SMITH FINANCIAL GROUP

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I am NOT waiting this one out!

During the past 6 months I have heard lots of people at my presentations say "I guess we just have to wait until the market comes back." My answer is always the same – that's the surest way to financial ruin. It means that you are putting your financial future in someone else's hands and somehow believing that the very thing that put you in this mess will, somehow, get you out seems like faulty thinking. In times like these I always look to other times of recession & depression and see what others did to be successful.

This is very new territory for most of you reading this newsletter. The vast majority of you have been investing during the best Bull markets ever. Because of that, most people feel very comfortable with the advice to "just wait and the market will come back up." After all, it always has during the times most of you have been investing. However, if you followed this advice during the mid-60's, 70's and the early 80's, after the great Bull market of the 50's and early 60's, you would have had to wait almost two decades before you were right! Can your retirement plans afford to wait that long?

During that time there really weren't as many choices or techniques regarding what to invest in and how to do it as there are today. CD's and savings bonds were the major component of most middle income savers and investors. Only a small handful of people actually even knew how to invest in stocks, bonds or mutual funds and few companies had a 401(k) plan to invest in. But today we have numerous choices when it comes to investing for ourselves. Unfortunately, we also have a far more complex tax code now that requires extensive training and experience to understand and even more specialized experience to use to enhance our financial lives, not burden them.

So, let's bring this down to a personal level. What are the current and impending issues we all need to deal with? Here is a starting list of things that need to be addressed in your financial plan:

- **Equity markets are unlikely grow at the same rates as the 80's and 90's.**
    - The average annual returns of the 80's and 90's (nearly 16% on average) were historically very high
    - Warren Buffet and other financial investors are projecting growth rates closer to 5-6% annually. Growth rates will be even lower if we are truly in a traditional Bull market.
    - Most Financial "Guru's" and "Smart People" agree – what got you hear, isn't going to get you where you want to go!
    - **Solution:** Use strategies that allow you to keep your gains and never give them back!

- **Taxes are going up – you can pay now or pay later.**
    - Which you should choose will depend on what you can do now and on what you believe your earnings will be in your retirement years.
    - With the shortfalls that were already projected for Social Security, Medicare and Medicaid combined with the latest bailout expenses either taxes will rise or benefits will be cut, or potentially both.
    - You will never be too old to pay taxes.
    - At 70 ½ the IRS will require you to start using up some part of your pre-tax retirement savings (IRA, 401k, 403b, 457, etc.).
    - **Solution:** work with me to understand how to lower your taxes to the lowest levels at the appropriate times for you.

- **Health care costs are a double risk to you.**
    - Medical Care
        - Higher costs for Medical Insurance premiums, higher deductible and many other strains on the system make having access to health care in retirement a high priority.
        - Lock in this benefit for yourself as soon as possible. It is a high priority.
        - **Solution:** Review your options now!

- Long Term Care should be a priority
  - There is a VERY high likelihood (50% or higher) that you will use Home care or Nursing home care before you die.
  - Costs currently run about $60,000 per year in the Central Texas area and are going up at about 5% per year.
  - If this potential cost is not accounted for it can easily wipe out a lifetime of savings and retirement planning in just a few months.
  - **Solution:** Review to decide whether to put Long Term Care (LTC) insurance in place or to self insure this risk.

So, what should we be doing today? The answer is simple. Find someone to work with who understands the tax and financial challenges as well as the laws and rules that exist today and work with them. Unless you work full time with the world of investment and financial strategy it will be nearly impossible to understand the techniques and tools necessary to invest in today's volatile financial environment. Things are changing just that fast!

Here is what I would do:

- ***Call and set up some time to meet.***
  - It's free to talk and its custom tailored to you.
  - This first step is the hardest. Get past this one and everything else is easy.

- ***Work on a plan specific to you.***
  - Lingering financial issues WILL NOT just disappear on their own, especially debt
  - Financial issues do get better when you focus on them

- ***Be sure to address the 3 main issues that every financial plan MUST address.***
  - **Get rid of debt** – too many people believe that debt is a way of life. It's not. You can become debt free and stay that way. You need a plan that gets you there.
  - **Lower taxes** – whether earned income, capital gains or inheritance taxes there are smart techniques and strategies for lowering each of these taxes and controlling their impact in your life.
  - **Set money aside for retirement** – having good counsel on which of the many tools, investments and strategies you should take advantage of for the best retirement you can possibly have.

- ***Work with a financial professional and implement your strategy***
  - I can help with financial and tax strategies & tactics. Both will be needed for a success.
  - Have patience. You didn't get here overnight. Give yourself time to see the results.
  - Stick with the plan, but review the results often and make corrections as needed

Now is the time to act. These are the times when people make the changes that really pay off in the years to come. The mistake most people make is in doing nothing. Their inaction keeps them from ever achieving the great results they want in their financial life.

Remember, if a year ago someone told you to take all your investments and move to cash, or cash equivalents, you would have probably thought they were crazy. However, they would have been **RIGHT** and you would have avoided huge losses in your market investments. The hard part of this advice would have been acting on the advice you received. Call today and let's discuss why you need to review where you are financially and put in place a plan that will let you grow your money and keep the growth you get. After all, if you don't keep your gains, what good are they?

Sincerely,

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