FINANCIAL ARCHITECTS INC.

Capital Blueprints for the Future

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GETTING YOUR FINANCES READY FOR THE NEXT RAINY DAY– OR DECADE

It was Benjamin Franklin who once said, "The man who achieves makes many mistakes, but he never makes the biggest mistake of all - doing nothing."

If you suddenly lost your home, your job, or were disabled with limited health or disability benefits, how would you afford a hotel, transportation or medical bills?

As the nation continues to work its way out of recession and investors begin to take stock of what looks like a lost decade in their portfolios, it might make sense to execute some simple ideas now that will give better preparation for possible tough times in the future. After all, disaster can't be predicted, but it can be blunted by preparation. Here are a few ideas to implement as the economy recovers.

Start with expert advice: A fresh financial start should begin with some solid, up-to-the-minute advice. Consider making a trip to talk over your current finances and retirement picture – no matter what state they're in – with your tax advisor and a financial advisor such as a Certified Financial Planner™ professional. Many people feel they've made mistakes that they'll never be able to repair with their money, and the only way that might be certain is if they don't properly assess what they've done and should do in the future. Getting trained, experienced advice is one way to change that.

Pay down your debt: There was once a time when mortgage debt was referred to as "good debt," but even that perception has changed for many families in recent years. While mortgage debt has tax advantages, the relatively recent tendency for homeowners to look at their property as a piggy bank looks headed for permanent change. And with new credit card lending rules on the horizon, Americans' relationship with plastic is bound for big changes as well. Resolve to get a better handle on existing debt and above all things, resolve to pay it off in sensible fashion, attacking the highest-rate and less tax-advantaged balances first.

Reevaluate your career plan: It's true that many Americans will have to work longer than they planned to assure a healthy retirement given the events of the last decade. But you shouldn't stop there in making that assessment. As the country comes out of this economic slump, you should also be considering whether your current career meets your personal as well as your financial needs. A chance to earn extra money would certainly be great, but if you're unhappy doing what you're doing or you see your industry going nowhere, then it might be time to retrain or research a change.

Get serious about an emergency fund: If you suddenly lost your home, your job, or were disabled with limited health or disability benefits, how would you afford a hotel, transportation or medical bills? How would you pay for all that? Credit cards? Okay, but how would you pay off those cards? An emergency fund needs to be three to six months worth of cash at a minimum kept in an easily accessible place—not as accessible as a mattress, but not in a stock fund or some other investment that might fluctuate in value and then be tough to access for a week or more. You need to

GETTING YOUR FINANCES READY, Cont...

treat that cash as money that isn't there unless a disaster occurs. And try to open it with a high enough balance so you'll keep it from being eaten away by any account maintenance fees. Write down a list of things that are potential emergencies and sign it as a personal contract with yourself. That agreement should state that you will not touch the funds except in case of some of the following:

- Loss of employment;
- Medical bills that exceed your insurance payments (if you have insurance);
- Emergency home or car repairs in excess of insurance that are required to make the home livable or the car drivable.

Insure yourself properly: Insurance exists to prevent financial devastation. You owe it to yourself to buy whatever coverage you can afford for risks that affect you directly. Not everyone needs life insurance or particular forms of liability insurance, for example. But most of us need help knowing what coverage to buy, and that's where the help of a financial adviser might come in handy—there is no one-size-fits all insurance solution. It's a good time to evaluate whether your coverage in any of the following types of insurance is adequate:

- Health insurance
- Life insurance
- Home or rental insurance
- Disability insurance
- Auto insurance
- Liability insurance related to a particular business or work activity.

Create a worst possible scenario: It's not the easiest thing in the world to do, but based on your own personal circumstances, what would be the biggest potential risks you might face financially? Some examples:

- If there was hereditary evidence cancer or heart disease among your closest relatives, how would you pay for treatment if your insurance didn't fully cover the costs?
- If you live in a flood plain, do you have adequate federal flood insurance?
- If your company has been losing money for the last year, how likely is it you might be laid off?
- Will you need additional training or education to stay in your job going forward?
- If you were disabled, how would you make up your lost salary?

WHO ARE THE TRULY WEALTHY?

Based on two decades of research, Thomas J. Stanley, author of the *Millionaire Mind*, categorizes people as either ***wealth accumulators*** or ***hunter gatherers***.

The first group is comprised of those he describes as "balance-sheet wealthy." They have become financially independent because they have focused on building their net worth.

In contrast, the "hunter-gatherers" tend to be high income, but low net worth. They often did well in school and have a good job, but love to spend money. They fall into the trap of believing that if you look rich, you are rich. Stanley claims that most Americans are income statement affluent, and "judge their worth on what their income can buy, not on what their wealth can provide."

Stanley also points out the most important difference between wealth accumulators and hunter-gatherers is not the size of their assets, but the scope of their freedom. Hunter-gatherers are totally dependent on maintaining their high incomes in order to survive financially. They can't afford to quit their jobs even if they want to because they are drowning in debt.

On the other hand, Stanley found that wealth accumulators are not motivated by the trappings of wealth, but by the independence that wealth can provide. Through planning and sacrifice, they achieve a financial status where they can "afford" to choose work based on the level of meaning and purpose it brings to their lives and not by the level of income it provides.

Stanley also points out that the most satisfied wealthy people don't just have financial goals, they also have life goals. In other words, they have clarity around what they want in life and use their wealth to support those values and priorities.

A TO-DO LIST FOR SETTLING AN ESTATE

The adjustment to the loss of a loved one is hard enough without the inevitable workload of settling their affairs. Even if they don't have much in the way of assets, the process takes time - typically up to a year.

It makes sense to get advice from tax, estate and financial planning experts in the preparation of an estate plan. A Certified Financial Planner® professional is a good choice to start the process.

It also makes sense to have an idea of how that year will go, so here's a list of what needs to be done at critical intervals in the process. But this is not just a list to help survivors: this can be a key estate-planning tool for you as well. Remember the way that you handle your estate, financial and funeral arrangements can lighten the load on family members. Tailor the following list to your own needs, and discuss it with your chosen executor while you're in good health. And if you need to make changes, keep them informed:

Start Rounding Up Key Documents

An executor has to find, identify and organize a deceased person's financial records, tax returns, and other key papers to figure out what the decedent owned or controlled. If that individual was working closely with a financial planner, they may have all that material summarized in one place. But otherwise, the executor needs to look for bank accounts, brokerage accounts or other investments, life insurance or annuity policies, retirement plans, deeds to real estate, automobile titles and other evidence of assets with value. They will also be looking to see if the decedent had a will or trust that directs what they want done with the previous items. Also, the executor needs to track down all records of outstanding loans, mortgages or credit card bills. Make sure at least 10-20 copies of the death certificate are ordered. (Note: This won't be done in a day, even if the deceased was extremely well organized).

Start Making Key Phone Calls

The executor needs to inform key contacts that the person has died. Make sure they contact:

The financial planner

- Social Security if the deceased was receiving benefits
- The Veterans Administration if they were a qualified veteran for burial benefits
- Their employer, health insurer, credit unions, mortgage company and credit card companies for possible death benefits
- Life insurance agent for possible death benefits
- Automobile insurance agency if they owned a car
- All creditors -- mortgage companies, credit card companies, any organization that's owed money by the deceased - need to be notified that their customer has died. They'll probably request a copy of the death certificate, so make sure you have enough copies.

Get Permission To Check Safety Deposit Boxes

If there isn't a will in an easy-to-find place or at home in a lock box, the executor may need to try and get into a bank safety deposit box, which can take a bit of time. The procedures vary from state to state, but the bank should be able to direct the executor. (NOTE: This is why it's good to keep important papers in an at-home lock box.)

Begin The Filing Of The Will For Probate

If you find a will, the executor named in the will should be notified, and a decision should be made about whether to file the will for probate. It is usually not necessary to probate a will unless there is property in the name of the decedent that needs to be transferred,. so if everything is in joint names with a surviving spouse or surviving children, there may be nothing to pass under the will. This is something for which the advice of a lawyer might be needed. If there is a trust document, the trustees or successor trustees should be notified.

If there is no will and no trust, the property owned by the deceased will pass to the "intestate" heirs determined under state law...

Bring In A Lawyer If Necessary

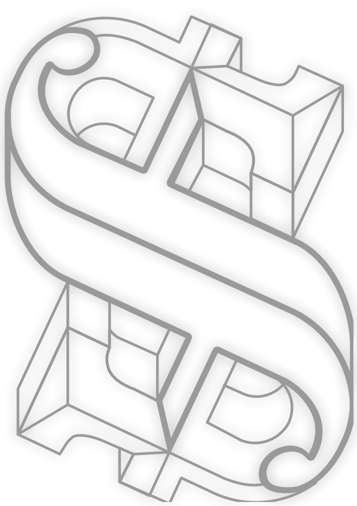
The executor may or may not choose to work with an experienced estate attorney. Generally, it can be a good idea. If there is no will and no trust, the property owned by the deceased will pass to the "intestate" heirs determined under state law, and one or more of those heirs (or some other qualified person) will need to file a petition for "letters of administration" in order to sell or transfer the decedent's property. The procedures for probating a will, or petitioning for letters of administration, vary from state to state and may require the services of a lawyer.

A TO-DO LIST, Cont...

Make Sure Bills Get Paid
The executor needs to make sure that all the deceased's bills and other outstanding debts continue to be paid until they are disposed of. If assets are insufficient to cover these debts, the executor will have to find another way to pay them or make sure talks take place to lower the amounts.

Make Sure Taxes Are Paid
The executor needs to make sure there is a final tax return filed on behalf of the deceased. A federal tax return needs to be filed If the gross estate is more than $3.5 million in 2009.

Make Sure Assets Are Properly Distributed
The executor, working with estate and tax experts, can determine after all expenses and taxes are accounted for, that all of the assets are distributed properly. Only at that time can the estate be truly closed.



In My Opinion . . .

Robert J. Cole, Jr., CLU, ChFC, CASL, CFP®

Going Global

In June I attended the annual gathering of the Million Dollar Roundtable, an international group of successful financial services professionals. There were over seventy countries represented in a program that was simultaneously translated into thirteen languages, including English. In the twenty-plus years that I have attended this meeting of over six thousand attendees, this year was the first time that some of the presenters spoke in their native language. I had to listen to their speeches with a translator earphone - definitely a new experience for me - but one that the international attendees have been used to all along. Everywhere I went, the hallways and gathering places were alive with the sounds of conversations in foreign languages.

Much has been made about the concern that the American consumer will be unable to fuel the economic recovery due to the heavy load of debt that they are attempting to pay back. The thinking is that this large block of people, who will not be buying the goods and services that our domestic companies produce, won't have the money or the credit to do so. This reduction in consumption will slow corporate earnings and thus stall the stock market valuations. I have agreed with this line of thinking, up until my attendance at this meeting.

When I first heard the term "globalization", I took it to mean that America's culture would extend itself throughout the world. I now understand that the reverse is also occurring, some might argue at a faster rate. Some of this has been traumatic for our culture, but you can see many positive aspects as well.

I now see hope for a new source of consumer that will support our economic output while the American consumer resets. I witnessed first hand the yearning that many of these global professionals have for American products and know-how. Much of the world lags behind our standard of living and they are eager to join the lifestyle that we have enjoyed. Most of the people that I spoke with were devouring any information that they could find on how to help their clients attain the level of choice that many Americans now take for granted. Their passion to improve was impressive.

As we as a country rearrange our lifestyles, which had in some cases spun out of control, I see the possibility for a future where the best of all worlds converge to a new era of global prosperity. This period will see a somewhat reduced lifestyle for many Americans (which is probably a good thing) and an increased lifestyle for emerging economies (which is definitely a good thing). In short, I now hold the perspective that once corporate America retunes, it will find a great opportunity in an expanding global demand for its goods and services. The patient, diversified investor will reap the benefits of this process.

Until next time, that's my opinion . . .

Robert J. Cole, Jr., CLU, ChFC, CASL, CFP®
President