THE Financial Standard

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I believe successful investors must remain patient, disciplined, and diversified through all economic cycles, especially during downturns. My firm helps manage the investments and behavioral attributes families need to pursue their goals. I trust this newsletter will help provide perspective and information as your family plans for the future.

Peter E. Ledebuhr, CFP®
Managing Principal
Ledebuhr Wealth Management LLC
290 Springfield Drive
Suite 200
Bloomingdale, IL 60108-2214
Ph: 630-351-0900
Fx: 630-351-0909
pel@LWMGT.com
www.LWMGT.com

LEDEBUHR WEALTH MANAGEMENT, LLC

Philanthropy, Your Way

Everyone is a philanthropist—some people just don't realize it. With estate, income and capital gains taxes, it is not a question of whether you are going to give. It is a question of whether you are going to give to the government—and let others decide what to do with your money—or whether you are going to make your own giving choices.

Today there are many ways for an individual or a family to give. When selecting a giving vehicle you will want to evaluate a number of factors, such as your need for current income, your and/or your family's desired level of involvement as well as important tax considerations.

Charitable Giving Vehicles: A Sampler

CRTs/CGAs—Whether you are able to pursue a charitable agenda may depend largely on your current income needs and those of your dependents. To address both goals, you may want to consider a vehicle such as a charitable remainder trust (CRT) or a charitable gift annuity (CGA).

Make Sure Your Contribution Is Tax Deductible

For your charitable contributions to be tax deductible, the organization must be registered as a qualified charity under IRS Section 501(c). To verify the status of a particular organization, log on to the IRS website at www.irs.gov, type "Exempt Organizations Select Check" into the search tool and follow the instructions.

With a charitable remainder trust, you transfer cash or property to a trust that provides an income stream for you and/or other beneficiaries for a period of time, after which the remaining assets in the trust pass to your charity of choice. Because CRTs are tax-exempt entities, they can be especially effective for individuals who want to donate highly appreciated assets, such as stocks or real estate, without incurring capital gains taxes.

With a charitable gift annuity, you transfer cash or property directly to a charity that agrees to pay you and/or your beneficiaries a guaranteed, fixed stream of income for life. CGAs are easy to set up and have minimal administrative costs.

In both cases, you may receive an immediate income tax deduction for a portion of your charitable contribution, and any remaining trust assets are distributed to the charity upon your death gift- and estate-tax free.

CLTs—Charitable lead trusts essentially operate like charitable remainder trusts in reverse: They pay income to one or more charities for a designated period of time, after which the remaining trust assets pass to the noncharitable beneficiary(ies), typically a spouse or children. A CLT is often the tool of choice for individuals with assets that have a high potential for future appreciation, or with beneficiaries who are minors or otherwise not ready to assume full control of assets.

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Retirement for One

Planning Strategies for Singles

The odds of being single at some point during retirement are high, whether due to divorce, death or never marrying in the first place. Regardless of how or why one finds themselves single in retirement, one thing is certain: It presents a unique set of financial challenges.

According to the U.S. Census Bureau, 43% of seniors aged 65 or older are single. Those nearing retirement or living in retirement alone face a greater financial burden than married couples on a number of fronts. For instance, studies show that:

- The cost of living for singles is 40% to 50% higher than for married households, leaving less cash to put away for retirement.[1]
- Singles are at a higher risk of not having saved enough for retirement. Single baby boomer men have a 19% to 34% higher retirement savings deficit than their married counterparts. Among single boomer women, the retirement savings deficit is at least double that of their married counterparts.[2]
- Singles also miss out on automatic benefits enjoyed by married couples, such as the ability to access potential surviving spouse pension benefits. In addition, they will have just one Social Security check to fund retirement expenses.

Planning Is Paramount

Given these and other challenges facing singles, what planning steps can they take to begin shoring up their finances for a comfortable retirement?

- Make full use of an employer-sponsored retirement plan. If you have access to a retirement plan at work, contribute as much as you can afford. For 2012, the maximum employee contribution is $17,000 and workers aged 50 and older can contribute an additional $5,500 in catch-up contributions.
- Open and fund an IRA. If you are "maxing out" contributions to your employer plan, consider opening an IRA. For 2012, the maximum contribution is $5,000 and investors aged 50 and older can contribute an additional $1,000.
- Research your pension options. Even though company-sponsored pension plans are becoming much less common, many employers still offer one. Check with your benefits administrator to learn what pension benefits might be available to you.

Health and Long-Term Care Needs

The strain of an aging population coupled with legislative uncertainty surrounding healthcare services makes healthcare planning a key component of any retirement plan. This need is only magnified for singles who lack the additional financial resources and personal care that a spouse may provide.

Absent dependents or beneficiaries to provide for in the event of their death, singles may opt to forego traditional life insurance and focus on disability and long-term care insurance options. These products help ensure that you will have adequate cash flow if accident or illness strikes, or if you require assistance with activities of daily living later in life.

Housing

Think carefully about the type of housing situation that might suit your needs as you enter retirement. If you own a home, try to pay off your mortgage prior to retiring, thus freeing up significant cash flow each month. If your home feels like too much, consider selling and downsizing to a smaller, less expensive home or shared-living arrangement—and use the net sales proceeds to supplement your retirement nest egg.

While your situation may present other challenges not mentioned here, these suggestions can serve as a good starting place for a conversation with your financial planner.

[1]Sources: *BMO Retirement Institute Survey*, March 2012; the American Academy of Actuaries, 2009.

[2]Sources: *BMO Retirement Institute Survey*, March 2012; the Employee Benefit Research Institute, 2010.

Kids & Money

Tips for Earning, Saving and Spending This Summer

Summer can be a great time for kids to learn valuable lessons about earning, saving and spending money. This summer, be ready with these money-smart ideas.

Kids for Hire

There are plenty of kid-friendly jobs to be done in the summer months, such as mowing lawns, trimming hedges and watering gardens. There are also opportunities to feed and walk pets or watch over houses while neighbors are on vacation. How about having your youngster team up with a friend to offer a car-washing service? Older kids can help with house painting or landscaping projects.

Home-Style Savings

Encourage kids to participate in ordinary household activities that also teach important money lessons. For instance, work together to make fun summer foods such as popsicles or pizza from scratch. Then ask them to calculate how long it would take to save up for a family trip to a local water park if they made—rather than bought—certain treats.

Involve your kids in cooking, menu planning and budgeting for groceries. Make a game of clipping coupons, reviewing store flyers for sales and special offers and making a shopping list. Then take a field trip to the grocery store and allow them to select and pay for the groceries. If a child is old enough, let him or her make the trip to the supermarket alone. The experience of being trusted with money—and personal safety while driving, navigating the public transportation system or walking—will go far toward building your child's self-confidence about money and other important life lessons.

Where Does It Go?

On summer vacation with the family, spending money gives kids the chance to make some independent money decisions. For instance, they may learn how to stretch a dollar and make the distinction between short-term spending goals (e.g., a new T-shirt or trip to an amusement arcade) and long-term goals (e.g., a new bicycle or video gaming system).

As Benjamin Franklin once said, "An investment in knowledge always pays the best interest." The money lessons children learn from you at an early age may set the stage for a lifetime of smart financial moves.

Money Lessons for All Ages

Ages 3-6: Introduce the concept of value—how money buys things. Point out the difference between nickels, dimes and quarters.

Ages 7-9: Expand the money discussion with the notion of having short- and long-term savings goals.

Ages 10-12: Consider opening a savings account in your child's name. By this age, most kids are able to calculate interest and make a simple budget.

Ages 13-15: Reward avid savers with more "grown up" accounts like CDs or mutual funds. Consider pre-paid cash cards for their spending needs.

Ages 16+: Get serious about discussing the cost of college. Consider opening a checking account and possibly a credit card. Explain the difference between debit card and credit card transactions.

Needs vs. Wants

Setting Financial Priorities

This classic debate stirs friction between parents and children, married couples and even within our own heads. To a certain extent, this is a soul-searching exercise, but it also requires us to be practical and make rational decisions about important financial goals. Having trouble sorting through the needs vs. wants in your life?

This worksheet includes some sample items to help you get started. Identify whether each item listed below is a "need" or "want," then assign a ranking from 1 to 3 (1 being the highest priority). After going through the examples, try personalizing the exercise by adding some of your own needs and wants.

Then file this worksheet with other financial documents. You may want to refer to it from time to time when you need a little help sorting out short-term, medium-term and long-term financial goals.

Item/Goal	Need or Want	Priority Ranking		
Paying off credit card debt		1	2	3
Saving for child's college education		1	2	3
Taking a cruise to ...		1	2	3
Buying a new car		1	2	3
Maxing out 401(k) contributions at work		1	2	3
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		1	2	3
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		1	2	3

Philanthropy, Your Way

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Family Foundations—For those who desire direct, long-term involvement in charitable causes, a private family foundation may be a good choice. Family members work together to create the foundation's charitable mission, determine how the assets will be invested and select the charities that will receive grants from the foundation.

Family foundations are given favorable tax treatment, but they also must comply with many complex IRS rules, including distributing a minimum of 5% of their assets each year and paying an excise tax of 1% to 2% on their investment income. Due to these complexities, many families find they benefit from professional assistance in establishing and managing their foundations.

DAFs—Donor advised funds offer many of the benefits associated with family foundations, particularly for those with smaller giving budgets. To set up a DAF, you make an irrevocable gift to a qualified public charity, such as a community foundation or a charitable gift fund sponsored by a financial institution. The public charity then creates a separate fund in your name from which you may make grants over time to charities you choose. This flexibility allows you to budget your giving over months or years in keeping with your overall giving strategy. Some public charities also allow children to be named as successors to a fund, thus ensuring a continued legacy of giving.

Charitable giving is an excellent way to make a difference in the lives of others while also reducing your taxes. But tax rules governing charitable giving are complex and change rapidly. Speak with a professional tax advisor and/or estate planner to learn more about establishing the right charitable giving mechanism for you and your family.

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