



Raymond James Financial Services

Jerry Rice, CFP®

Brian J. Rice

Financial Advisors

106 Apple Street

Tinton Falls, NJ 07724

732-345-9001

brian.rice@raymondjames.com

www.raymondjames.com/redbank

This time of the year gives us all the opportunity to put the values that guide our lives in perspective. Jerry underwent surgery last week to repair a bulging disc that was pinching a nerve in his neck. We are happy to report that the surgery went well and he is home, feeling better and looking forward to spending the holidays with his family. He will need to recuperate from home, much to his dismay, but he is never out of touch.

The Rice Team wishes you enduring happiness and hopes this year's holiday season provides you with lasting enjoyment. May the joys of the season stay with you as you celebrate the new year.

Since Christmas Day and New's Year Day both fall on a Sunday, the financial markets and our office will be closed on Monday, December 26 and January 2. Of course, you can access your account using Raymond James Investor Access at any time, year-round.

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Simplified Employee Pension Plans (SEPs)



If you're a small business owner thinking about adopting a retirement plan, you should consider a SEP (simplified employee pension plan). A SEP allows you to make retirement contributions to traditional IRAs (SEP-IRAs) set up for yourself and each eligible employee. (If you don't have employees, you can adopt a SEP for yourself alone.) Your contributions are deductible from your business's income, and excluded from your employees' income. Virtually any business owner can establish a SEP.

What are some advantages of a SEP?

- Fairly high contribution limits. For 2012, you can contribute and deduct up to 25% of each employee's W-2 compensation (up to \$250,000, \$245,000 in 2011). If you're self-employed, the contribution to your IRA can't exceed 20% of your net earnings from self-employment. Contributions can't exceed \$50,000 per participant (\$49,000 in 2011).
- You don't have to make contributions to the SEP every year. However, if you do make a contribution, you must generally contribute a uniform percent of pay for yourself and each eligible employee.
- You have until the due date of your business's federal income tax return (including extensions) to set up a SEP and make contributions.
- SEPs are fairly easy to set up and inexpensive to operate. You can establish a SEP by using a simple two-page IRS document (Form 5305-SEP), or by adopting a prepackaged prototype SEP from a bank, insurance company, or financial institution.
- Reporting requirements are minimal.
- A SEP doesn't preclude you or your employees from establishing or contributing to a separate IRA. (However, participation in the SEP may impact whether or not annual traditional IRA contributions are deductible.)
- Employer contributions can be made after age 70½.
- Generally, you won't have fiduciary

responsibility for your employees' investment decisions.

What are some disadvantages?

- All employees must be included in the SEP except employees who have not attained age 21, haven't worked for you in at least three of the last five years, or earn less than \$550.
- Your contributions vest immediately. This can be costly if you have high employee turnover.
- Unlike a 401(k) plan, employees can't make pretax contributions or Roth contributions to a SEP (but a SEP can accept annual and rollover IRA contributions, like any other traditional IRA).
- Plan loans are not allowed.
- A SEP-IRA may provide less protection from creditors outside of bankruptcy than some other alternatives.

What are my options?

A number of other types of retirement plans are available to small business owners, including 401(k) plans, profit-sharing plans, defined benefit plans, and SIMPLE IRAs.

If you have no employees (other than your spouse) and don't anticipate having any in the near future, a solo 401(k) plan may be a better choice, as it may allow a higher deductible contribution than a SEP. For example, if you're incorporated, you can receive an employer contribution of up to 25% of your W-2 income (to \$250,000 in 2012, \$245,000 in 2011) (like a SEP) but in addition, you can make up to \$17,000 (\$16,500 in 2011) of pretax employee contributions (plus an additional \$5,500 of catch-up contributions if you're age 50 or older). Total contributions (employer and employee) are limited to \$50,000 in 2012 (\$49,000 in 2011), plus any catch-up contributions (or, if less, 100% of your compensation).

Unlike a SEP, a solo 401(k) can allow plan loans and Roth contributions. And because a solo 401(k) doesn't cover any common law employees, it's simpler to administer than a regular 401(k) plan (because the Employee Retirement Income Security Act of 1974 (ERISA) does not apply).



The one-size-fits-all fill-in-the-blank forms that do-it-yourself estate planning sources provide may be attractive to some individuals because they cost a fraction of what attorneys typically charge. But is saving a few dollars worth the risk and potentially high cost of doing things incorrectly?



The Problem with Do-It-Yourself Estate Planning

As the number of Internet websites and software packages have quickly multiplied, along with the many books and stationery store kits that have always been available, do-it-yourself (DIY) estate planning is on the rise. The one-size-fits-all fill-in-the-blank forms that these sources provide may be attractive to some individuals because they cost a fraction of what attorneys typically charge. But is saving a few dollars worth the risk and potentially high cost of doing things incorrectly?

Cheap, easy, and better than nothing?

Proponents of DIY estate planning typically have two arguments:

1. It's cheap and easy: A will, for instance, can be completed online in about 15 minutes for about \$69. In comparison, working with an experienced attorney to create common estate planning documents (wills, trusts, health-care directives, and powers of attorney) may cost you anywhere from \$800 to \$3,000 or more, depending on the complexity of your estate.
2. It's better than nothing: The consequences of dying without estate planning documents are that the state will make important decisions for you, such as how your property will be distributed, who will care for your minor children, and what medical care you'll receive if you are unable to make your wishes known.

These points are valid; for those who cannot afford to pay an attorney, DIY may be the only economical alternative available. For others, a poorly drafted will is better than no will at all, especially where the naming of a guardian for minor children is involved. But the chances that DIY estate planning will effectively accomplish exactly what you intend is slim. Here's why.

It's too easy to make mistakes

DIY sources typically only handle simple estates, and can't deal with even the most common complexities such as children from a prior marriage, children with special needs, property that has appreciated in value resulting in capital gains, or estates that are large enough to be subject to estate taxes. And, DIY sources generally fail altogether to take advantage of sophisticated estate planning strategies because they typically can't account for an individual's unique circumstances.

Further, you may make an error by failing to understand the instructions or by following the instructions incorrectly.

The result is that the documents you create could be invalid, ineffective, or contain legal language having consequences you never intended. You might not know if that is the case during your lifetime, but at your death your loved ones will find out and may suffer the lasting consequences of your mistakes.

You're not getting legal advice

DIY sources provide forms but not legal advice. In fact, these sources clearly state that they are not a substitute for an attorney, and that they are prohibited from providing any kind of legal advice.

Estate planning involves a lot more than producing documents. It's impossible to know, without a legal education and years of experience, what the right legal solution is to your particular situation and what planning opportunities are available. The actual documents produced are simply tools to put into effect a plan that should be specifically tailored to your circumstances and goals.

Estate planning laws change

Laws are not static. They constantly change because of new case law and legislation, especially when it comes to estate taxes. Attorneys keep up with these changes. DIY websites, makers of software, and other sources may not do as good a job at keeping current and up-to-date.

Fixing mistakes can be costly

As previously stated, estate planning documents can be obtained from a lawyer for \$800 to \$3,000 or more, depending on the complexity of your estate. But these costs are minor in comparison to the costs that your loved ones may incur if there are serious errors in your DIY estate planning. Many more thousands of dollars may have to be spent by your loved ones to undo what was done wrong.

The bottom line

There are obvious savings in legal fees by using form wills and trusts, but there are also risks involved. One of them is that problems such as defective forms, violations of state law, or improper witnessing will not be apparent to you when the documents are signed. It may be only after death occurs many years later when the problems are discovered, and at that point it may be very costly, or even worse, too late to revise the documents.

Open Sesame: Strong Passwords Key to Account Security



Most of us have significant financial and personal information that's readily accessible through the Web, in most cases protected by nothing more than a username and password.



In a well-known story, a simple woodcutter overhears a secret password--"Open Sesame"--that a group of thieves uses to unlock a magically sealed cave containing a vast treasure. Because the password was easy to remember, the woodcutter was ultimately able to appropriate the treasure for his own use. Had the thieves taken just a few simple common-sense precautions to protect their password, however, the story might have turned out very differently.

Substitute "online account" for "magically sealed cave," and the same holds true today. Most of us have significant financial and personal information that's readily accessible through the Web, in most cases protected by nothing more than a username and password. Given the damage that can result from unauthorized access to this treasure trove of information, it makes sense to pay attention to a few simple common-sense rules that apply to online passwords.

Don't share your password

The thieves in the story were doomed from the start--all shared the same password, and had to yell it out loud to open the cave. Today, we type passwords into computer keyboards, phone and ATM keypads, and at checkout registers. Just as you wouldn't shout your password out for all to hear, don't make it easy for others to see you entering your password (e.g., by looking over your shoulder). And don't share your username or password with anyone, for any reason.

Do use strong passwords

Your password should never be a word that can be found in a dictionary; today's cybercriminals use sophisticated dictionary programs that can quickly try to enter every word in the list as your password. Better to use a combination of numbers, uppercase letters, lowercase letters, and symbols. And a longer password is generally better than a shorter password. Your password also shouldn't contain personal information that's easy to guess--children's names, names of pets, or phone numbers, for example.

Many websites provide specific criteria for passwords. For instance, you may have to choose a password that is exactly eight characters long, contains both uppercase and lowercase letters, at least two numbers, and at least one punctuation symbol. The tradeoff, of course, with such "strong" passwords is that they're not always easy to remember.

You might try using mnemonic devices to remember your passwords (tnwoelgtra33p!!=

there's no way on earth I'm going to remember all 33 passwords!!). In practice, though, like many, you may find yourself breaking the next general rule.

Don't write down your passwords

You may keep track of all of your different account and website passwords by writing them down. That's really not a good idea, though. It's a particularly bad idea to keep your list of passwords on a file stored on your computer or mobile device. The risks are obvious--just imagine the consequences if your password list were to fall into the wrong hands.

If all the mnemonic tricks in the world aren't going to help you remember the seemingly countless number of passwords you need to be able to recall on a regular basis, and there's just no way that you're going to part with that password list, consider a password manager program or application. These programs encrypt your login and password information--basically, you only need to memorize one password: the one that lets you access the password manager.

If you do keep a password list, make sure the list is stored someplace safe, and that it's not readily accessible by others. For example, don't leave your list of passwords open on your desk, right next to your computer.

Do use different passwords for different accounts

When you spend the time coming up with a strong password that you can remember, there's an overpowering temptation to use that same password everywhere you can. Bad idea. You should always try to use a different username and password with each account. The danger in using the same username and password for everything is that if one of your accounts is compromised, all of your accounts are at risk. And change your password periodically; change it immediately if you see any suspicious activity in your account.

Don't let your guard down

Good password practices and a little common sense can go a long way in protecting you from cyberthieves. The key is to avoid common mistakes, educate yourself on basic Internet security practices, and stay on top of things by regularly checking your accounts. Above all, don't be lazy--the time and effort you'll spend today implementing effective passwords is nothing compared to the problems you'll face if you find that you're not the only one with access to your accounts.

Ask the Experts

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Jerry Rice, CFP®

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brian.rice@raymondjames.com

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What is private mortgage insurance?

Private mortgage insurance (PMI) protects the lender against the risk of the borrower defaulting on the mortgage.

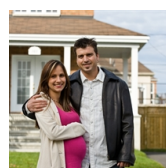
Lenders generally require you to purchase PMI if your loan is more than 80% of the value of your home. Without PMI, you may be unable to qualify for a mortgage.

Typically, once you reach 20% or more in home equity and you have a good payment history, your lender should remove the requirement for PMI. And lenders must automatically cancel PMI when your loan-to-value reaches 78%, although certain exceptions may apply.

Caution: *PMI does not protect you against losing your house in the event you're unable to pay your mortgage. Moreover, the insurance company may be able to seek recourse against you for any claims it pays to the lender as a result of your default.*

Typically, PMI premiums are paid monthly, usually as part of your mortgage payment, although the premium may be annualized and paid in a lump sum at closing. The cost of PMI varies depending on the insurer, and is based on several factors, including the amount of your down payment, the type of mortgage, and

whether you pay premiums on a monthly basis or in a lump sum. Also, for 2007 through 2012, you may be able to treat certain mortgage insurance premiums you pay as deductible mortgage interest. However, the amount of the deduction is phased out if your AGI exceeds \$100,000 (\$50,000 if married filing separately). If you don't have at least 20% for a down payment, you still have a couple of ways to avoid paying PMI premiums. Certain types of mortgages, such as FHA loans and VA loans for qualified veterans, do not require PMI. Your lender may waive the requirement for PMI in exchange for increasing your mortgage interest rate by roughly the same amount as your PMI premium. Another alternative is using the 80-10-10 loan, where your first mortgage is equal to 80% of the property value, and you take a second mortgage for 10% of the balance, while you come up with the remaining 10% out-of-pocket. You may save a few dollars each month with this approach if the combined mortgage payments are less than a single mortgage payment plus the PMI premium.



What is title insurance and do I need it?

Title insurance protects the policyholder (typically the property owner and/or the mortgage lender) against losses that arise from title

defects that affect the right to use or own the property. Generally, the title insurer will defend the policyholder and pay monetary damages according to the provisions of the policy. The premium is typically paid in a lump sum, often after title to the property has been examined. But most title insurance policies contain coverage exceptions and exclusions, so it's important to understand exactly what is covered by the policy.

Title is the measure of your rights in property. You can acquire property many different ways, such as through gift, inheritance, or purchase, but you generally obtain only the rights or title the conveyer had in the property. That's why, before acquiring property, it's wise to have the title examined by an attorney or title company. Typically you'll receive a written report from the title examiner describing the property, the breadth of the examination, and any title defects or liens discovered.

Most mortgage lenders require you to take out lenders title insurance, which protects the lender's interest in the property. Lenders coverage is limited to the amount of the loan and gradually decreases as the loan is paid off, so it doesn't protect your equity interest in the property. As a result, you should consider purchasing a separate owner's policy. However, you are not required to use the title insurance carrier offered by the lender. The Real Estate Settlement Procedures Act entitles a homeowner to use the title insurance company of his or her choice.

There are several different situations that can affect a property's title, from unpaid liens and mortgages to violation of zoning laws, to defective or improperly drafted deeds. Recently, with the proliferation of mortgage foreclosures, some lenders have faced legal challenges to foreclosure proceedings. Imagine if title to the home you bought from the bank was not properly foreclosed on and the prior owners claim they still own the property? Title insurance may help protect you in this nightmarish situation.