

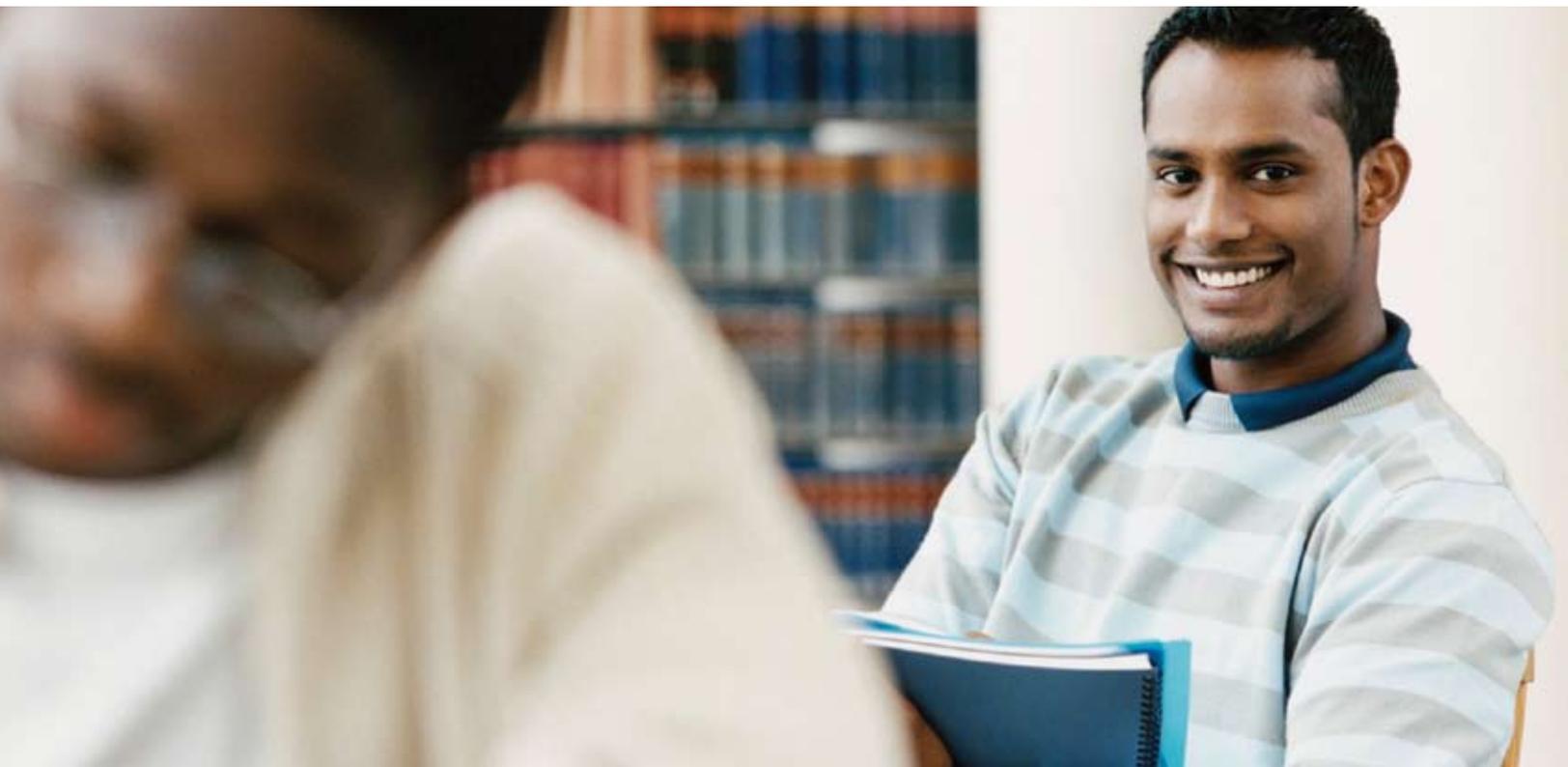
WEALTH MANAGEMENT ADVISOR

DO YOU THINK COLLEGE FINANCIAL AID IS OUT OF YOUR REACH?
It may not be — if you take steps to maximize your eligibility

TIME TO CATCH YOUR BREATH
The new year offers a chance to sit down and reassess your financial standing

DURING MARKET UNCERTAINTY, ANNUITIES CAN OFFER REASSURING VALUE

DOCUMENT IT OR LOSE IT
Substantiation rules for charitable gifts



FERRELL
WEALTH MANAGEMENT INC.
Registered Investment Advisor

Fairbanks Professional Center
1400 W. Fairbanks Ave.
Suite 202
Winter Park, FL 32789
Phone: (407) 629-7008
Facsimile: (407) 629-7516

Do you think college financial aid is out of your reach?

It may not be — if you take steps to maximize your eligibility

As college costs continue to rise faster than inflation, it's never been more challenging — or more important — to have a plan for managing those expenses. If you're intimidated by the price of higher education, don't worry just yet. Even if your family is more fortunate than most, you might not have realized the extent to which financial aid may be available to you.

That said, applying for financial aid is complex at best. Here's an overview of the application process as well as some tips for maximizing your eligibility.

Grants, scholarships and loans

Grants and scholarships are the most desirable form of financial aid. Why? Because, unlike loans, they don't need to be paid back. Even though the two terms often are used interchangeably, grants typically are reserved for financially needy students.

Scholarships, meanwhile, are given to students with special skills — such as unusual academic, musical or athletic talents — or who belong to an underrepresented ethnic, religious or geographic group. They typically last for multiple years and may come with strings attached, such as having to maintain a particular grade point average.

Finding the right scholarships takes careful research, and competition can be fierce. Online scholarship databases can help your child target his or her search. Another invaluable resource is your child's college counselor, who may know about unpublicized local scholarships.

Loans — either federally guaranteed or private — are another option. If your family is financially eligible, federally guaranteed loans are preferable for three reasons: First, students can defer federally guaranteed loans until graduation but generally must begin paying back private loans immediately. Second, federally guaranteed loans generally offer better rates. Third, federally guaranteed loans don't require a parent to be a co-signer, while private loans often do — putting you on the hook if your child defaults.

Filling out the form

To obtain federal financial aid, you and your child entering undergraduate or graduate school will need to fill out the Free Application for Federal Student Aid (FAFSA). Most universities and states rely on the information on this federal form to make their financial aid decisions. Certain private schools may have a separate financial aid form for you to complete.

Jan. 1 is the earliest you can submit the form. Submitting it as close to that date as possible can get you into the aid pool early and maximize your chances of receiving assistance. If you're late with your application, you may find yourself at the bottom of the list when aid decisions are meted out.

Boosting your eligibility

Starting several years before your child enters college, you can take steps to increase both the odds of obtaining financial aid and the amount of it you receive. Here are a few strategies:

Apply annually. Your eligibility for aid may change from year to year. So even if you've been turned down

previously, it's smart to reapply in subsequent years — especially if your yearly income or savings fluctuate or if you have other children entering college.

Pay down debt. If you have the savings to pay off any debts, such as credit card balances or car loans, do so before you apply for financial aid. This may also be a good time to prepay your mortgage. Large amounts of savings can reduce your eligibility.

Fund your retirement. Maximizing your retirement contributions — which aren't considered in financial aid calculations — can reduce your taxable income and thus increase the odds of receiving aid.

Go to school. Having more family members in college at the same time makes financial assistance more likely because of the added financial burden involved. If you've ever thought about getting a graduate degree, now might be a good time.



Nothing to lose

You might think that you earn too much to receive financial aid. But unless your last name is Gates or Buffett, don't assume anything, because the factors that go into aid decisions are complex. Your financial advisor can help you get an early handle on how else you can prepare for this economically challenging time. ■

Time to catch your breath

The new year offers a chance to sit down and reassess your financial standing

The last two years were an especially slippery slope for individual finances, thanks to a volatile stock market, record unemployment and tight credit markets. These circumstances make the new year an ideal time to assess your personal financial status and goals so you can put your family's finances on firmer ground no matter what the economic future holds in 2010 and beyond.

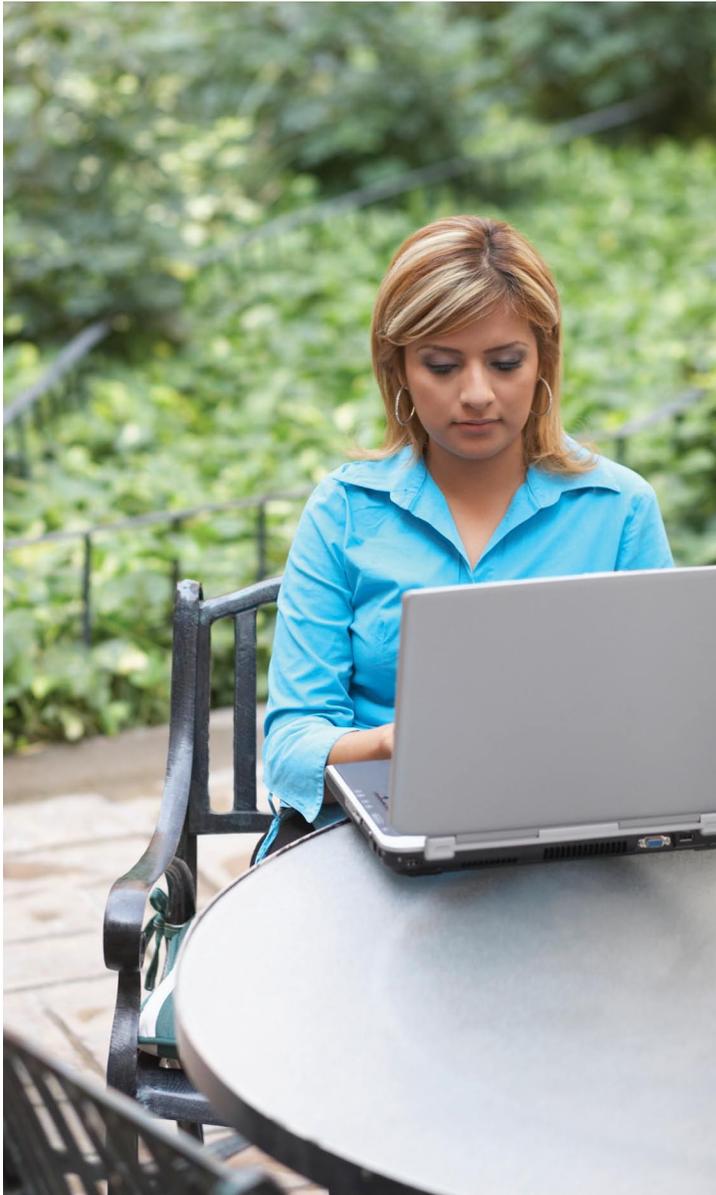
Create a net worth statement

Any assessment of your personal finances should begin with your net worth. To calculate this important figure, you need to create a net worth statement. Having information such as

this on hand will help you visualize where your finances stand and see whether you're in danger of straying from your financial goals.

What is your net worth? Simply put, it's the value of what you own, minus what you owe. Calculate your net worth by adding all of your assets, including cash, retirement funds, investment account balances, personal property, and real estate and other fixed assets.

Then subtract your liabilities, including mortgages, other loans and lines of credit, credit card balances, and taxes due. What's left is your net worth, and seeing this number on a page (or computer screen) can really put in



perspective just how you're spending your money and whether you might be able to do more to grow your savings.

Reevaluate insurance needs

Another key area to reconsider is your insurance coverage. Many people have seen their home values decrease recently, which may call for a downward adjustment in homeowners coverage.

Life insurance is another critical financial issue to assess. Do you have enough coverage? Too much? Ask your insurance professional to help you determine the right amount of coverage. If your personal cash flow is particularly slow, you might even consider withdrawing some of the cash value of your policy.

Depending on your coverage type and its terms, you may be able to take tax-free loans against the policy's cash value. Typically, current loan payments aren't required; the principal and all accrued interest are deducted from the death benefit. Bear in mind that withdrawals will reduce your death benefit and cash value.

Update employer-provided benefits

Once settled into a job, many people lose sight of their employer-provided benefits. Check in on them. Your W-4 withholding status, for example, may need revising if you've gotten married, had a child or experienced some other kind of significant life change. You might also want to change a beneficiary for your employer-sponsored retirement plan, such as a 401(k).

And, speaking of your employer-sponsored retirement account — check your deferral amount to ensure you're not putting away too little. Do the same for contributions to your Flexible Spending Account or Health Savings Account (if you have them). Remember that these contributions are pretax, so they don't reduce your take-home pay by the full amount of the contribution.

Any assessment of your personal finances should begin with your net worth. To calculate this important figure, you need to create a net worth statement.

Make a New Year's resolution

Most everyone makes a few New Year's resolutions; one of yours should be to revise your wealth management plan if necessary. And the first step is to assess your financial standing. Your financial advisor can help you determine your best course of action. ■

During market uncertainty, annuities can offer reassuring value

Annuities have a reputation for being a slightly stodgy alternative to other types of investments. But these days, stodgy may seem just fine to investors, many of whom are reconsidering the value these insurance contracts offer for their retirement savings. So annuities might be worth a second look — especially if you're worried about the risk of outliving your assets*.

Income for life

An annuity is a contract between you and an insurance company. In exchange for one or more payments, the insurer agrees to provide you with regular income over a given period — typically the rest of your life, but you may also choose another time frame.

As long as the insurance company stays solvent, you're guaranteed a regular stream of payments for as long as your contract stipulates. In their ability to provide you with income throughout retirement, annuities resemble a traditional company pension plan.

In some cases, an annuity may provide a death benefit, which guarantees a certain minimum payment to your beneficiaries after your death. The payment typically is at least as much as you originally put into the annuity, so long as you haven't yet begun receiving income.

Fixed vs. variable annuities

Annuities come in two main flavors: fixed and variable. With fixed annuities — the more conservative option of the two — the insurance company guarantees a rate of return during a certain time period. Depending on the terms of the contract, the length of your annuity could be several decades, the rest of your life or even the rest of your and your spouse's lives.

With a variable annuity, you purchase fund-like investments called subaccounts. How much income you ultimately receive will be based in large part on how these underlying investments perform. Some variable annuities offer guaranteed minimum payments — in exchange for an additional fee or some limits on upside potential, you'll receive some protection against investment losses. All guarantees — including death benefit payments — are based on the claims-paying ability of the issuing company and don't apply to the performance or the safety of the underlying subaccount.



To annuitize or not?

Like IRAs or 401(k) accounts, annuities provide tax-deferred earnings on capital gains and investment income. The income is taxable upon withdrawal, and any withdrawals you make before age 59½ will face a 10% early withdrawal penalty.

Unlike an IRA or 401(k), however, there are no limits on how much money you can add to an annuity. This can be helpful if you're trying to maximize the amount you save for retirement.

On the other hand, because of the relatively low interest rates offered by *fixed* annuities, a significant upfront cash investment is required to generate enough retirement income to live on. And while *variable* annuities offer the potential for higher returns, they also involve more risk.

Another drawback is that if you add optional riders to your annuity — such as cost-of-living adjustments or survivor benefits — the costs can add up. As valuable as these features can be, focus on the bottom line and choose those options that are most important to you.

Also be aware of surrender fees — a penalty you'll owe if you withdraw funds in the early years of

an annuity contract. This charge typically starts at a high level and declines over several years, and some annuities offer penalty-free withdrawals up to a certain percentage of your assets.

Choose the right insurer

Make no mistake: Annuities won't make you wealthy quickly. But they're good at what they do — providing you with guaranteed income for as long as you need it. That said, the guarantee is only as strong as the insurance company's finances. Talk to your financial professional to make sure you choose both the right annuity product and the right insurer for your needs. ■

* The tax-deferred feature of an annuity should not be a factor in purchasing an annuity in a tax-qualified plan. Tax deferral is provided by the plan and the tax deferral of the annuity does not provide any additional benefit. Annuities are subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. Individuals should only purchase an annuity in a qualified plan when its other benefits, such as lifetime income payments, family protection through death benefits, and/or guaranteed fees, meet their current needs. Variable annuities are long-term investments designed for retirement purposes. There may be a surrender charge imposed during the first X to X years that you own the contract. Withdrawals prior to age 59½ may result in a 10% federal tax penalty, in addition to any ordinary income tax. The guarantee of the annuity is backed by the claims-paying ability of the issuing insurance company. Although it is possible to have guaranteed income for life with a fixed annuity, there is no assurance that this income will keep up with inflation. Variable insurance products are subject to investment risk, are not guaranteed and will fluctuate in value. In addition, there is no guarantee that any variable investment option will meet its stated objective.

Document it or lose it

Substantiation rules for charitable gifts

The right combination of lifetime donations and charitable bequests can help you reduce your income taxes, minimize gift and estate taxes, and support the organizations you care about.

When you make charitable gifts during your life, the federal government rewards your generosity by allowing you to deduct the gifts on your income tax return (up to certain limits and provided you itemize). And it allows an estate tax deduction for charitable bequests. But the government isn't so generous when it comes to inadequate documentation of these donations.

If you fail to properly substantiate a donation, you can lose the deduction. To help you protect

your charitable deductions, it's worth your while to become familiar with the substantiation rules.

Cash gifts

You can substantiate cash donations of less than \$250 with a canceled check, a receipt from the charity or another reliable written record that shows the name of the charity and the date and amount of your contribution. Separate contributions of less than \$250 to a single charity aren't combined in determining whether you exceeded the \$250 threshold. So, for example, if you donate \$200 a month to a charitable organization, you can substantiate each donation with a canceled check.

Donations of \$250 or more require a contemporaneous written acknowledgment from the charity describing the amount of your contribution and any goods or services you received from the charity in exchange for the donation.

An acknowledgment is contemporaneous if you receive it on or before the earlier of either your tax return due date, including extensions, for the tax year the contribution is made or the date you actually file your return. It's critical to make sure you obtain all necessary acknowledgments before you file your return. If you don't, you can lose the deduction, even if you receive a valid acknowledgment later.

Noncash gifts

For noncash gifts under \$250, obtain a receipt that shows the charity's name, the date and location of the contribution, and a description of the property. Although the property's fair market value should be considered in determining the amount of detail included in the receipt, that value need not be stated on the receipt.

Noncash gifts of \$250 or more require a contemporaneous written acknowledgment from the charity containing the information described above for cash gifts as well as a description (but not necessarily the value) of the property.

If you donate noncash property worth more than \$500, then, in addition to the substantiation requirements described above, you also must maintain written records that document:

- The date you acquired the property,
- The manner in which you acquired the property (for example, via purchase, gift or inheritance), and
- Your adjusted basis in the property (except for publicly traded securities).

If your noncash gifts for the taxable year exceed \$500, you also must prepare and file Form 8283 ("Noncash Charitable Contributions"). Note that the \$500 threshold is an aggregate of

all noncash contributions; it's not an entity-by-entity calculation.

Qualified appraisal for large noncash gifts

If you donate property valued at more than \$5,000 (\$10,000 for closely held stock), you must acquire a qualified appraisal and include an appraisal summary, signed by the appraiser and the charity, on Form 8283. You can meet the \$5,000 threshold by donating a single item or a group of similar items, even if you give them to different charities.

You don't need an appraisal for publicly traded securities. For closely held stock worth more than \$5,000 but less than \$10,000, an appraisal isn't required, but you need to complete a portion of the appraisal summary form.



For noncash contributions exceeding \$500,000 or gifts of art worth \$20,000 or more, include a copy of the signed appraisal with your return, not just the appraisal summary.

Your appraisal must be prepared, signed and dated by a qualified appraiser, as defined by IRS regulations, and must include specific information required by the regulations. The appraisal can't involve a prohibited appraisal fee and has to be prepared no earlier than 60 days before the property is contributed and no later than the tax return due date, including extensions.

Get the deductions you deserve

The requirements for substantiating donations aren't difficult to meet, but they do require close attention. Be sure you have your documentation in order before you file your return. If you don't, you can lose the deductions, even if they're completely legitimate and supportable. Also, consult with your tax professional regarding your particular situation. ■

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Tel: 407-629-7008

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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.



**Crystal Garner
V.P. – Relationship Mgmt., Senior Financial Advisor**

Crystal Garner is an investment advisor and veteran member of the team and is responsible for ensuring clients receive the highest level of personal service. In addition to assisting clients with their multi-faceted needs, she also manages the daily operations of the firm.



**Shena Stewart
Senior Financial Advisor & Marketing Director**

Shena Stewart serves as a Financial Advisor for the firm and utilizes her dual background in Finance and Marketing in responsibilities ranging from portfolio analysis and quarterly reporting to directing the firm's marketing efforts.



**J.L. Hurt IV
Senior Financial Advisor & Research Analyst**

J.L. serves as a financial advisor and research analyst for the firm and assists clients with the many facets of financial planning.



**Pedro Lebron
Senior Financial Advisor & Compliance Officer**

Pedro serves as the firm's compliance officer and research analyst and is responsible for a diverse set of tasks ranging from periodic filings with the SEC and State of FL to analysis of securities and separate account managers and trading.

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