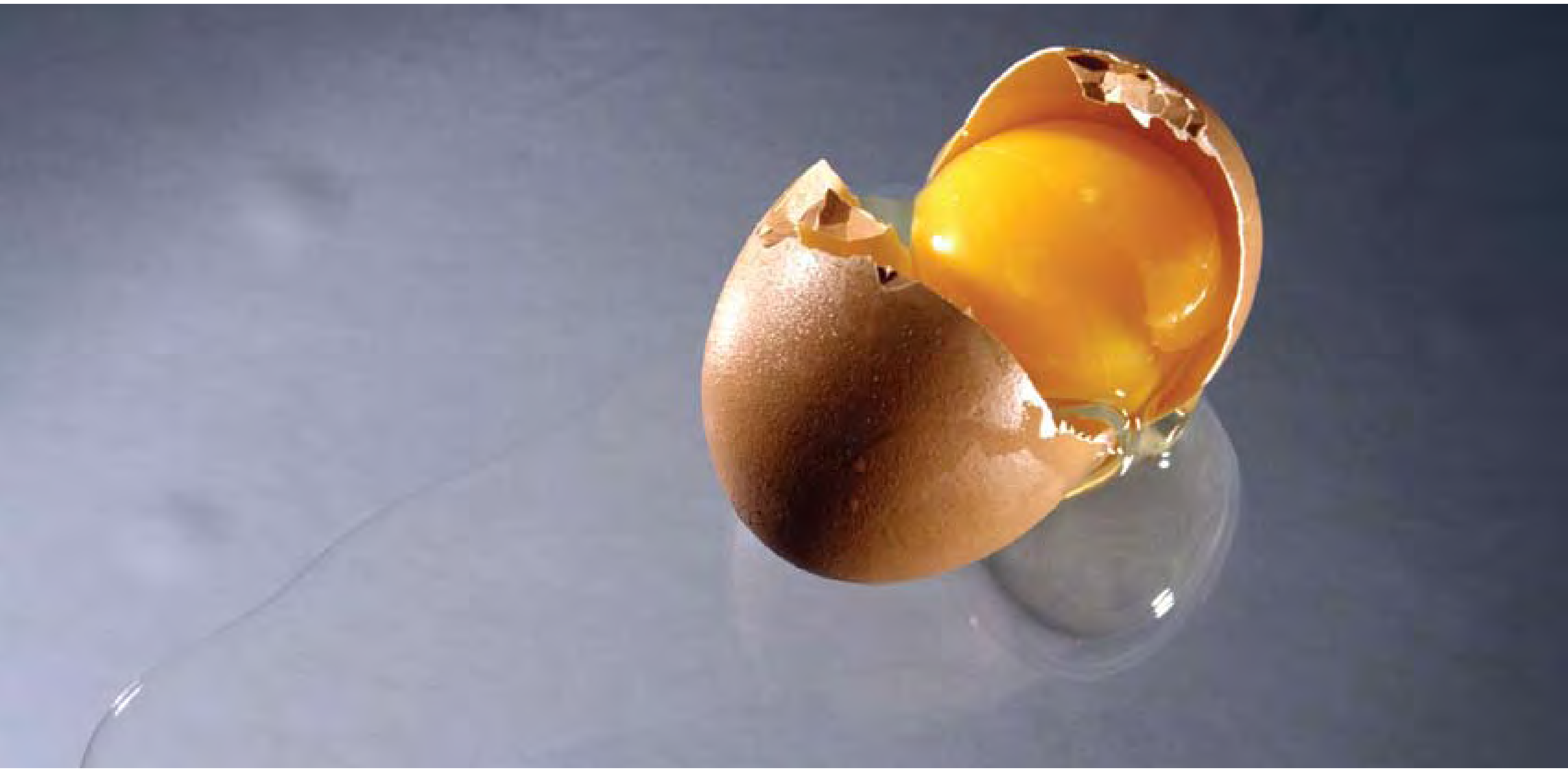
SEPTEMBER/OCTOBER 2009

WEALTH MANAGEMENT ADVISOR



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Nest egg repair

Rebuild your retirement savings one step at a time

Unless you've been very conservatively invested, chances are your retirement account balance isn't what it used to be. Unfortunately, only time may bring back what you've lost. But the silver lining is that you can take steps today to rebuild your 401(k) plan or other retirement accounts and prepare your portfolio for better times ahead.

Save more

To make up for what your retirement portfolio has lost, you'll need to save more. If you can afford to do so, increase your contributions as much as possible up to the maximum allowable amount each year — currently $16,500 for a 401(k) and $5,000 for an IRA (more if you're age 50 or older).

Admittedly, this is easier said than done — especially in an uncertain economy. But there are two reasons why you should do whatever you can to put more money away today for your future.

First, remember that 401(k) and traditional IRA contributions are pre-tax. For example, when you deduct an extra $1,000 from your paycheck, your take-home pay gets reduced by only a portion of that amount — giving you more bang for your buck.

Second, today's lower stock prices may improve the odds of better future performance. That's not to suggest stocks and bonds can't fall further — they can, maybe even by a lot. But buying into the market at lower prices may give you a better chance at capital appreciation than buying at higher prices.

Invest automatically

Paying too much attention to emotions, such as fear or greed, can lead to bad investment choices. That's why it's helpful to put as much of your investment regimen as possible on automatic pilot.

Whether you own target-date mutual funds* — in which your asset allocation automatically becomes more conservative as you near retirement — or your financial advisor provides you with a more customized asset allocation, stick to your overall financial strategy even during these tough economic times. If you don't have an overall strategy, your financial advisor can help you develop one that's appropriate for your situation.

Work longer

Delaying your retirement by a few years can provide you with some important benefits. By remaining in the workforce, you can continue generating income and participating in your employer's retirement plan. If you're fortunate, that plan might even include matching

TWO

contributions, allowing you to potentially grow your retirement account faster.

Working longer can also provide you with access to other valuable employer-provided benefits — such as health insurance — that can save you significant sums. What's more, pushing back your departure date by even a few years can mean a big difference in the size of your Social Security check over the course of your retirement.

Now's the time

Retirement can be one of the most rewarding times of your life. But to make the most of it, you need to be financially prepared. With your financial advisor's help, you can take advantage of today's market opportunities and begin the process of rebuilding your retirement savings, one step at a time. ■

*** Mutual funds are sold by prospectus. Investors should carefully read the prospectus before investing. They also should carefully consider information contained in the prospectus, including investment objectives, risks, and charges and expenses, before investing. For this and other information, request a prospectus from your financial professionals. Past performance does not guarantee future results. Investment return will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be lower or higher than the performance data.**

Do you have enough life insurance?

Life insurance is something most people need, but envisioning your own mortality is never pleasant. Having life insurance, however, may actually *increase* your peace of mind. Should anything ever happen to you or your spouse, you'll know your loved ones will be taken care of financially.

Coverage needs may vary

Life insurance can help your family maintain its standard of living even if you're no longer around to provide for it. A policy can help prevent your family from having to sell your house or make other dramatic adjustments in their standard of living to make ends meet.

Bear in mind that everyone has different insurance needs. For example, if you're single and

Term vs. permanent insurance

Life insurance comes in two main varieties — term and whole life (or permanent) insurance. Term insurance is the simpler of the two. You choose the amount of coverage you want over a certain time period. If you die during that period, your insurance company pays that amount (called the death benefit) directly to your beneficiaries. The policy doesn't build up any value other than its death benefit.

Permanent insurance, in addition to providing a death benefit, builds up cash value. Cash value can be accessed to supplement your retirement income through loans — but the loans will reduce the death benefit and cash value.

Your insurance professional can explain the pros and cons of each option for your individual situation.

have no dependents, little debt, and healthy savings, your need for coverage will likely be more limited. Similarly, retired couples with grown, financially independent children may also have reduced term insurance needs. (See "Term vs. permanent insurance" above.)

In contrast, younger couples typically need the most coverage. Why? Because these individuals usually have the largest financial responsibilities, such as raising children and paying the mortgage, and may have fewer assets.

Childless couples generally need life insurance if one spouse's death would place a significant financial burden on the survivor. For example, if you require two incomes to manage your mortgage payments, you'll want to have at least enough coverage to make up for the potential loss of one of them.

Long-term planning is essential

How do you know if you have enough coverage? The math is relatively simple, but trying to anticipate your loved ones' every financial need during the next several decades is more difficult.

A good starting point is to figure out how much your family will need to spend annually to maintain its current standard of living. If, for instance, your family now requires a total of $100,000 per year and you expect to retire in 20 years, you'll need in excess of $2 million of insurance coverage, because costs will rise over the years because of inflation.

This is, of course, a rough approximation and only a starting point. On the income side, this calculation doesn't include any Social Security survivors' benefits that your spouse may be eligible to receive — benefits that would reduce how much coverage you'll need.

On the expense side, don't overlook future big-ticket costs such as college or weddings. You'll also want to make sure that your spouse can continue to save enough for retirement, pay debts and manage any future medical expenses. Don't forget about the impact of inflation, which could make these items considerably more expensive in the future than they are today. These factors can add substantially to the amount needed.

Another factor to consider is whether you and your spouse expect your standard of living to remain the same, or if — perhaps because of new job opportunities — you expect to earn (and spend) more down the road. If you expect your financial needs to increase, your insurance needs should increase accordingly.

Seek a second opinion

Making sure you have enough life insurance coverage involves significant long-range planning. Your insurance professional can be an essential resource as you evaluate your family's situation. He or she can also help you reassess your insurance requirements every few years to ensure that your current coverage continues to provide you peace of mind. ■

An additional gift for your heirs

Educate beneficiaries on the advantages of using a trust

When creating or updating your estate plan, it's important to consider how it affects not only you, but also your beneficiaries. The main objectives of an estate plan are to limit estate tax liability at your death and to clearly spell out how you want your assets distributed. But estate planning doesn't end with you.

After your death, your heirs will receive their inheritance, which then becomes a part of their taxable estates. To avoid this potential additional estate tax liability, if your estate is large or an heir is already independently wealthy, you can leave amounts to a trust rather than directly to loved ones.

Assessing the benefits

Because your heirs receive their inheritance (or a gift during your lifetime) in trust with the right to receive income or principal from the trust, rather than directly, the assets are kept out of their own taxable estates. The trust can be one whose creation is provided for in your estate plan documents, or an existing trust that has been separately created in advance, by you or by your heirs.

Having assets pass directly to a trust benefiting an heir not only prevents them from being included in the heir's taxable estate, but also can shield them from creditor claims, such as those arising from a lawsuit, or from a spouse in divorce. Because the trust, rather than your loved one, legally owns the inheritance, and because the trust isn't funded by the heir, the inheritance is protected.

For example, if your son is in a marriage of questionable duration and is concerned that his inheritance could one day become community property, a trust can provide asset protection. Why? Because everything you gift or bequeath to the trust (including growth and income from the trust) is owned by the trust, and therefore can't be treated as community property or be subject to creditors. Such a trust can't replace a prenuptial agreement, but it can provide a significant level of asset protection in the event of divorce.

With a trust for your heirs, they can also realize wealth building opportunities. If you fund the trust with gifts during your life, your loved one can use a portion of the money to, for example, start a new business. A trust can also own the general partnership interest in a limited partnership or the voting interest in a limited liability company (LLC) or corporation. If you decide to fund the trust now, your initial gift to the trust can be as little or as much as you like using your $1 million lifetime gift tax exemption.

Setting up the trust

To ensure full asset protection, you must provide for the trust in your documents or your heir must set it up before he or she receives the inheritance. The trust can be drafted so that your heir is the investment trustee, giving him or her power over the trust's investments.

You then select an unrelated person — someone whom your heir knows well and trusts — as the distribution trustee. The distribution trustee will have complete discretion over the distribution of principal and income, which ensures that the trust provides creditor protection.

The trust should be designed with the flexibility to remove and change the distribution trustee at any time and make other modifications when necessary, such as when tax laws change. Bear in mind that the unfettered power to remove and replace trustees may jeopardize the creditor protection aspect of the trust and cause inclusion of the trust property in the heir's taxable estate, unless the replacement trustee cannot be related or subordinate to the heir.

The trust can be drafted so that your heir is the investment trustee, giving him or her power over the trust's investments.

You or your heir should consult an estate planning attorney to draft the trust in accordance with federal and state law. This will help avoid potential IRS audits and court challenges — and maximize the asset protection benefits of the trust.

Offering one more gift

You've worked hard to build wealth, and you're happy knowing that your heirs will enjoy the fruits of your labor after you're gone. As an additional gift to your children or other heirs, provide for a trust that can help keep inherited assets out of their taxable estate and protect assets from creditors. ■

Smooth transition

Financial tips for managing unemployment

If you're anxious about your economic future these days, you're hardly alone. Whether you're unemployed now or increasingly worried about losing your job, you owe it to yourself and your family to financially prepare for whatever comes your way.

Employer's severance policy

While you still have a job is the best time to learn about your employer's severance policies. Having this information in advance can help you estimate the size of your financial cushion should you be laid off.

Severance payments typically vary from a few weeks' to a few months' worth of pay, depending on your position within the company and how long you've worked there. As a rule of thumb, many companies provide a week's pay for every year of service. If you're not sure of your employer's policies, ask a representative of your benefits department.

Unemployment benefits

If you need to start collecting unemployment benefits, complete the necessary paperwork soon after you lose your job to minimize processing delays. The amount you receive will represent only a portion of your lost salary.

Ironically, the greater your current income, the lower the percentage of that income you can expect to receive because of state caps. Be aware that many states don't allow individuals to receive unemployment benefits concurrently with severance pay.

Traditionally, unemployment benefits were available for 26 weeks. Legislation passed in November 2008 added another 20 weeks of benefits through December 2009, as well as an additional 13 weeks for individuals in high-unemployment states.

Health insurance options

Losing access to health insurance can be the most devastating consequence of unemployment. If your working spouse is enrolled in a health care plan, consider the cost of adding yourself to the plan.

If you're young and relatively healthy, you may be able to obtain a high-deductible individual health insurance policy at an affordable price. Unfortunately, individual coverage can be expensive and difficult to obtain for older people, especially those with a pre-existing condition.

Another option is to maintain your employer's coverage through the federally mandated COBRA program. COBRA requires your employer to continue providing you with your existing coverage for 18 months. You have 60 days from your termination date to enroll in the program.

COBRA allows you to maintain your health insurance while you're between jobs, but expect to pay a lot more for the same insurance. That's because you'll be responsible for the entire premium as well as any administrative costs. The American Recovery and Reinvestment Act of 2009 included COBRA subsidies for individuals who lose their jobs prior to Dec. 31, 2009, and have no other access to group coverage.

Preparation meets opportunity

Even if your job seems safe for now, times can change in a hurry. Start building a financial cushion today to protect your family in case you or your spouse find yourselves out of work.

Unemployment can be challenging, but change typically is accompanied by opportunity. As long as you're prepared for the unexpected, you can make the most of your situation, whatever comes your way. ■

Your source for customized investment and financial planning

FERRELL
WEALTH MANAGEMENT INC.
Registered Investment Advisor

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Successfully managing personal and family finances means making the right decisions today while considering their implications for the future. At Ferrell Wealth Management, our sole focus is our client's best interest, and we customize portfolios and financial plans to fit each individual's set of goals and objectives.

We provide a full range of investment management and advisory services including:

- Fee Based Investment Advisement
- Comprehensive Personal Financial Planning
- Portfolio Management
- Investment Policy Formation and Review
- Banking Services through Schwab Bank and other banking relationships
- Tax and Estate Planning
- 529 Plans
- Separately Managed Accounts
- Mutual Funds
- Government, Corporate and Municipal Fixed Income
- Asset Allocation Modeling
- Retirement Accounts, including 401(k)s
- Cash Management Accounts
- Margin Loans
- Life, Disability and Long-Term Care Insurance
- Access to your portfolio anytime, anywhere through online services

By working with our experienced team of advisors, you will benefit from the independent and objective perspective necessary to make your financial vision a reality.

James W. Ferrell, MBA, CFP®,CPA, PFS, CIMC
President
A Certified Public Accountant (CPA), Certified Financial Planner (CFP), Personal Financial Specialist (PFS) and Certified Investment Management Consultant (CIMC), Jim is the founding shareholder and President of Ferrell Wealth Management, Inc.

Jim is actively involved in local organizations including: Morning Star Charities, Inc. (President), Winter Park Chamber of Commerce, the University of Central Florida Foundation (Board of Directors), Winter Park YMCA (Board of Directors), on the Center for Entrepreneurship at Rollins College (Board of Directors) and is an Inductee in the UCF College of Business Administration Hall of Fame.

Katie Miller, MBA
Vice President - Senior Financial Advisor
A Certified Financial Planner (CFP) candidate with a Master of Business Administration Degree from Rollins College, Katie works as a financial advisor responsible for assisting clients set and achieve their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and estate planning.

Katie is a member of the Winter Park Community Foundation Advisory Board and Investment Management Consultants Association (IMCA), and involved in such local organizations as the Central Florida YMCA, Orlando Chamber of Commerce, Winter Park Chamber of Commerce, and Camp Boggy Creek.

Alex Negron, MBA
Senior Financial Advisor
A Central Floridian for 20 years, Mr. Negron is a Certified Financial Planner (CFP) candidate with a Master of Business Administration Degree from Webster University. Alex is responsible for assisting clients with their financial plan, which includes retirement, estate, and tax planning. He develops asset allocation plans using various types of investments in order to properly diversify and reduce portfolio risk.

Prior to becoming a member of Ferrell Wealth Management, Inc., Alex worked for Charles Schwab & Co., Inc. as a VP- Financial Consultant in Orlando, Fl.

Mr. Negron is involved with local organizations such as the Orlando Chamber of Commerce and Leadership Orlando Alumni. He holds the Series 7, 9, 10, 63, and 65 licenses.

Please call us today at 407-629-7008 to discuss your needs, or visit www.Ferrellwm.com for more information on our services.

Ferrell Wealth Management, Inc. is registered with the Securities and Exchange Commission (SEC) and the State of Florida. Our mission is to provide the highest quality investment advisory, financial planning, estate planning and consulting services in a cost-effective and objective manner.