Secure Planning Strategies: Helping you chart a course towards financial freedom.

SPS Navigator

Winter 2012

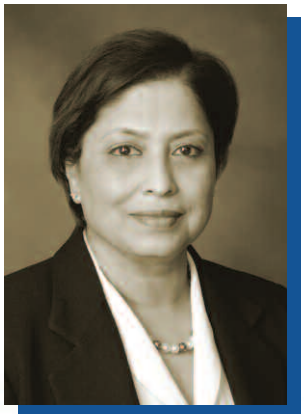
Welcome to

SPS Navigator

We are pleased to introduce you to the first edition of **SPS Navigator**, our newsletter-magazine. Our goal is to increase your investing knowledge and financial confidence by providing you with educational articles and financial information contributed by us, as well as other guest writers.

Thanks to you, **Secure Planning Strategies** has seen steady growth over the years and is a well-recognized and respected wealth management consulting firm. We could not have achieved this without the loyalty of our clients and support of our professional partners in the legal and accounting fields. Our clients vary in their backgrounds, professions and interests. They all, however, have one thing in common. They want to do the best for their families while building a financially secure retirement. We are dedicated and committed to helping our clients as they pursue their financial and life planning goals. Our aim is to walk them through this ever-changing and complex financial maze by keeping them informed on important matters.

We hope you enjoy **SPS Navigator** – it is one more way for us to stay in touch with you. Please share our magazine with your friends and family. We will look forward to your comments and suggestions. ■



Minoti Rajput

Mehul Mistry

Elinor Ho

2012 Numbers at a Glance

With a New Year, comes new numbers. The following information lists a few of the numbers that may affect you in 2012. ***Best Wishes for good health and good fortune throughout the year.***

- **Social Security gives a 3.6% raise.** Fifty-five million Social Security beneficiaries will get a cost-of-living-adjustment for 2012 that will increase monthly benefits by an average of $43 per person. Hoorah! That's the first raise since 2009.

- **Maximum 401(k) contribution goes up to $17,000.** That's $500 more than last year. Plus, workers age 50 and older can contribute an additional $5,500 "catch-up" amount.

- **Roth contribution threshold rose.** For married-filing-jointly the phase-out now begins at an income of $173,000. For singles, it is $110,000. There is a simple way around this, no matter how much income you make. Please call us if you'd like additional information.

- **Estate Tax Exemption increases to $5.12 million.** The cost-of-living increase of $120,000 by the IRS will remain in effect throughout 2012. The **gift tax annual exclusion of $13,000** remains unchanged for 2012.

- **Social Security payroll tax cap rises.** Your income is now subject to this tax, up to $110,100.

- **Payroll tax break extended.** Congress has extended last year's payroll tax rate of 4.2% for the first two months of 2012; they plan to negotiate on a longer-term extension of the 2011 2% payroll tax decrease in the New Year.

- **Medicare Part B costs more**. Some higher-income retirees will experience a jump in the cost of their Medicare up to $115.40/month.

- **SSI Federal Payment Standard:** Individual - $698/mo.; Couple - $1,048/mo., an increase of $24/mo & $37/mo respectively. **The Maximum SSI Resources Limits for 2012 remain the same:** Individual - $2,000; Couple - $3,000.

- **Adult Home Help Services (formerly "Chore Services"):** Effective October 1st, 2011 – Meal Preparation, Shopping Errands, Laundry & Housework will only be provided if at least one of the basic ADL's is needed. No increases or decreases in amounts are anticipated for 2012. ■

Sources: irs.gov/newsroom/article/0,,id=248485,00.html and ssa.gov
Ssa.gov/pressoffice/factsheets/colafacts2012.htm
Arc of Oakland County

Planning for Longevity Risk

By Minoti Rajput, CFP®

Bill and Rose moved into a retirement community home in 2000 after selling their modest home and some of their investments to buy into the facility. After the initial large deposit, they made monthly payments and were assured care even if they ran out of money. They felt it was time for them to move into a retirement community; a place they could live independently, be financially secure, and if needed, receive long term care for the rest of their lives. Over the last 11 years, there were increases in the monthly payments and their son needed financial help when his wife lost her job. Last year, the unexpected happened – Bill and Rose ran out of money. As a result, Social Security became their only source of income. What happened? What could have gone wrong? Bill and Rose had tried to do everything right: they were savers, conservative investors and modest spenders. When Bill came to me for help, he summarized exactly what had happened in a comment that will stay with me forever: "Minoti, I never thought I would live this long." Bill is 90 years old and Rose is 88.

As we work with retirees and pre-retirees, we are mindful of the longer life expectancy of today's average person. Many people fear they will share in Bill and Rose's experience of "running out of money." As investors, most people focus their energy on the *accumulation* of assets during their working life; however, the *distribution* phases of their lives, which may easily span 25 to 30 years, require careful planning as well. Longevity Risk planning has now become an important aspect of retirement planning. The following are some important considerations.

Focus on better health maintenance now to avoid higher health care expenses later.

Health care costs increased approximately 8% in 2011.[1] Most retirees on a fixed income are challenged by this ever rising, yet essential, cost – especially when Medicare does not provide adequate coverage on certain things, such as prescription drugs. Regular exercise and proper diet needs cannot be ignored. It may be helpful to visit online longevity calculators to get ideas on healthy living suited to your profile.

Check these websites:

www.livingto100.com and www.realage.com

[1] Source: Pricewaterhouse Coopers Health Research Institute – May 18, 2011

Maximize your contribution on employer provided Health Savings Plan (HSA).

Contributions to this type of plan are tax deductible and grow tax deferred. The maximum annual contribution to an HSA is currently $6,250 (an additional $1,000 for employees age 55 and older). While the pre-tax amount is available to cover out-of-pocket medical expenses, it may be left in the account to accumulate tax deferred and later withdrawn on a tax-free basis to cover health related expenses during retirement. Current medical expenses can be paid out of pocket while working and HSA contributions can be saved for retirement when there will be a greater need for them.

Continued...

Growth may be a key investment criterion.

A person retiring at age 65 can expect to live another 20 to 25 years.[2] Pensions rarely offer inflationary increases and Social Security only offers a modest increase. The burden to keep up with inflation rests on both retirement and non-retirement investments. In our opinion, a well designed portfolio consisting of both equity and fixed income may be necessary for long term growth and income. Investors with overly conservative portfolios, without appropriate growth elements, will run a greater risk of outliving their money.

[2] Based on mortality data from the Society of Actuaries Retirement Participant 2000 Table.

Risk Management strategies are just one tool when planning for longevity.

Proper asset allocation and management style diversification are both helpful tools in investment management. A combination of strategic and tactical management is essential for capturing capital preservation and long term growth. Investments, such as annuities, can be introduced where applicable. Alternative investments that are non-correlated to traditional investments can provide stability to a portfolio. Risk management for long term care needs, whether self-insurance or by other insurance products, can prevent asset depletion. ■

Important Questions before retirement:

1. Have you worked on your cash flow today and estimated expenses during retirement? Have you budgeted for future out of pocket health care costs?
2. Will you be eligible for a pension? What if your employer's pension is underfunded and is not fully insured by the Pension Benefit Guaranty Corporation (PBGC)?
3. Will the estimated withdrawal from your investments ensure that your money will last throughout your retirement?
4. Are both partners and spouses involved in making retirement decisions? Are both educated on how they will manage if they are the survivor?

Diversification seeks to reduce the volatility of a portfolio by investing in a variety of asset classes. Neither asset allocation nor diversification guarantee against market loss or greater or more consistent returns. All investments involve the risk of potential investment loss. The opinions and forecasts expressed may not actually come to pass. This information is subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security or investment plan. Past performance does not guarantee future results. Annuities are long term investments designed for retirement purposes. Withdrawals of taxable amounts are subject to income tax, and, if taken prior to 59-1/2, a 10% federal tax penalty may apply. Early withdrawals may be subject to withdrawal charges.

The ECONOMY:

In many ways, 2011 was a year to forget...

By John Maggs, Senior Economics Editor, *The Kiplinger Letter*

Although 2011 ended on a positive note with stronger growth and lower unemployment, it was a tough year. The economy barely grew for most of it, at a point in past recoveries when growth is usually surging, and that wasn't the only surprise. As we look forward to 2012, here are four things we learned in the last year that inform our view of what's ahead for the economy.

1. In extraordinary times, dependable rules about the economy sometimes don't apply. Since the 1930s, other recessions and recoveries have been roughly symmetrical. The deep recessions in the 1950s, 1970s and 1980s were followed by strong recoveries, and mild recessions in the 1990s and 2001 yielded to modest growth. But this time, the geometry hasn't followed the rule. The explanation is that the Great Recession was driven by a serious financial crisis – America's first in 80 years. In other countries, where such crises have been more frequent, the related deep recessions are followed by economic weakness that lasts for five to seven years, according to economists Kenneth Rogoff and Carmen Reinhart.

Despite the deep recession, the trend line for 2012 is a very, very gentle slope upward. U.S. gross domestic product will grow only about 2% in the coming year, a little better than in 2011. That will be the first time on record that growth persisted at such a slow pace for two years without the economy falling into a recession.

2. Fiscal policy matters. A modest package of tax cuts approved in late 2010 likely made the difference between the slow growth that occurred and another recession. Congress pumped about $200 billion into the economy via new tax cuts and unprecedentedly long unemployment benefits. When the books are closed on 2011, that amount will roughly equal the expansion in U.S. GDP over the year. There is no doubt that the payroll tax cut – leaving about $1,000 more in disposable income for the average working family – was a big reason that consumer spending grew in 2011. Stimulus that's badly timed or too narrowly targeted can fail, but this one worked well.

Across the Atlantic, the unfortunate effects of contractionary fiscal policy are evident in the United Kingdom. In 2010, the International Monetary Fund predicted that the U.K. economy would grow 2.5% in 2011, much better than the economies of the 17 nations that use the euro, forecast to gain just 1.5%. But the newly elected Conservative-led government of Prime Minister David Cameron imposed steep and immediate budget cuts. As a result, the U.K. economy tanked, and Britain will likely be the only major European economy to shrink in 2011.

Fiscal policy will be crucial again in 2012, in both the United States and Europe. Congress will break the stalemate over extending this year's payroll tax cut by early 2012, largely because the public would correctly blame lawmakers for allowing taxes

Four Lessons from 2011 for 2012

but we'd be making a mistake not to learn from the past.

to rise and endanger the recovery. Voters are weary of the larger stalemate over reducing federal debt, so the leading presidential candidates are likely to focus less on debt reduction plans that won't begin for years and more on growth-boosting plans to create jobs in the near term. And in Europe, someone will notice that Italy's debt emergency is not caused by its budget deficit – now less than 4% of GDP – but by its lack of growth. German demands for deficit cutting will yield to demands for stimulus and growth, especially now that Germany's economy is shrinking also.

3. Oil prices still matter, too. It's true that the U.S. economy is much less dependent on energy than it was in the 1970s and 1980s, when price shocks precipitated recessions. And oil prices don't matter much when growth is solid. But in the currently weak recovery, it is no coincidence that economic growth essentially halted in late 2010, when the price of oil started to rise again, climbing from $84 a barrel in November to $110 by April 2011. It's also no coincidence that GDP is bouncing back in the final quarter of 2011, after oil prices have dropped steadily from the summer. A fall in gasoline prices is one of the most direct ways to put money into consumers' pockets, and the moderation in prices surely helped boost stronger-than-expected post-Thanksgiving retail sales.

Although the slowing world economy will reduce upward pressure on oil prices in 2012, there remains considerable risk of a geopolitical shock sending oil prices soaring, as the Arab Spring revolts did earlier this year. Continued conflicts with Iran over its nuclear ambitions are a particular worry. A spike in oil prices would hit already meager consumer spending and could easily turn slow growth into no growth.

4. Emerging economies now drive global growth. Only a few years ago, the kind of abrupt economic slowdown seen in 2011 in Europe and the United States would have brought world economic growth to a halt. But 2011 demonstrated that the United States and other wealthy countries are no longer the only engines pulling the world economy. Developing countries, already premier producers of manufactured goods, have become premier consumers as well. For the first time, imports by China and other emerging economies in 2011 exceeded imports by the developed world.

Strong U.S. exports to the developing world are one reason that a recession in Europe won't derail growth in the United States in 2012. Developing countries will provide the lion's share of global growth, and that will probably continue after the developed world recovers. From now on, the growth rates of China and India will be much more important to America's economic prospects than the growth rates of Germany and Japan. ■

We Enjoy Spending Time with Our Clients

SPS staff & clients mingle at an open house event.

We hope to see you at a future social event or at an upcoming workshop!

UPCOMING Educational Workshops

from Secure Planning Strategies

Winter / Spring 2012 Schedule

"Retirement Planning Today"

Educational Course for Adults – 50-70

Hands on Educational Course that delivers comprehensive, objective knowledge that will guide you as you prepare for your retirement.

Learn how to:

- Avoid 10 of the biggest retirement planning mistakes.
- Determine your Retirement Needs & Expenses. Determine your income sources & distribution plan.
- Invest for retirement needs; Protect your assets; Determine Life Planning and Estate Planning Needs.

This course is also a great way to introduce your friends to SPS's resources and planners.

Choose from one of the following dates and locations:

Schoolcraft College – Livonia
February 18 & 25: Saturday 9:00am-12:00 pm
February 21 & 28: Tuesday 6:30-9:30 pm

Oakland University – Rochester
March 6 & 13: Tuesday 6:30-9:30 pm

Presented By Minoti Rajput & Mehul Mistry

"Women & Finance Series"

Ten Financial Matters Every Woman Should Know

Topics covered include:

- I find investments overwhelming. How can I make it simple?
- What can I do now to make my financial future more secure?
- How do I know if I have enough assets to last my lifetime?
- What Life Planning should I do for myself, my children and my elderly parents?

Choose from one of the following dates:

Secure Planning Strategies Office
February 13: Monday 5:00-7:30 pm
March 19: Monday 5:00-7:30 pm
April 16: Monday 5:00-7:30 pm
May 14: Monday 5:00-7:30 pm

Presented By Minoti Rajput & Elinor Ho

Registration is limited - CALL TODAY! 248-827-2580

Be sure to check our website (www.spsfinancial.com) for dates and times of two new upcoming workshops on the topics of Medicare and Special Needs Planning!

A Special Day with MY DAD AT PEBBLE

by Todd Bramson / with Max Adler

When I was 14 my dad surprised me with a golf trip we couldn't afford. We flew to San Francisco from our home in Wisconsin, rented a car and spent a week touring the coastline and playing golf, culminating in a surprise 36-hole finale at Pebble Beach and Spyglass Hill on our last day. As a new golfer, I didn't appreciate the significance of the venue: Two summers earlier I had started caddying at our local country club and was just getting into the game. But as a son, I knew the trip was an extravagance. Dad had split with his advertising firm to start an agency, which he was running out of our basement. He liked that he could spend more time with me, my sister and my mom, but landing enough clients was a struggle. For him to take the time and spend the money on something unforgettable – with me – was very special.

Of course, it wasn't like we stayed at The Lodge and ate caviar. This was 1973 when you didn't have to stay on property to book a tee time more than a day in advance. We slept in some Holiday Inn a short drive away. We played Pebble first: I carried my bag, and Dad took a pushcart. I shot 104, edging the old man as I had started to do more frequently. My dad couldn't hit woods and refused to carry them. Instead he used his beloved 1-iron off the tee. In the three-minute drive to Spyglass we scarfed down some hamburgers to fortify ourselves. It was an overcast day, but the air coming off the ocean was warm.

Of all the lessons I've learned about finance, the most important is that ***experiences are worth more than cash.***

Two years later, my dad died suddenly and unexpectedly of acute leukemia. It was less than three weeks from the time he noticed the strange bruises on his arms and saw a doctor to the day he died. I was playing in a high school golf match when he passed away.

Life can be hard enough at 16, but losing my dad was devastating. He had very little life insurance, which my mom lost in a bad investment that she was talked into. She went back to teaching fourth grade, and I worked more and more at Westmoor Country Club, caddying and in the bag room, to make money and keep sane. After work, when I played alone, I would pencil "Dad" underneath my name on the scorecard. A few years later Mom would declare bankruptcy and lose the house, but my sister and I were both able to attend college.

I went to the University of Wisconsin in Madison on a Chick Evans Caddie Scholarship. As a six-year looper with a clean record and good grades, a respectable 7-handicap and substantial financial need, I guess I struck the green blazers of the selection committee as a prime candidate. Chick Evans, a caddie who is the only golfer other than Bobby Jones to win the U.S. Amateur and U.S. Open in the same year, set up a trust in 1929 to start the scholarship program.

I'm 50 now, five years older than my dad was when he died. My life is full and vibrant. I have a wife, a daughter and a son. In addition to my work as a financial planner helping families and small businesses manage assets, I've written a series of books about real-life financial planning. I own a marketing and consulting firm, but I always make time for golf trips. Earlier this year I took my family to Ireland – my daughter is a more serious golfer than my son – and I'm a part-time caddie at Augusta National. A few times a year I fly or drive down from Wisconsin.

It fulfills me working to prevent what happened to my family from happening to others. Of all the lessons I've learned about finance, the most important is that experiences are worth more than cash. That trip to Pebble Beach saved my life, not only in helping me deal with my dad's death, but for fueling my love of golf. Those two rounds were the best investment my dad could've made. ■

What You Should Know About SOCIAL SECURITY

What is the current maximum Social Security I can be paid if I start at age 65?

A 65-year-old worker retiring in 2012 could receive as much as $2,366 per month, depending on past contributions to the system.

What is the best way to get an accurate estimate of my Social Security?

Today almost anyone can easily get an estimate of their Social Security. Go to the official website, ssa.gov, click on "Estimate your retirement benefits," read the instructions, and click the button that says again "Estimate Your Retirement Benefits." Then check the box saying you have read the Privacy Act Statement, and click the "I Agree" button. Then just answer the questions.

Will Social Security keep up with the cost of living?

Currently, recipients are receiving what they call "cost-of-living" increases (for 2012 it was 3.6%). However, it could be argued that their raises are not really keeping up with the real cost of living. Their official estimate of the cost of living excludes food, energy (home heating, gas, etc), and also makes a substantial adjustment for the value of new features available on products. We don't recommend counting on Social Security to keep up with the real cost of living.

How much income can I earn without affecting my current Social Security?

There are no limits for those over the "normal" retirement age. For early retirees, you can earn up to $14,640 in 2012 and not lose any benefits. Over that, your Social Security benefit will be reduced $1 for every $2 earned over the limit. Of course, there is no limit on un-earned income like interest, investment growth, or retirement account withdrawals.

Is my Social Security taxable?

It could be if you are single with income over $25,000 or if you file jointly with income over $32,000. The higher your income, the higher the percentage of your Social Security that will be taxed, up to 85%.

How can I learn more about Social Security?

The social security administration website, www.ssa.gov, is a great resource. Additionally, Secure Planning Strategies would be glad to address individual questions you may have. ■

Source: ssa.gov

Secure Planning Strategies

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THANK YOU

We appreciate you choosing us to help chart a course for your financial freedom. Together, we will strive for the smoothest sailing. We are committed to guiding you to your destination through proper planning and ongoing advice. We thank you for your support, your trust and for referring your friends and family to us. The growth of our firm and the recognition we have received could not have been possible without your help.

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