the state. If someone dies with a valid will, the probate court is charged with ensuring the deceased person's assets are distributed according to their wishes.

Probate Process
Probate can take a long time — anywhere from a few months to more than a year. If there is a will, and one or more of the heirs chooses to contest the document, the process can take a lot longer.[1]

Probate can be expensive. Even though probate costs are capped in some states — they may reach between 3% and 7% of the estate's value. That's calculated on the gross value of the estate — *before* taxes, debts, and other expenses are paid. And if probate process is challenged, the legal costs can rise.[2]

Finally, probate takes place in a public court. That makes everything a matter of public record. Anyone who wants to can find out exactly what was left behind — and how much each of a deceased person's heirs received — can review the court records.

Every estate passes through probate following the person's death. Probate can be a public process that discusses all your assets, or it can be managed to include as little information as possible. When preparing your estate documents, consider how you want the courts to handle your personal finances after your passing.

Property That Avoids Probate
Some assets can be structured so they may not have to go through probate. Here's a partial list:

- Property held in a trust
- Jointly held property *(but not common property)*
- Death benefits from insurance policies *(unless payable to the estate)*
- Property given away before you die
- Assets in a pay-on-death account
- Retirement accounts with a named beneficiary

Get in touch to find out more about how your accounts are affected by probate.

- Barbie

1,2. Nolo.com, 2013

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On choosing investments: “It’s like when you marry a girl. Is it her eyes? Her personality? It’s a whole bunch of things you can’t separate.”

On giving your kids a big inheritance: “The idea that you get a lifetime supply of food stamps based on coming out of the right womb strikes at my idea of fairness.”

On stocks with good histories: “The investor of today does not profit from yesterday’s growth.”

On how to view stocks: “Look at stocks as businesses. Look for businesses you understand, run by people you trust and are comfortable with, and leave them alone for a long time.”

On ethical investment management: “The investment manager must put his client first in everything he does.”

On thinking long term: “I wouldn’t buy any stocks I would not be happy owning if they stopped trading it for three years.”

On predicting markets: “The fact that people will be full of greed, fear, or folly is predictable. The sequence is not predictable.”

On the limitations of wealth: “Money, to some extent, sometimes lets you be in more interesting environments. But, it can’t change how many people love you or how healthy you are.

Should You Pay Off Your Home Before You Retire?

Before you make any extra mortgage payments, consider some factors.

Should you own your home free and clear before you retire? At first glance, the answer would seem to be “absolutely, if at all possible.” Retiring with less debt … isn’t that a good thing? Why not make a few extra mortgage payments to get the job done?

In reality, things are not so cut and dried. There is a fundamental opportunity cost to consider. If you decide to put more money toward your mortgage, what could that money potentially do for you if you were to direct it elsewhere?

In a nutshell, the question is: should you pay down low-interest debt, or should you invest the money into a tax-advantaged account that could potentially bring you a strong return?

Relatively speaking, home loans are cheap debt. Compare the interest rate on your mortgage to the one on your credit card. Should you focus your attention on a debt with 6% interest or a debt with 15% interest?

You can usually deduct mortgage interest, so if your home loan carries a 6% interest rate, your after-tax borrowing rate could end up being 5% or lower.

If history is any barometer, your home’s value may increase over time and inflation will effectively reduce the real amount of your mortgage over time.

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A Chicago Fed study called mortgage prepayments “the wrong choice.” In 2006, the Federal Reserve Bank of Chicago presented a white paper from three of its economists titled “The Tradeoff between Mortgage Prepayments and Tax-Deferred Retirement Savings”. The study observed that 16% of American households with conventional 30-year home loans were making “discretionary prepayments” on their mortgages each year – that is, payments beyond their regular mortgage obligations. The authors concluded that almost 40% of these borrowers were "making the wrong choice." The white paper argued that the same households could get a mean benefit of 11-17¢ more per dollar by reallocating the money used for those extra mortgage payments into a tax-deferred retirement account.[1]

Other possibilities for the money. Let’s talk taxes. You save taxes on each dollar you direct into IRAs, 401(k)s and other tax-deferred investment vehicles. Those invested dollars have the chance for tax-free growth. If you are like a lot of people, you may enter a lower tax bracket in retirement, so your taxable income and federal tax rate could be lower when you withdraw the money out of that account.

Another potential benefit of directing more funds toward your 401(k): If the company you work for provides an employer match, then you may be able to collect more of what is often dubbed “free money”.

Let’s turn from tax-deferred retirement investing altogether and consider insurance and college planning. Many families are underinsured and the money for extra mortgage payments could optionally be directed toward long term care insurance or disability coverage. If you’ve only recently started to build a college fund, putting the assets into that fund may be preferable.

Let’s also remember that money you keep outside the mortgage is money that is generally easier to access.

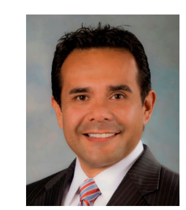
What if you owe more than your house is worth? Prepaying an underwater mortgage may seem like folly to you – or maybe you really love the house and are in it for the long run. Even so, you could reallocate money that could be used for the home loan toward an emergency fund, or insurance, or some account with the potential for tax-deferred growth – when all the factors are weighed, it might look like the better move.

Think it over. It really comes down to what you believe. If you are bearish, then you may lean toward paying off your mortgage before you retire. There is no doubt about it - when you pay off debt you owe, you effectively get an instant return on your money for every dollar. If you are tantalizingly close to paying off your house, then you may just want to go ahead and do it because you love being free and clear.

On the other hand, model scenarios may tell you another story. After the numbers are run, you may want to direct the money to other financial priorities and opportunities, especially if you tend to be bullish and think the market will perform along the lines of its long-term historical averages.

No one path is right for everyone. If you’re unsure which direction may be most beneficial to you, speak with a qualified Financial Professional.

- Mico



1 chicagofed.org/digital_assets/publications/working_papers/2006/wp2006_05.pdf [8/06]
2 montoyaregistry.com/Financial-Market.aspx?financial-market=will-you-have-an-adequate-retirement-cash-flow&category=3 [2/27/11]

Have you Thought About Non-Traded REITs?

- Non-Traded Real Estate Investment Trusts (REITs) pool the money of many investors to purchase properties.

- Non-traded REITs are part of the third asset class, alternative investments.

- REITs and alternative investments in general have a low correlation to the bond and stock markets, allowing for further portfolio diversification.

Fast Fact

A landmark study found that asset allocation accounted for 91.5% of portfolio returns. Only 8.5% of portfolio returns could be attributed to the selection of specific securities. (Brinson, Singer, and Beebower, “Determinants of Portfolio Performance II: An Update,” Financial Analysts Journal, May/June 1991)

On the ideal investor personality: “The most important quality for an investor is temperament, not intellect. You don’t need tons of IQ in this business. You don’t have to be able to play three-dimensional chess or duplicate bridge. You need a temperament that derives great pleasure neither from being with the crowd nor against the crowd. You know you’re right, not because of the position of others, but because your facts and your reasoning are right.”

On inheritance: “Children should be given enough to do what they want to do, but not enough to be idle.”

On risk: “Risk is not knowing what you’re doing.”

On long-term thinking: “Our favorite holding period is forever.”

All of these thoughts are good places to start when developing your investing plan with your advisor. Use what you’ve read, create an approach which fits your needs, and execute.

- Shawn