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LPL Financial

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Member FINRA/SIPC

Spring has sprung, time to put up the skis and enjoy the warmer weather! I hope that you are all enjoying the first signs of the flowers blooming and the fresh green grass. Please feel free to give me a call or stop in to catch up, I would love to hear from you!

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In This Issue

Interesting Facts

In the average lifetime, a person will walk the equivalent of 5 times around the equator.

Older Americans Targets of Financial Fraud

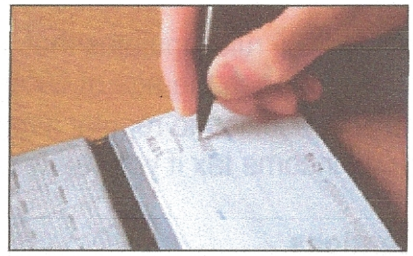
America's senior generation grew up in a different world. Earlier decades of the twentieth century were governed by courtesy, good manners, loving one's neighbor as

oneself, and trust in one's fellow man. Today, these exemplary standards of conduct are getting seniors into trouble. Con artists, offering a wide variety of too-good-to-be-true investment "deals," are banking on the willingness of older Americans to seal their shady scams with the proverbial handshake. Unfortunately, many seniors today are finding themselves in financial tight spots, making them more inclined to jump at the chance to "double" their money.

With today's multitude of contact options, ranging from the phone to the Internet, scammers have virtually an unlimited number of "ins" when targeting victims. Common scams include e-mailed chain letters that are not only illegal, but also promise a pyramid of payoffs that always fall apart once the victim has bought into the system. Another common scam is one in which a Nigerian prince, doctor, or chief e-mails the victim and claims to need assistance transferring his riches to an American bank account. The victim is promised as much as 30% of the transferred millions and is asked to pay the perpetrator a fee to prove his or her honesty.

Fake charities are another common scam method. Kind-hearted donors are swindled into becoming victims by paying ridiculous sums to a cause that only benefits a con. Phone calls and paper mail are often used to offer individuals the chance to "win" the lottery or claim a sweepstakes prize. In the end, these supposed winnings only end up causing financial loss and heartache. Topping off all of these scams are fraudulent investment opportunities wherein the victim is promised fantastic returns on capital from "lucrative" oil and gas leases, penny stocks, rare coins and metals, etc. The list is endless.

Too often, these scams go unreported because of the shame victims experience once they realize they have been had. And that's just what scammers are banking on. The FINRA Investor Education Foundation teamed up with WISE Senior Services and the AARP to study this growing crime. In a report entitled, "Off the Hook Again: Understanding Why the Elderly Are Victimized by Economic Fraud Crimes," several discoveries were made, including the typical psychological tactics cons use. These tactics increase cons'success rates and decrease the chances of them being reported. Victims may be led to believe that their only option is the one being presented in the scam, or the scammer may befriend the victim knowing full well that people are less inclined to ask friends hard-hitting questions. Another ploy is a request for help from the scammer tapping into the victim's pity. Or the scammer may claim famous investors, like Donald Trump, are also buying into the property, or the product is in such high demand and so rare that the victim is lucky to have even heard about it in the first place.



Con artists may also use their assumed authority roles to coerce victims into letting the con make the decision for them; offer no-risk, guaranteed results; intimidate the victim by playing on his or her fears; or procure more and more payments by telling victims they are committed to the investment and must continue to invest in order to not lose the sums they have already paid.

On paper, these tactics might sound entirely see-through. But in person, they are too often extremely effective. The FINRA study also revealed that fraud techniques are often tailored to the psychology of the individual. Financial education, alone, will not be enough to put an end to senior fraud, since one of the study's major findings indicated that senior fraud victims are more financially educated than non-victims and more willing to listen to sales pitches. In addition, victims are more likely to have experienced negative life events, such as job loss, divorce, or the death of a spouse.

Anyone approached with a "must-act-now" deal should take the time to walk away and do some research. Be skeptical, question why the offer is being made to you at that time, and contact the Better Business Bureau to learn more. Don't waste time listening to cold-call sales pitches, and make sure to get second opinions from friends and family before taking action on any hot deal. In the end, follow the golden rule of thumb. If it sounds too good to be true, it probably is.

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IRA Rules for Retirees

Contributions to a traditional IRA, depending on your income and participation in employer-sponsored plans, may entitle you to certain current income tax deductions. Furthermore, because your funds are not taxed until distributions begin, your savings have the potential for tax-deferred growth. Generally, IRAs are designed to work as long-term savings vehicles, but you may be able to withdraw funds early and without penalty, provided your situation qualifies as an exception.

The Age 59½ Rule

The age 59½ rulestipulates that, if you take distributions from your traditional IRA before you reach the age of 59½, you may be subject to a 10% Federal income tax penalty in addition to regular income tax. However, you may not have to pay the 10% Federal income tax if your early distribution meets certain requirements.

Exceptions

You may be eligible for penalty-free qualified distributions, if one of the following exceptions applies:

- You are taking qualified distributions as the beneficiary of a deceased IRA owner. If you inherit an IRA, there are stipulations outlining when you must begin taking distributions based on your relationship to the decedent. For nonspousal beneficiaries, when the IRA owner died, not the age of the beneficiary, determines when distributions must be taken; therefore, there is no penalty if the beneficiary has not yet reached age 59½. The age of the beneficiary will determine only the amount of the required minimum distribution (RMD). The same is true for spousal beneficiaries who do not opt to treat an inherited IRA as their own. The exception does not apply to spousal beneficiaries who opt to treat the account as their own IRA.
- You are paying for certain first-time homebuyer expenses, generally referred to as qualified acquisition costs, such as buying, building, or renovating a first home. Distributions, which may not exceed $10,000, may be used to cover qualified costs for you, your spouse, your children, or your grandchildren.
- You, your spouse, or dependents have unreimbursed medical expenses that total more than 7.5% of your adjusted gross income (AGI). If a medical expense for you, your spouse, or a dependent qualifies as an itemized deduction on your income tax return, it will generally qualify as an exception.
- The distributions are part of a series of substantially equal payments that meet certain annuity criteria. The Internal Revenue Service (IRS) currently endorses three methods for determining an early distribution schedule: the life expectancy method, the amortization method, and the annuitization method. Once an early distribution schedule is established, it must be maintained for five years or last until you reach age 59½, whichever is later. Furthermore, at least one distribution must be taken annually.
- You qualify as being disabled. Certain physical and mental conditions, generally determined by a physician to limit activity, may excuse an individual from the penalty tax.
- You are paying medical insurance premiums due to unemployment. If you lost your job, and received unemployment compensation for 12 consecutive weeks, you may take distributions from your IRA account, penalty free, during the year in which you received unemployment compensation, or in the following year, but no

later than 60 days after you have been re-employed. Distributions may not exceed the amount paid in medical premiums for you, your spouse, and your dependents.

- You are paying for higher education expenses, such as tuition, fees, and books at an eligible educational institution (generally all accredited postsecondary institutions). The distributions may not exceed your qualified education expenses, or those of your spouse, your children, or your grandchildren.
- The distribution is attributable to an IRS levy of the IRA.

IRAs are strictly regulated to ensure that they are used as vehicles for retirement savings. Therefore, they generally work best aslong-term savings vehicles. However, if you do need income from your IRA before you reach age 59½, it is important to know if your situation excuses you from the penalty tax levied on early distributions. Playing by the rules may save you money and help preserve your savings for retirement.

Even the rebellious at heart may choose to play by the rules governing Individual Retirement Accounts (IRAs) to avoid tax penalties. IRAs offer favorable tax-deferral benefits to individuals who are saving for retirement, but with those benefits come certain rules about when distributions may be taken.

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Economic Forecasts: Understanding the Basics

When weather forecasts are inaccurate, we can usually alter our plans with little consequence in the larger scheme of things. When economic forecasts are inaccurate, however, the consequences may be more significant. While making financial decisions does involve some guesswork, an educated guess-even with elements of uncertainty-may be better than making a decision with no forecast at all.

Unfortunately, economic forecasting, like weather forecasting, is far from an exact science. Even professional economists may strongly disagree on the direction of the economy at any given point in time, based on their interpretations of conflicting economic indicators. Although many factors are pivotal in assessing the economy, let's focus on two key points that may help you better understand where our economy currently stands and where it may be headed in the near future.

How Much Longer?

Economic forecasters are always searching for storm clouds that might signal an economic downturn. Since consumer spending has historically accounted for about two-thirds of the economy, many observers have looked to "pocketbook" issues in search of primary clues as to the direction of the economy.

Consumers don't usually cut back first and cause a recession. Rather, they may buy more on credit, which leads to greater monthly payments. However, at some point, consumers can do only what their incomes will allow. With personal debt on the rise, monitoring consumer debt levels is particularly important because of the impact of total consumer spending on our economy. In addition, it may be wise to heed Federal decisions, which lay the foundation for our overall economic climate.

The Role of the Federal Reserve Bank (the Fed)

Even the casual observer of business news knows that "Fed watching" is a serious activity in the financial and business sectors. You may be wondering, "What makes the Fed so important?"

While consumers can affect the economy by spending according to their own situations and pocketbook pressures, Federal policy decisions, such as fiscal and monetary measures, can also affect the economy. Fiscal policy, enacted by Congress in the form of tax and/or spending legislation, is the result of the political process and the prevailing political climate. In contrast, monetary policy is the responsibility of the Fed, whose role is to evaluate all factors influencing the economy (individual, market, and government) and to take the action it believes will keep the economy on an even keel.

The Fed can manipulate the flow of money in order to obtain a desired effect over time. However, the Fed's most effective short-term policy decisions with which to manipulate the economy involve short-term interest rates. Consequently, the Fed can realistically have only one target-inflation. If the Fed perceives that prevailing forces will increase inflation, it will attempt to slow the economy by raising short-term interest rates. This is based on the assumption that increases in the cost of borrowing money are likely to dampen both personal and business spending. Conversely, if the Fed perceives the economy has slowed too much, it will attempt to stimulate growth by lowering short-term interest rates. The assumption is that lower costs for borrowing will likely stimulate spending.

In maintaining this balancing act, the Fed walks a fine line. If it doesn't tighten the reins soon enough (by raising interest rates), it runs the risk of uncontrolled inflation. If it fails to loosen soon enough (by lowering interest rates), it can plunge the economy into recession. Indeed, one might argue that the primary goal of the Fed is to keep inflation low enough so that it is not a factor in business decisions.

Up, Down, or Sideways?

By looking at your own spending and debt burden (and that of your friends, relatives, and business associates), you may gain some insight into the short-term future of the economy. While by no means the whole story, this small segment is indicative of a significant chapter since it is the one over which individuals can exercise the greatest control. When combined with a little judicious Fed watching (e.g., several interest rate moves in the same direction may be an indication that the Fed is on a mission), you may have a fairly good basis for making sound financial decisions.

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