FEIERTAG
FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

December 2011

Our roads to success may have twists and turns and ups and downs; together we can navigate a course and enjoy the scenery along the way.

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December 2011 From Feiertag Financial Services

During December we know that your tax situation is the furthest thing from your mind. However, I urge you to contact your tax preparer and see if there is some year-end tax planning that you can take advantage of to lower the tax hit for 2011. Here is a beginning December checklist: 1. Review your portfolio to see if you might want to take investment losses on your non-retirement accounts to offset capital gains or apply against your income. 2. Gather the information you need to fill out student financial-aid applications, such as the FAFSSA, which should be submitted as soon as possible after the first of the year. 3. Make sure that if you are older than 70-1/2 you have completed your required minimum distributions (RMD's) from your traditional IRA and from company plans such as 401(k)'s. 4. Total up your medical expenses. Don't forget to include things like acupuncture, hearing aids and batteries, weight-loss programs for conditions diagnosed by your physician, etc.

Other year end ideas are: Make sure you file product rebate applications for those holiday gifts you purchased. This is a good time to talk with your adult children about your finances. Make sure they have the basic information about your medical and legal matters.

Please call us to schedule your financial check-up. Please note our office will be closed from

December 10th until December 20th. Please call early to schedule your review.
Remember to check out our website at www.stevenfeiertag.com. You will be able to get weekly economic and market updates by opening the "Weekly Economic Commentary" and the "Weekly Market Commentary" located on the left column of our home page.
If you are not receiving our monthly e-Newsletter, please check your spam filter to make sure that both my e-mail address (steven.feiertag@LPL.com) and Eileen's e-mail address (eileen.feiertag@LPL.com) are being delivered.

Eileen and I want to wish you and your family a Happy and Safe Holiday Season and a New Year of Peace and Prosperity!

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Three Tips That Can Help You Minimize Financial Risk

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Here are three strategies that will help you sleep better at night.

You can never eliminate the various types of risks in your investments, but you can take steps to minimize them. Here are three recommended approaches for investors who have a reasonably long time horizon to ride out the market's ups and downs:

Tip #1: Diversify, diversify, diversify

Markets rarely crash at the same time. To lower individual security risk, you can diversify your holdings by investing in a variety of industries or companies within a single industry, or invest in a mutual fund, which can offer professional management and oversight as well as diversification. That's called diversification.

If, on the other hand, you are concerned about the health of the U.S. economy, or a specific industry, you can reduce your risk by investing overseas or in baskets of many industries. For example, you may want to consider a mutual fund that invests in large U.S. companies that have operations around the world (today, almost half of the profits of S&P 500® firms come from overseas). Or you might invest in a fund that only buys shares of non-U.S. companies.

To diversify bond risk, you may want to buy a bond fund that invests in securities issued by international companies and foreign governments. Today, there are funds that invest in virtually anything you can think of.

Tip #2: Don't panic

One of the worst things you can do in investing is to sell at the bottom as a result of a market panic. If you're worried about the stock market taking a dive, consider your time horizon. For example, in a one-year period, anything can happen in the stock market (and did, in 2011-both good and bad). Stock investors react almost immediately to any positive or negative news that could potentially affect the value of their holdings, and this causes stock prices to vary over a single day. Over longer time periods, say, in rolling periods of 10 years or more, stocks historically have generated positive returns. The important thing is: don't panic. Don't confuse short-term market gyrations with risk. They are not the same thing.

Tip #3: Keep funding your retirement account

Let's face it, it's not easy to save money. The best way to achieve your long-term financial goals is not necessarily selecting the best fund or having the best mix of funds- it's is saving regularly in your tax-advantaged retirement account, and increasing your contributions whenever you can.

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1 Diversification does not guarantee a profit or protect against loss.

2 International investing involves certain risks, such as currency fluctuations, economic instability and political developments. Investments in small and/or midsize companies increase the risk of greater price fluctuations. Funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Funds that invest in government securities are not guaranteed.

3 Jeremy J. Siegel, "The Case for Stocks Now," Kiplinger's Personal Finance, August 8, 2011.

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FAQs for Near-Retirees

While studies indicate that many people are likely to need between 60% and 80% of their final working year's income to maintain their lifestyle after retiring, low-income and wealthy retirees may need closer to 90%.

After years of saving and investing, you can finally see your retirement on the horizon. But before kicking back, you still have some important planning to do. The following frequently asked questions about retirement income should help you begin the final stages of retirement planning on the right foot.

1. When should I begin thinking about tapping my retirement assets and how should I go about doing so?

The answer to this question depends on when you expect to retire. Assuming you expect to retire between the ages of 62 and 67, you may want to begin the planning process in your mid to late 50s. A series of meetings with a financial consultant may help you make important decisions such as how your portfolio should be invested, when you can afford to retire, and how much you will be able to withdraw annually for living expenses. If you anticipate retiring earlier, or enjoying a longer working life, you may need to alter your planning threshold accordingly.

2. How much annual income am I likely to need?

While studies indicate that many people are likely to need between 60% and 80% of their final working year's income to maintain their lifestyle after retiring, low-income and wealthy retirees may need closer to 90%. Because of the declining availability of traditional pensions and increasing financial stresses on Social Security, future retirees may have to rely more on income generated by personal investments than today's retirees.

3. How much can I afford to withdraw from my assets for annual living expenses?

As you age, your financial affairs won't remain static: Changes in inflation, investment returns, your desired lifestyle, and your life expectancy are important contributing factors. You may want to err on the side of caution and choose an annual withdrawal rate somewhat below 5%; of course, this depends on how much you have in your overall portfolio and how much you will need on a regular basis. The best way to target a withdrawal rate is to meet one-on-one with a qualified financial consultant and review your personal situation.

4. When planning portfolio withdrawals, is there a preferred strategy for which accounts are tapped first?

You may want to consider tapping taxable accounts first to maintain the tax benefits of your tax-deferred retirement accounts. If your expected dividends and interest payments from taxable accounts are not enough to meet your cash flow needs, you may want to consider liquidating certain assets. Selling losing positions in taxable accounts may allow you to offset current or future gains for tax purposes. Also, to maintain your target asset allocation, consider whether you should liquidate overweighted asset classes. Another potential strategy may be to consider withdrawing assets from tax-deferred accounts to which nondeductible contributions have been made, such as after-tax contributions to a 401(k) plan.

If you maintain a traditional IRA or a 401(k), 403(b), or 457 plan, in most cases, you must begin required minimum distributions (RMDs) after age 70 1/2. The amount of the annual distribution is determined by your life expectancy and, potentially, the life expectancy of a beneficiary. RMDs don't apply to Roth IRAs.

5. Are there other ways of getting income from investments besides liquidating assets?

One such strategy that uses fixed-income investments is bond laddering. A bond ladder is a portfolio of bonds with maturity dates that are evenly staggered so that a constant proportion of the bonds can potentially be redeemed at par value each year. As a portfolio management strategy, bond laddering may help you maintain a relatively consistent stream of income while limiting your exposure to risk.[1]

When crafting a retirement portfolio, you need to make sure it generates enough growth to prevent running out of money during your later years. You may want to maintain an investment mix with the goal of earning returns that exceed the rate of inflation.

[1]*Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and changes in price.*

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