

Bonus Report - Money Moves for 2012

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Consumer Impact of Deflation:

- **Erasing double-digit interest costs** is similar to earning the same return on your investments!
- **Use lower mortgage rates:** Convert credit card debts and consumer loans to home equity debt; gain interest deductibility.
- **Shorten the term of your mortgage:** Build equity faster; reduce interest costs. Paying off your mortgage may be the best certain return you can get, even as home values vary.

Tax-advantaged Money Moves:

- **Consider Converting IRA assets to a Roth IRA** to benefit from today's decline in value by paying taxes now on a sum that will ideally rise, tax free, to a greater value in the Roth IRA.
- **Harvest capital tax losses:** "Bank" excess losses to use against future gains that may be taxed at higher rates and get up to a \$3,000 yearly tax write off for excess losses. Be sure to avoid a "31 day wash sale" on investment tax swaps.
- **Gift appreciated assets instead of cash** to give more value by avoiding liquidation taxes.
- **"529" Qualified State Tuition Programs:** Get tax free withdrawals from tax free growth to pay for certain future college costs. Some states even give income tax deductions on contributions. Plans and tax benefits may vary and of course consider investment risks too. Ask your tax advisor about the tax benefits of liquidating existing UGMA/UTMA accounts to add to 529 plans.

**Be sure to review all moves with your income tax advisor before implementing.*

Jim Wycoff: Investing for Retirement • Income for Your Confidence

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Investor impact of Deflation:

- **Earning 1% or less on your deposits may tempt you to take extraordinary risks to earn only a little more.**
- **Know the comparative math:** Little numbers can mean a large increase in risk...one half of 1% is a 50% yield increase... Is a 50% increase a warning sign of a lot more risk? Who is the backer?
- **Lifeboat drills for your bond portfolio:** Fed policy moves are trying to reflate the economy. How will you feel if your bonds decline in value if interest rates rise? What investments can rise in value when inflation returns?

Key Retirement-Income investment moves:

- **Re-evaluate: Why be an investor?** At its basic level Retirement is about cash flow. Keeping what's coming in on track with what's going out. Many of us are investors because we've determined that we can't grow sufficient savings any other way.
- **Create and maintain a forward looking retirement savings and income analysis to answer these questions:** Do I have enough savings? How much do I need to add? What returns do I need along the way to give me the cost of living increases I'll need. Once you get the numbers the challenge is to choose the investments.
- **Identify and implement an established investment strategy for income.** Ask friends who are confident in retirement how they are investing and what process is giving them that confidence. Discover how they are getting their income from investing.
- **Good investments often fluctuate in value** so be sure your retirement-income investment strategy helps you reduce the need to sell good investments at a bad time, helping you avoid the reactionary moves that many unsuccessful investors make.
- **When you interview advisors determine their client retention rate.** See how long their typical client stays with them. Ironically, this is often a better measure of success than past investment returns. Past investment performance clearly does not assure results. How similar are you to their typical client?

Retaining clients that are older than you is a good sign that your needs will be well met when you get there too!

- **Make your investments serve your Retirement-Income plan.** View your portfolio as if it is cash and set your lineup from this perspective. If you wouldn't buy that investment today with cash, you probably shouldn't hold it.

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