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Financial Planning Strategies

A Financial Planning Update

From the Desk of:
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Mr. Kennedy's investment philosophy is the same that he has practiced over the last decade: securities markets are efficient and advisors primarily add value by coordinating the asset allocation for clients based upon risk tolerance, objectives, and time horizons. The firm has constructed 5 models for clients that vary in risk to meet the goals of each client. The firm primarily uses passive mutual funds in each model and uses select actively managed funds for bond, commodity, and real estate exposure. ITI uses several research resources, including many that were used over the last 20 years, to assist with the recommended asset allocation and the appropriate funds to utilize in each model.

Mr. Kennedy is an Investment Advisor Representative of ITI Financial Management, LLC. Investment services are offered through ITI Financial Management, LLC, a registered investment adviser with the state of Missouri.

Unmarried Couples: Treading the Tricky Waters of Pooled Finances

For a variety of reasons, many couples, regardless of age, may find themselves living together for a period of time as unmarried partners. If you find yourself in this situation, it's important to make conscious decisions about how to handle personal and household finances because unmarried partners lack many protections the law extends to married couples. If you and your partner pool your financial resources, there are no divorce courts, laws, or uniform legal guidelines to separate your combined assets if your relationship ends. So before wading into this uncharted territory, it's worth taking a moment to consider the following questions:

- If you and your partner merge your finances, will this be limited to household expenses, or will you share income, as well?
- *How* will you share household bills—equally or according to each partner's income or use?
- Will you hold joint checking and credit card accounts?
- How will you handle retirement planning for the long term?

Treading Tricky Waters

Joint bank and charge accounts may carry some drawbacks for unmarried couples. Each partner is fully responsible for the *entire* amount of any *joint debt*. Creditors can seize funds in a joint account to satisfy one partner's debt. And, if one partner depletes the funds in a joint account, or fails to pay for his or her credit card charges, this could damage the other's credit rating.

As an unmarried partner, you also face unique difficulties when it comes to retirement planning, since you may be ineligible for two key sources of retirement income that many spouses depend on—spousal benefits from both Social Security and defined benefit pension plans.

Before combining your finances, it's a good idea to have a candid, in-depth discussion of your financial values and goals. Only by addressing these issues honestly, will you have a solid basis for making financial decisions.

An Ounce of Prevention. . .

Before opening a joint checking account, select one that requires *both* signatures for withdrawals. Have a clear understanding of what expenses the funds will cover. Keep detailed, up-to-date records of the contributions you each make toward shared expenses, otherwise verification of these contributions may be difficult, if the relationship ends. And, if you do part company, close all joint bank and credit card accounts as opposed to just dividing them up.

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Your Family Business and Estate Planning

If you are like most entrepreneurs, you don't expect the business you worked so hard to establish to falter when you are no longer here to run it. But sometimes, when business owners die without leaving wills or estate plans, the business must be liquidated to pay the tax liability, or the company collapses because family members have not been sufficiently prepared to take over operations. If you own a family business, you may want to consider taking steps *now* to help ensure this valuable asset will remain intact for your children, grandchildren, and others.

Business Succession Planning

Business owners often fail to establish formal succession plans because broaching the subject can be unpleasant. Grooming a family member for succession can be equally challenging due to conflicting personal and professional relationships. In some cases, business owners may feel pressured by long-standing sibling rivalries or family disputes.

As difficult as business succession planning may be, the consequences of not establishing a continuation strategy may be even more costly. Here are some suggestions for developing a formal succession plan strategy:

- Appoint a successor to take over as head of the company while you are still involved in the business, so that he or she can learn the business from you. Provide your successor with the mentoring and education needed to do the job, but also the opportunity to develop an individual leadership style.
- Consider your options for transferring business interests in, and control of, the company to the next generation, such as making gifts of ownership interest, selling stock to your successors, setting up a stock redemption deal, or even starting a new business for your children.
- Prepare now to minimize the tax liability of your estate upon your death. Keep in mind that future changes in the tax laws will likely be of concern to your heirs. It is essential that you seek qualified professional advice on how best to plan your estate.
- Draw up a buy–sell agreement that clarifies to whom, and at what value, your business should be sold in the event of your death. This agreement should be funded, usually with a life insurance policy, savings, or a loan.

Business continuation can be a complicated and emotional experience for business owners. A dual strategy of open and honest communication with family members and guidance from a team of estate planning professionals may help maintain the success of your business and preserve your family's business ownership. $

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Remember, you are each *fully* responsible for all charges on a joint account. In addition, keep in mind that it's important to establish and maintain your own separate credit history.

When it comes to retirement planning, unless you have a written agreement or **irrevocable trust** that will withstand a permanent separation, you may want to consider yourself as a single individual and plan accordingly. However, if you should decide to plan for retirement together, here are some strategies to look at: Investigate the possibility of joint and survivor benefits; designate each other as the beneficiary of life insurance policies and qualified retirement plans; and cross-own life insurance policies.

Another step worth considering is a **domestic partner agreement**. This is a legal contract between unmarried partners that can clarify the sharing of income, expenses, and property. It outlines each partner's ownership rights, and states his or her intentions for the distribution of his or her property if the relationship ends or if one partner dies. However, the acceptance of these agreements varies from state to state. Therefore, be sure to consult a qualified legal

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Who Needs Disability Income Insurance?

I am all set. I'll be fine. I've got plenty of insurance already. Have you thought the same about insurance or made these statements before? Maybe you do have an appropriate amount of coverage, but do you have plans to protect your income stream in the future? Although many people understand that an unexpected accident or illness could affect their ability to earn income, they are unprepared for a sudden, permanent disability that could decimate a lifetime of savings and cut off income altogether.

Typically, permanent disability involves sustaining an illness or injury that results in an inability to perform certain work and daily activities for the foreseeable future. While some professions and occupations may be a higher risk than others, all workers who depend on their income may want to consider purchasing protection in the event of an accident or illness.

Consider the benefits of disability income protection under the following scenarios:

Jobs requiring specialized abilities. Replacing income without **disability income insurance** can be especially challenging; comparable pay and work conditions may be difficult to restore. Years of vocational training, professional experience, and education are invaluable but may be rendered useless if a disability occurs. Occupations that require physical labor are particularly vulnerable to physical disabilities; however, physical impairments are just *one* type of disability. Workers from all professions are equally vulnerable if an *emotional* or *mental* disability affects their usual functioning.

One- and two-income families. Parents, in-laws, siblings, or friends may not be able to offer immediate emergency financial help or ongoing support if you should become disabled. One-income households are particularly vulnerable to the permanent or temporary loss of that income. A family situation in which each partner or spouse covers between 30% to 70% of financial need may also be greatly impacted by the loss of one income.

Small businesses. Partnerships and corporations (i.e., business enterprises run by two or more owners) are particularly vulnerable to the effects of a disability. If a disability curtails the involvement of one owner, the other owner must either "carry" the co-owner or close the business. In addition to earnings lost, the disabled business owner may miss certain planning opportunities, such as preparing for retirement.

High stress, service, and production-oriented occupations. Long hours, deadlines, quotas, and the heightened pace of modern living place a tremendous burden on both mind and body. While a healthy diet, physical exercise, meditation, and relaxation are popular stress inhibitors that may extend our life expectancies, even health-conscious workers face the possibility of sustaining a disabling accident or illness.

Group and individual disability income insurance policies cover most individual concerns and family or business situations. Careful planning with a qualified insurance professional can help ensure that you have the proper amount of coverage for your unique circumstances.

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professional for your unique circumstances.

Look before You Leap

There are many options unmarried couples can choose to handle their finances. The least complicated and "safest" approach may be to keep your finances separate. However, this isn't always convenient, and it may not promote trust in relationship building. But, by understanding the concerns you may face as an unmarried partner, and speaking with your trusted advisors, you'll be in a better position to determine the appropriate decisions to make for your financial and emotional well-being in this type of domestic arrangement.

Protecting Your Financial Information Online

More consumers are conducting financial transactions online and may become vulnerable to tracking, hacking, identity theft, phishing scams, and other cyberspace risks. While nothing can guarantee *complete* safety on the Internet, understanding how to protect your privacy can help minimize your exposure to risk.

Here are some ways to safeguard your information:

Read privacy policies. Before conducting any financial transactions online, carefully read the privacy policies of each institution that you plan to do business with to find out how secure your financial information is. If you do not understand the legal jargon, email or call customer service to request a simplified explanation of the privacy policy.

Avoid using weak PINS and passwords. When deciding PINS, passwords, and other login information, avoid using your mother's maiden name, your birth date, the last four digits of your Social Security number, or your phone number. Avoid other obvious choices, like a series of consecutive numbers or your home town. Also, do not use the same PINS and passwords on multiple sites.

Look for secured web pages. Use only secure browsers when shopping online to safeguard your transactions during transmission. There are two general indicators of a secured web page. First, check that the web page url begins with "https." Most urls begin with "http;" the "s" at the end indicates that the site password will be encrypted before being sent to a third-party server. Second, look for a "lock" icon in the window of the browser. (It will not be in the web page display area.) You can double-click on this icon to read details of the site's security policy. Be cautious about providing your financial information to websites that are unfamiliar. Larger companies and well-known websites have developed policies to protect the rights and financial information of their customers. So, resist the temptation of providing personal information to unknown companies.

Keep your operating system up-to-date. High-priority updates are critical to the security and reliability of your computer, and offer the latest protection against malicious online activities. When your computer prompts you to conduct an update, do it as soon as possible.

Update antivirus software and spyware. Keep both your antivirus and your spyware programs updated regularly.

Keep your firewall turned on. A firewall helps protect your computer from hackers who might try to delete information, crash your computer, or steal your passwords or credit card numbers. Make sure your firewall is *always* on.

Do your homework. To learn more tips for securing your computer and protecting your private information when conducting financial transactions online, visit www.getnetwise.org, www.onguardonline.gov, or www.wiredsafety.com.

In addition, the Federal Trade Commission (FTC) works on behalf of consumers to prevent fraudulent, deceptive, and unfair practices in the marketplace. To file a complaint or to obtain more information, visit www.ftc.gov or call 1-877-FTC-HELP (1-877-382-4357).

As the Internet continues to evolve, new risks, along with additional protective measures, will be revealed. However, it is up to *you* to safeguard your financial information online through education and awareness. $

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