

# PLANNING Perspectives

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## Optimism for 2009

By Robert J. Blattel, CFP

As 2008 becomes a bad memory, we at Blattel & Associates wish all of you a very prosperous and happy new year. Now that 2009 is here, we will again be making progress towards financial goals.

**The Recent Past.** The key word to describe the fourth quarter in 2008 was “volatility.” However, according to Sam Stovall, Chief Investment Strategist at Standard & Poor’s Equity Research, a peak in volatility has historically occurred within one month of major bear market bottoms since 1960. “Any way you look at it, we think prices will likely turn higher before the economy or corporate earnings do,” says Stovall. This lends a general sense of optimism to 2009, even for the first half of the year.

**Forget About It.** Forget about market timing. There is no way of knowing exactly when stocks will hit bottom. If you are out of the market when the rebound kicks in,

your future financial well-being could be severely hurt. Consider this: In the first 40 days of a new bull market, stocks typically regain a third of what they lost during the bear, according to Standard & Poor’s. If you miss that you will certainly not feel good about it.

**Strategies To Remember.** Markets like this can really throw off asset allocation. The need to rebalance becomes an important tool in order to take full advantage of any

upturns in the market. Many of Blattel & Associates’ clients have been rebalanced as of December 2008.

Also, the fund managers that Blattel & Associates deal with are working hard to own great companies for us. Many of these great companies have incredible amounts of cash on their books and are selling at very cheap prices. These companies, like McDonald’s and The Coca-Cola Company, will provide the long-term growth and income that solid investment portfolios need.

There is a reason for hope in 2009. Volatility breeds opportunity. And this year should bring us the opportunity to ease financial anxieties and move forward towards financial goals. We encourage all of our clients to come in for your scheduled reviews and attend our special events to hear our distinguished presenters. As always, we are available to meet and answer your questions or discuss any topics important to you.



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Win a gift certificate!

# Resolutions for a Financially Healthy 2009

**M**oney isn't everyone's No. 1 worry, but if it's yours, why not consider the following resolutions to improve your financial life? Resolve:

1. To write down your goals: Putting goals in writing gives them a formality and a starting point for the planning you must do.

2. To track your spending: If you haven't purchased financial accounting software or set up a reliable accounting method of your own, this is the year to do it. Diligent expense tracking is the first critical step to getting personal finances in order.

3. To consider advice on taxes and planning: Start getting references on good tax professionals and consider sitting down with a **CERTIFIED FINANCIAL PLANNER™** professional to discuss your current retirement savings picture and what you can do to improve it.

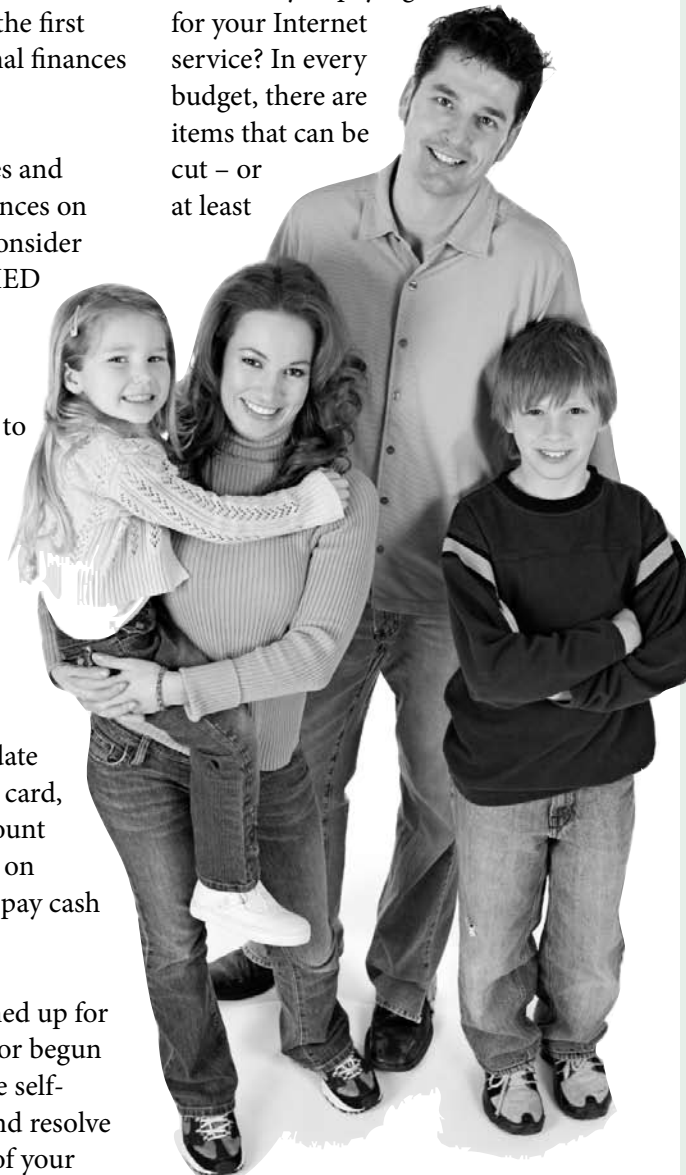
4. To cut your credit card debt: If you can't ever seem to get yourself completely out of credit card debt, make this the year to do it. Take inventory of your balances, figure out if you can consolidate them under your lowest-rate card, and resolve to pay off an amount that exceeds the minimum – on time, every month. Oh, and pay cash from now on.

5. To save: If you haven't signed up for your employer's 401(k) plan or begun a savings plan tailored for the self-employed, this is the year. And resolve to save at least 5-10 percent of your

take-home pay based on your cash flow, and place the maximum in whatever retirement savings plans you qualify for.

6. Invest in yourself: If going back to college or taking specific coursework will help you advance in your career, plan to do it. If investing in a health club membership actually makes sense for your health as well as your insurance costs, do it.

7. To attack that miscellaneous column: Do you really need deluxe cable? How much are you paying for your Internet service? In every budget, there are items that can be cut – or at least



trimmed. Take a hard look at all your “essentials” to see how essential they really are.

This column is produced by the Financial Planning Association and is provided by Robert J. Blattel, a local member of FPA.

## Calendar

### FEBRUARY 2009

February 16  
**President's Day**  
Stock Market closed.

### MARCH 2009

March 3 & 10; March 11 & 18  
**Blattel & Assoc. will be teaching retirement courses at SCCC.**

March 7  
**Client Breakfast Seminar**  
Invitations will be mailed.

### APRIL 2009

Date To Be Announced  
**Evening with an Economist event**  
Invitations will be mailed.

April 10  
**Good Friday**  
Blattel & Associates closed.  
Stock Market closed.

April 15  
**Tax returns due.**  
Deadline for 2008 IRA & Roth IRA contributions.

### MAY 2009

May 9  
**Annual Car Show**

# Picking Beneficiaries for your IRAs & 401(k)s

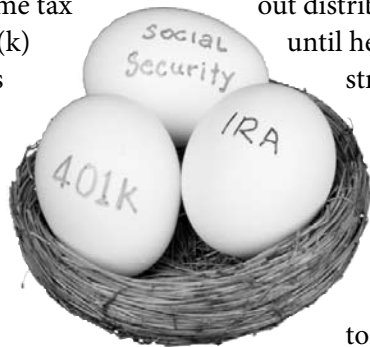
Inheriting IRA or 401(k) proceeds from a friend or relative can be a potentially huge windfall, but it can also be a sizable tax headache. For both the giver and the recipient, it's worth getting some advice.

Bank accounts, stocks, real estate and life insurance proceeds generally pass to heirs free of income tax. However, inherited retirement benefits can be a different story. Beneficiaries have to pay ordinary income tax on distributions from 401(k) plans and traditional IRAs after they are inherited. (You don't see the same problem with Roth IRAs – their benefits can be free of income tax to your heirs if all tax requirements are met.)

A financial planning professional or an experienced tax advisor can work with you based on your personal tax and estate circumstances to determine an inheritance strategy that is best for you. Some general guidelines:

Spouses are the first stop: Federal law dictates that your surviving spouse must be the primary beneficiary of your 401(k) plan benefit unless your spouse signs a waiver to redirect those funds.

Even with a traditional IRA, naming the spouse as the primary beneficiary may be an appropriate option. Should the surviving spouse have his or her own IRA, this approach would allow them to simply roll over the assets from the decedent's IRA into their own. Furthermore, if the surviving spouse is significantly younger than the deceased, the surviving spouse would receive the added benefit of stretching out distributions from the IRA



until he or she turns 70 1/2. The stretch-out allows the assets to continue to grow on a tax-deferred basis, thereby maximizing asset value and delaying any income tax due. When might you want to rethink a spousal beneficiary? When the surviving spouse's estate is expected to be large enough to exceed the applicable exclusion amount for federal and state estate taxes. The applicable exclusion amount after allowable expenses is \$2 million in 2008 and above \$3.5 million in 2009. It should also be noted that in addition to federal estate tax, many states impose a

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**BOB'S** *Cornes*

International Year of Astronomy 2009

Just 400 years ago Galileo turned his telescope to the sky. Stargazers from around the world are preparing for the International Year of Astronomy to celebrate the anniversary of this momentous event. A staggering 135 nations are preparing activities to bring the universe closer to Earth. Among the many activities will be the "100 Hours of Astronomy," whose goal is to have as many people possible look through a telescope. That event is taking place from April 2-5, 2009. The St. Louis Science Center is also getting in on the action. To learn more about their events, call them at 314-289-1437.



I personally have been fascinated with the skies for many years now. I built a 10" Dobsonian Reflector Scope over 25 years ago. I also own an 8" Celestron Schmidt-Cassegrain computerized telescope. It has a memory of over 25,000 celestial objects and has the ability (once it's been aligned) to find a given object and keep the object centered with its motor drive. If you have any astronomy questions, or would like to view the stars sometime, please give me a call.

*Bob*

## Return for Reward

We value your opinion. Thank you for providing your feedback by answering the following question.

Would you attend a seminar specifically geared for parents and their adult children?

Yes, we would attend with our children/parents.  
 Yes, but without our children/parents.  
 No, that does not interest us.

Please suggest any seminar topics you are interested in.

Would you prefer to receive this newsletter by email? Please print your email address here.

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Enter to win our quarterly drawing! Simply return this form to: Blattell & Associates, Attn: Planning Perspectives, 1 Mid Rivers Mall Dr., Ste 260, St. Peters, MO 63376. You could win a restaurant gift card!

Name

Address

City, State and Zip Code

Daytime Phone Number

Please call me to set up an appointment.

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state tax on estates with considerably lower asset levels (often anything over \$1,000,000). Proper estate planning may alleviate this issue.

What about non-spousal beneficiaries? Today, non-spouse beneficiaries may be able to roll over all or a part of inherited 401(k) benefits to an inherited IRA. A recent change in IRS regulations still requires non-spousal heirs to withdraw a minimum amount from Inherited IRA assets every year, but it's based on the age of the recipient rather than the age of the decedent.

Establishing a Stretch IRA: Due to recent changes in the minimum distribution law, taxpayers may now establish IRAs designed to stretch out the time period over which a non-spouse beneficiary (i.e. child) is required to take minimum distributions from an inherited IRA. Proper use

of this vehicle may potentially allow for continued growth of tax-deferred earnings over multiple generations and can have a substantial impact on the future value of the family portfolio.

Naming trusts or charities as beneficiaries. Placing IRA assets in trust can have

***Proper use of a Stretch IRA can have a substantial impact on the future value of the family portfolio.***

substantial advantages but can be complex. It should only be considered after receiving tax advice from a competent professional. It is particularly important to get tax advice related to this issue. Trusts can be complex instruments with which to bequeath assets, and even though naming a charity as one's primary beneficiary will not affect distributions in your lifetime, it could affect the tax consequences for non-charitable beneficiaries who are sharing the same asset upon your death.

This column is produced by the Financial Planning Association and is provided by Robert J. Blattel.

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