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Monument WEALTH MANAGEMENT

Gearing Up for a New Beginning-Retirement

Dean J. Catino, CFP®
Managing Director

People who are getting ready to wrap up their careers and leave the working world often refer to retirement as "a new chapter" or "the next act" in their lives - and rightly so. As a pre-retiree, you may have even used those analogies yourself.

But do you also realize that it's possible to play a leading role in determining how your retirement story will unfold?

An Outline for Success
You can start by plotting out exactly which options, resources and strategies you'll need to take advantage of in the near future. For example, ask yourself the following questions:

"When exactly will I retire?" Have you pinpointed your target retirement age yet? Even a couple of years can make a big difference in your personal savings and the amount of Social Security income you'll receive. For example, depending on your year of birth, you may not be eligible for full Social Security benefits until age 67. What's more, delaying Social Security benefits beyond that age may actually earn you "delayed retirement credits."

"Even a couple of years can make a big difference in your personal savings..."

"Which accounts will I use and when?"
These days, it's not uncommon for pre-retirees to hold retirement assets in several different types of accounts, such as employer-sponsored plans, IRAs, annuities and regular investment accounts. Therefore, you'll probably need to think about which accounts to tap first. Generally speaking, the longer your money can potentially compound in tax-advantaged accounts, the more you may be able to accumulate for retirement overall.

"How much will I need to withdraw?" There is no rule of thumb - such as withdrawing 5% of your balance annually - that fits everyone. Instead, you need to identify your specific cost of living requirements and plan accordingly. But consider this: If you were to withdraw 4% of a $500,000 nest egg each year, it would take more than 40 years to deplete the account (assuming 3% inflation and 6% investment returns annually). But by withdrawing 8% each year, you'd deplete the account in only about 17 years.

Continued on page 2.

Insurance Strategies to Help You Protect Your Business

Timothy R. Lee, CFP®
Managing Director

As a business owner, you need to ensure that you have adequate insurance coverage to protect family, business partner(s) and key employees, so that no matter what the future holds, the business can continue to provide for those who depend on it.

With the right insurance strategies in place, you can guard your business against financial loss due to illness, disability or death. Here are some tips for putting in place a proper plan that will help protect your business, yourself and your families' needs.

Obtain adequate life and disability insurance to cover all assets

Did you take out loans secured with personal assets to start or grow your business? If your family inherits the company and the loans have not been paid off, they might have to sell or liquidate the business (perhaps at a discount) to satisfy the debts. Protect them with an individual life insurance policy that provides funds to cover debts, ongoing living expenses and future plans.

Have a plan in case a business partner becomes the only partner

A buy-sell agreement ensures that you or your co-owner will buy out the other's share of the business when circumstances take one partner away from the company.

Develop an exit strategy

Be prepared to leave your business, no matter what the reason, with a strategy that focuses on four key areas: estate planning, retirement planning, succession planning and business valuation.

Insure the right-hand man (or woman)

Purchase key person life and/or disability insurance for employees who greatly contribute to the bottom line of your business; the policy's benefits can help make up for lost sales or earnings and help cover the cost of finding and training a replacement.

Take care of the employees, and they'll take care of you

Workers consider employee benefits (health, life, dental, vision insurance, retirement plans) a decisive factor when evaluating a new job opportunity. However, employee benefits can be costly, so if you are a small employer you will want to share the costs with your employees.

Reward the top executives

Section 162 plans (Executive Bonus Plans) are a simple way to reward top employees and offer certain tax advantages. Your employee purchases a cash rich insurance policy and names himself/herself as owner; you receive a tax deduction for paying the premiums, which are considered compensation to the employee.

Gearing Up for a New Beginning… cont.

So What's the Conclusion?

If you're among the millions of pre-retirees getting ready to turn the page to a new stage of life, the next step is to recalculate your retirement savings goal in order to confirm that you'll be able to address the priorities discussed above. After all, the planning you do now can have an enormous impact on your financial ability to live in financial security for the rest of your life

[1]*Hypothetical example for illustrative purposes only.*

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What's Happening at MWM

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This Quarter's Blog Posts

October
"Off The Wall"
Goodbye Third Quarter—Phew, Finally
Good Markets, Good Economic News, But A Sad Week
We Keep Seeing Better News—Really, I'm Not Kidding.
Third Quarter Gross Domestic Product—This Week
Four Positive Weeks in a Row—A Trick or Treat?
US News
Volatile Markets Have Turned Diversification on its Head—But Don't Panic
Can You Clean Up Your Holdings Without Wash Sales?
REITs in 2011: Mistake or Opportunity?
Tax-Free Wealth Transfer: This Season's Best Gift

November
"Off The Wall"
Four Week Record is Gone
The Market Was Up… It Just Didn't Feel Like It.
Hold Steady as Markets Ready for Holiday Rush
Not So Super
US News
How to Play Defense Against Volatility in Your Portfolio
Consumers, Confidence, and a Time to Buy
Retirement Risks: High Seas Ahead!

December
"Off The Wall"
Irrational Exuberance—It's Been 15 Years
Santa Claus Rocks
Europe and the Redskins
I Ate Too Much
US News
4 Reasons You Stink at Managing Your Own Money
Financial Planning Tasks for 2012

Read our "Off The Wall" blog posts on our website at www.monumentwm.com/mwm-blog

Our US News blog posts can be found on usnews.com

Speaking Engagements

October 25 –26
David Armstrong spoke at the SPA Structured Products Distribution Summit in New York, NY.

November 3
David Armstrong spoke at LPL Financial's Business Leader's Forum in San Diego, CA.

November 15-16
David Armstrong spoke on the panel at the 2nd World Cup of Trading ETFs in Palm Beach, FL.

December 7-8
Timothy MicKey spoke on the panel at IMN's 7th Annual Western Non-Traded REIT Symposium in Dana Point, CA.

In The Press

10-11-11
David Armstrong was featured in "Volatile Markets Seen Turning Even More Wild" on NewsMax.com.

12-12-11
Timothy Lee was featured in the Wall Street Journal Article, "How to Pay Your Financial Advisor."

12-21-11
David Armstrong was named one of the "30 Thought Leaders You Should Be Following in Financial Social Media" by Social Media Strategist & Speaker, Victor Gaxiola.

Safety in Numbers: Why Diversification Matters

Tim MicKey, CFP®
Managing Director

Think of investing as a venture into uncharted territory — but you need to pack well in order to strive for success. Don't rely on a single investment vehicle to pursue your investment goals. Rather, build your portfolio with a selection of investments designed to work together.

This process — dividing your investment dollars among different types of investments — is called diversification. The theory is based on the concept that asset classes tend to react differently to market conditions. With a diversified portfolio of investments, you may help reduce the risk that a loss in one asset class will drag down your entire portfolio.

Diversity Within and Among Asset Classes
To diversify your employer-sponsored retirement plan portfolio, select a mix of investments that are not too similar, but that will pursue your overall objective adequately. First, try diversifying among different asset classes, such as stocks, bonds, and money market investment vehicles.

Second, consider diversifying within an asset class, such as stocks. For example, if your primary objective is growth, you might choose to invest the majority of your money in "blue-chip" stocks and small-capitalization stocks.

You may also have the option of diversifying your portfolio with foreign investments. Foreign investments make up more than half of the world's market, so if you're not investing overseas, you may be limiting your opportunities. Because U.S. markets may not move in lockstep with some overseas markets, foreign investments may be a good way to diversify.

Foreign investing involves additional risks, however, including the risk of currency fluctuations, political upheavals, and higher taxation. Investors should carefully consider their ability to take on such risks before investing overseas.

Sometimes More Is Too Much
Diversification is often described as putting your eggs in different baskets. The combination of "baskets" you choose depends on your goals, time frame, and risk tolerance. Long-term investors may choose more stocks, while shorter-term investors may select a more conservative mix weighted toward bond and money market investments.

No matter what combination you choose, make sure each fund plays a specific role in your overall objective. In investing, more is not always better — strategic diversification is the key.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

Stocks of small companies involve greater risk than securities of larger, more established companies, as they may have limited product lines, markers and/or financial resources and may exposed to more erratic and abrupt market movements.

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We know that you have a lot to keep track of—but make sure you don't put all of your investment "eggs" in one basket!

Why Rip Van Winkle Could Have Been A Rock Star Investor

David B. Armstrong, CFA
Managing Director

As the story goes – and I'm testing my memory since I'm still reading the Steve Jobs biography – Rip Van Winkle drank some funky booze, slept for 20 years and missed the American Revolutionary War.

But what if it was a different period of time and he invested a ton of dough right before he sipped some of the old men's booze?

According to data supplied by J.P.Morgan Asset Management that looks back over 61 years (1950 to the end of 2010), the Standard & Poor's 500 Index (S&P 500) produced an annual average total return of 10.9% over those years.

So, if old Rip drank more of the same booze on New Year's Eve of 1949 than he did in the story and slept for 61 years instead of 20, he could have had an average annual rate of return of 10.9%.

Given those returns, I suppose he would have thought "Wow – seems like the past 50 years were pretty darn good historically and as an investor!"

Of course we all know that he would have slept through several horrible wars, the Cold War, stagflation, oil embargos, double digit interest rates, Black Friday, impeachment hearings, the 9/11 attacks, a presidential assignation, and - oh yeah - the world almost being destroyed by nuclear weapons during the Cuban Missile Crisis.

Turns out, the same goes for 2011 as well.

If you had gone to sleep on January 1, 2011, woke up on December 31, and checked the S&P 500, you would have seen that stocks were essentially unchanged for the year. The S&P 500 finished the year 0.04 points below its level prior to the opening bell on January 1, 2011. That's just about a 0% return (not counting dividends).

U.S. Stock Market Returns

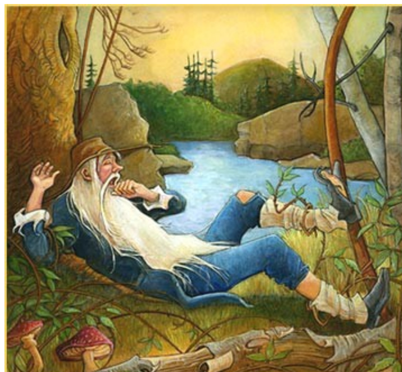
Which brings us to a review of the markets for 2011. The Wilshire 5000 Index is a good, broad measure of how well all U.S. stocks have done in general. With 5000 stocks in the index, it captures all sizes, styles and sectors better than any other index out there. It's simply huge. The Wilshire 5000 produced a total return of 0.98% for all of 2011. The S&P 500, as stated before, essentially posted no return (0%).

"If you had gone to sleep on January 1, 2011, woke up on December 31, and checked the S&P 500, you would have seen that stocks were essentially unchanged for the year."

Larger stocks generally fared better than smaller ones. The Russell 1000 Index, a measure of large capitalization stocks, gained 1.50%. The Russell Midcap Index was down -1.55%. The Russell 2000 Index, a measure of small capitalization stocks, was down -4.18%. Performance in the technology and commodities markets was also muted with the Nasdaq Composite Index falling -1.8% during 2011, and the Standard & Poor's GSCI Commodities Index declining-1.18%

International Stock Market Returns

International stocks, impacted by sovereign debt issues, had an unsurprisingly horrible 2011. The MSCI EAFE Index produced a loss of just about -15%. This index shows the returns of stocks in developed markets (classified as Western European countries and Japan). The MSCI Emerging Markets Index lost almost -21%.



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Lifestage Investing: Strategies for the Ages

Investing is a lifelong process. And regardless of what financial stage of life you're in, you'll have to decide what your needs are and how comfortable you are with risk.

"...the actual investment strategies that you decide to implement probably should reflect your current lifestage."

From there, however, the actual investment strategies that you decide to implement probably should reflect your current lifestage.

Why? Because as your investment goals change over time, your asset allocation will likely need to change as well.

Time and Risk Tolerance
All investing involves a certain amount of risk. But if you plan to hold an investment for a long time, you will probably be able to tolerate more risk, because you may have the opportunity to make up for any losses that might occur early on. For a shorter-term goal - such as saving to buy property or to pay for a child's education in the not-too-distant future - you may want to take on less risk and have more liquidity in your investments.

For example, if you're now less than 10 years from retiring, protecting your assets may become more important than continuing to aggressively pursue additional growth. In this case, you may want to gradually shift more of your assets into bond and money market holdings. (Needless to say, I can help you do this.)

Should You Leave It All to the Pros?
For people who lack the time or desire to closely monitor and manage a well-diversified portfolio, a so-called lifestage (or lifestyle or lifecycle) fund may be a suitable choice.

Instead of investing exclusively in stocks, bonds or cash, these funds typically invest in a mix of securities from multiple asset categories. In theory, that strategy allows a fund's management to pursue the best possible returns for investors while maintaining a predetermined and managed level of risk.

For example, the manager of a lifestyle fund based on your planned year of retirement may gradually adjust its investment mix over time on the assumption that the fund's investors want a more conservative asset allocation as they get older. Yet other types of lifestyle funds may always strive to maintain the same allocation, thereby requiring investors to reallocate on their own each time they reach a new stage of life.

"[Some types of lifestyle funds require] investors to reallocate on their own each time they reach a new stage of life."

What type of lifestage investment strategy makes the most sense for your situation? I can't answer that question without speaking to you first, so please feel free to schedule a meeting with me to discuss this timely topic.

Mutual funds are sold by prospectus. Please carefully consider the investment objectives, risks, charges and expenses of the fund prior to making an investment. The prospectus, which contains this and other information, can be obtained by calling your financial advisor or by contacting a fund company directly. Please read it carefully before you invest. Life cycle funds are subject to asset allocation risk, and the risks in varying degrees over time associated with the underlying equity funds and fixed income funds.

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We hope that you enjoyed the holidays and have started off with a wonderful new year!

Why Rip Van Winkle… *Cont.*

What does it all mean?

Just as old Rip would have slept through all those hardships over 61 years, so too would you have slept through some tough times and extraordinary events in 2011 – the European debt crisis, the Arab Spring complete with regime changes in Egypt, Tunisia and Libya, escalating tensions over Iran, a tsunami and nuclear catastrophe in Japan, the death of a leader and corresponding regime change in North Korea, U.S. political turmoil and a volatile August where 60% of the trading days saw moves of greater than +/- 1% in the S&P 500.

The point is very similar to one we always make – the only thing that should drive changes in a long-term investment strategy is a need to change your financial plan. The two primary reasons people make changes to their financial plan are 1) a change in goals and objectives and 2) a change in the need for short term liquidity.

Never make changes to your financial plan or its corresponding investment strategy based on current events, fear, greed or what someone on TV is saying. Investors that do that almost always sell at the bottom and rebuy at the top.

Most people at the end of August would have never predicted that the S&P 500 would have ended the year flat. In fact, a lot of people were predicting a double dip recession.

I hope that helps prove the point that changes based on emotion rather than real planning issues only begin a guessing game that has the possibility of ending poorly.

We think that those who “slept through” 2011 may not have had as much anxiety as those who were aware of and tracking every twist and turn the market took last year.

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This material was prepared in part for the representative's use.

Definitions:

- *The Standard & Poor's 500 Stock Index (S&P 500) is an unmanaged capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*
- *The Morgan Stanley Capital International ("MSCI") Europe, Australia, Far East Index ("EAFE") is an unmanaged index of over 900 companies, and is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas markets included in the index on a U.S. dollar adjusted basis. The index is calculated separately without dividends, with gross dividends reinvested and estimated tax withheld, and with gross dividends reinvested in both U.S. dollars and local currency.*
- *The S&P GSCI is a leading measure of general price movements and inflation in the world economy and is a benchmark for commodities markets.*
- *The Wilshire 5000 Total Market Index, which consists of more than 5000 companies, represents virtually all of the capitalization of the entire U.S. stock market.*
- *Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.*