

# Radiant Wealth

*Put Your Money  
Where Your Heart Is*

*Letter from the Editor*

## A Necessary Autumn

### A Necessary Autumn Inside Each

*You and I have spoken all these words, but as for the way  
We have to go, words*

*Are no preparation. There is no getting ready, other than  
Grace. My faults*

*Have stayed hidden. One might call that a preparation!  
I have one small drop*

*Of knowing in my soul. Let it dissolve in your ocean.  
There are so many threats to it.*

*Inside each of us, there's continual autumn. Our leaves  
Fall and are blown out*

*Over the water. A crow sits in the blackened limbs and talks  
About what's gone. Then*

*Your generosity returns: spring, moisture, intelligence, the  
Scent of hyacinth and rose*

*And cypress. And if you don't feel in  
Yourself the freshness of*

*Joseph, be Jacob! Weep and then smile. Don't pretend to know  
Something you haven't experienced.*

*There's a necessary dying, and then Jesus is breathing again.  
Very little grows on jagged*

*Rock. Be ground. Be crumbled, so wildflowers will come up  
Where you are. You've been*

*Stony for too many years. Try something different. Surrender.*

--Jalaluddin Rumi

You can feel the change of seasons that's upon us again, can't you? That "necessary autumn" means we move through inevitable changes—sometimes of our own making, sometimes not.

*Financial & Investment  
Guidance for Members of  
Financial-Happiness.Com*

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This month we start the process of year-end planning. Our **Focused Financial Vision** article takes you month-by-month through the end of the year and gives you ideas for things you may still want to accomplish. We cover college funding, investment management, tax planning, retirement distributions and gifting.

Next we thought you might like to know a little more about investing in bonds. Bonds can bring stability and income to a portfolio and yet many people know very little about the different types of bonds available. Learn about the risks and rewards of a whole spectrum of bonds to choose from in *Demystifying Bonds*.

Believe it or not, one of our more popular requests is for an article that helps you figure out what to do when someone has died. *The Survivor's Checklist* walks you through what you need to do at a time when you can hardly think at all.

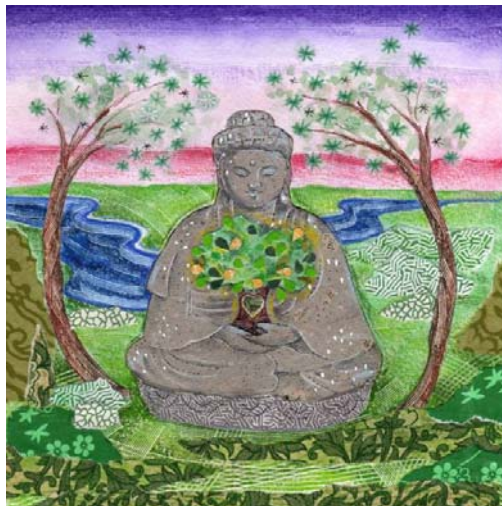
Finally, fall is a good time to do a little house cleaning—of your finances. Our **Financial Feng Shui** article helps you *Organize Your Financial Life*. This is another top request of clients and readers. They want to know what they can throw out so their records don't take over the house.

Enjoy the colors and the play of light and shadow this fall. Embrace the inevitable changes that season our lives.

Sue Stevens

*Happiness is like a butterfly which, when pursued, is always beyond our grasp, but, if you will sit down quietly, may alight upon you.*

Nathaniel Hawthorne



This special edition of Radiant Wealth is brought to you by [www.financial-happiness.com](http://www.financial-happiness.com). Financial Happiness is all about finding joy in your life and creating a sound financial foundation. It's not just how many zeros are in your net worth, it's about how you use that money to create an inspirational life for yourself and others.

# Year-End Planning

*Make the most of the rest of the year*

By Sue Stevens

Sometimes tackling financial projects can be overwhelming. And yet it feels so good to get organized and see real progress towards your goals.

No matter what the task, breaking it up into smaller pieces can make it more manageable and ultimately move you further along. Make the most of the rest of the year. Focus on what you most need to accomplish, put these tasks on your calendar and devote at least one hour a week to cleaning up your financial life.

## September

- *Check on college funding accounts.* Your children's success in life depends on it. If your child is in college or starts within the next four years, don't put all of your funding in stocks. You want to be increasingly conservative (using money markets and bond funds) as your child gets closer to needing the money. If you're in a 529 Education Savings Plan, you can change the investment elections twice a year—so do so wisely. Many parents are choosing to forgo the "age-based" investment elections and create their own more stable mix of bonds and stocks. That can give you more control over the volatility of the investments.

If your child's college fund was clobbered in 2008, see if you can increase the amount you are saving going forward. You may also want to check out some community college alternatives to save money in the first couple years of college.

## October

- *Pay attention to how much risk you're taking.* Big market shake-ups remind us to be mindful of downside risk as we rebalance our portfolios. Finding the right mix of stocks and bonds is an art and it takes a few complete market cycles to see how you react to both the highs and the lows. Remember, historically, October is the most volatile month for the stock market.

## November

- *Harvest gains and losses.* November brings one of our favorite national holidays—Thanksgiving—a time of celebrating good harvests. This is also a good time to evaluate the unrealized and realized gains and losses you have on your investments. Realized gains and losses are from investments you've already sold. Unrealized gains and losses are "paper" losses on investments you still hold. You can net out an unlimited amount of gains and losses within a year. Don't forget those loss carry forwards from your tax return too. If you have large losses from prior years, you may want to take gains by selling appreciated securities before year-end (and vice versa). You may be able to reposition your assets and help yourself from a tax perspective at the same time.

*The first step to an inspired financial life begins with understanding what's most important to you, appreciating what you already have, and setting your intention to financially support a life you love.*

- *Do year-end tax planning.* It may be a good time to run a tax projection to see if you can do anything to decrease the tax owed in 4<sup>th</sup> Quarter estimated tax payments or that will be due next April. Depending on your situation, you may be able to decrease the amount of tax that is taken out of your paycheck.
- *Consider suspending 2009 RMDs.* Legislation has already passed that allows retirees to skip taking required minimum distributions (RMDs) in 2009. That was done to help keep assets in retirement accounts and let them recover before the government forces taxable distributions. Know the pros and cons of doing this before making a final decision.

## December

- *Do year-end gifting.* The holidays are traditionally a time of gratitude. You can give even more in 2009. The new exemption equivalent is \$13,000 per person. You can give that amount to as many people as you choose without paying any gift tax. In addition, you can give unlimited gifts to charity. You may want to gift stocks instead of cash if there are reasons you no longer want or need the security and it helps from a tax perspective.

Before you know it, another year will have gone by. Make a commitment to yourself to make progress on your financial needs this year. Knowing that your financial life is organized and well-tended brings greater security and ultimately happiness.





# Demystifying Bonds

By Sue Stevens and Colleen Van Rossem

Many investors are turning to bonds after experiencing bone-shaking volatility in the stock market. Yet we frequently hear that investors understand very little about the bond world. So let's plunge in and see what you need to know about investing in bonds.

## Types of Bonds

Bonds come in all shapes and sizes. They come in varying risk levels with proportional returns. Bonds generate income, but they can also increase or decrease in value depending on how many other investors want the same bonds. Here is an overview of the kinds of bonds you may invest in from more conservative to more risky.

The value of all bonds increases or decreases proportionally with changes in interest rates. So when the Fed decides to raise interest rates (and it will do this as rates are close to zero now), the value of bonds will decrease. To help manage that risk, hold bonds that are shorter in maturity. The shorter the maturity, the less fluctuation in value.

## Government Savings Bonds

These types of bonds are backed by the U.S. Treasury and therefore considered relatively safe. You can buy Savings Bonds through your local bank or online at TreasuryDirect® ([www.savingsbonds.gov](http://www.savingsbonds.gov)).

- ❖ **EE Bonds** – (Note: you may also have E bonds, which have now been replaced by EE bonds) EE bonds are a government-backed savings vehicle and you can purchase up to \$5,000 in one calendar year. If you redeem these securities within the first five years, you will give up three months interest as a penalty. You can redeem without a penalty after five years.
- ❖ **I Bonds** – I bonds are a government-backed savings vehicle. They grow in value with inflation-indexed earnings for up to 30 years. There are two components of the rate earned: a fixed rate and an inflation rate. The fixed rate remains unchanged for the life of the bond, but the inflation component is adjusted for inflation every six months based on the Consumer Price Index for all Urban Consumers. You can purchase up to \$5,000 in one calendar year. If you redeem these shares within the first five years, you will give up three months of interest as a penalty. You can redeem without penalty after five years.

## Treasury Bonds

Treasury bonds are also backed by the U.S. Treasury. There are three types of Treasury securities which are differentiated by their maturities: bills, bonds and notes. Treasury bills (commonly called T-Bills) are short-term holdings with maturities less than 1 year, Treasury notes have maturities of one to 10 years and Treasury bonds are over 10 years.

There are also Treasury Inflation-Protected Securities (commonly called TIPS). In contrast to I bonds, the interest rate is fixed on TIPS, but the principal fluctuates with changes in the Consumer Price Index. Since TIPS can throw off phantom income, it is best to hold these in tax-deferred accounts like an IRA or 401(k).

U.S. Treasury securities are not subject to state and local income taxes. They are only taxed at the federal level.

*Once you know what you want your money to do, you can create a plan to balance risk and reward. And you need at least a basic understanding of economic and financial terminology.*

## Ginnie Mae Bonds

Ginnie Mae, or GNMA, is short for Government National Mortgage Association. GNMA's are mortgage-backed securities. Mortgage-backed securities are pools of mortgages lumped together and sold on a secondary market. Historically, GNMA's were considered safer than other mortgage-backed securities since they were the only mortgage-backed security guaranteed by the full faith and credit of the U.S. Government.

In September 2008, this changed when the government seized control of Fannie Mae (FNMA) and Freddie Mac (FHLMC) in a conservatorship. Until 2008, Fannie and Freddie were government agencies and not backed by the full force of the U.S. government. After the bail out, the government stepped in and is standing behind these securities.

### *Government-Sponsored Mortgage-Backed Securities*

Most mortgage-backed securities are not backed by the government, but are still considered safer than other bonds. In general, mortgage-backed bonds are pools of home mortgages. When homeowners pay their mortgage payments, those payments are then passed-through to the bond holders. These bonds carry additional pre-payment risk. That means if someone pays back their mortgage early, you get your money back and have to invest in something else.

## Municipal Bonds

Municipal bonds are issued by states and are free from federal income tax. Interest may also be income tax-exempt for residents of the issuing state and/or city. The higher the tax bracket, the more likely you'll want to invest in munis. You hold these bonds in taxable, not retirement, accounts.

With all the bad economic news out there, risk adverse investors should look for bonds with high credit quality (i.e. AA or A) and underlying insurance from bond insurers. Bond insurers themselves have had a tough time lately, so look for bonds that have solid underlying ratings even without insurance.

## Corporate Bonds

Issued by corporations, these bonds typically pay higher interest than their government counterparts due to the higher level of risk. If you decide to invest in individual corporate bonds, make sure you investigate the credit quality. Similar to municipal bonds, you want to focus on the higher echelon of investment grade bonds. Anything less than investment grade is considered a junk bond.

## High-Yield Bonds

These bonds have many names such as non-investment grade, speculative grade, or junk bonds. Whatever their name, these bonds offer higher yields than other corporate bonds. For this higher yield, you take on more risk. The dividing line for a bond to be considered below investment grade is BBB (see page 7).

## Credit Quality

	Moody's	S&P	Fitch	Definition
Investment Grade	Aaa	AAA	AAA	Best Quality
	Aa	AA	AA	High Quality
	A	A	A	Upper Medium Grade
	Baa	BBB	BBB	Medium Grade
Non-Investment Grade	Ba	BB	BB	Speculative
	B	B	B	Highly Speculative
	Caa	CCC	CCC	Poor
	Ca	CC	CC	Extremely Poor
	C	C	C	May be in default
	D	D	DDD	Default ( Highest recovery potential)
	n/a	n/a	DD	Default ( Expected recovery)
	n/a	n/a	D	Default ( Lowest recovery potential)

Source: Advisors Asset Management

## Global Bonds

Global bonds give you an opportunity to invest in fixed income securities outside the U.S. By investing in this type of bond, you will have exposure to currency risk. That means as currencies fluctuate against the U.S. dollar, it will affect the value of your foreign bonds. Typically, these bonds make up only a small portion of your portfolio—perhaps five percent or less.

## Summary

So now you know what to look for as you evaluate the bonds in your portfolio or as you look towards adding bonds to your portfolio. Keep in mind that bonds fluctuate. If even that level of risk worries you, your options are money market accounts or Certificates of Deposit (CDs). But the difference in rates of return may incite you to look towards bonds. Cash type accounts are paying very close to zero while bonds typically range from 3% to 8% depending on how much risk you take.



# The Survivor's Checklist

By Sue Stevens and Patrick McDevitt

Losing a loved one is one of the most difficult things any of us will have to endure in our lifetimes. The experience is made all the more difficult by the myriad of paperwork and red tape that the survivor must wade through at precisely the moment in their life when they're most ill-equipped to deal with it.

With that in mind, here's a brief checklist that covers what a survivor needs to do in order to navigate this emotional time.

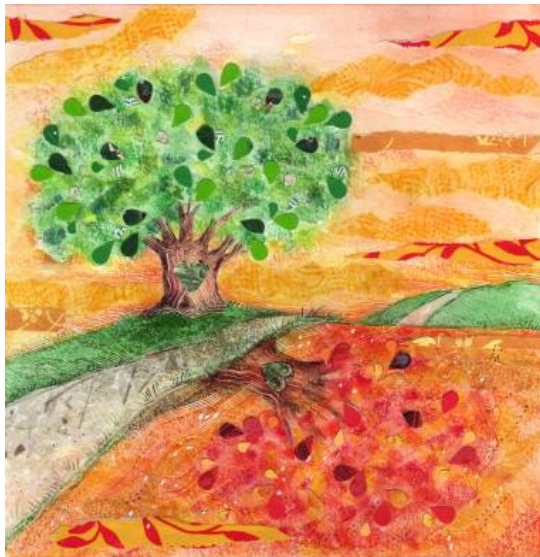
- **Call your trusted advisors.** They are there to help. Even if the death is expected, you will probably be in a state of shock. Your advisors can gently help you prioritize what needs to be done.
- **Make funeral or memorial service arrangements.** Sometimes people set up pre-paid and pre-arranged instructions. See if there are any such directives. If not, work with the funeral home or spiritual institution you choose to make all the arrangements including submitting the obituary, setting a time for a service, making burial or cremation arrangements.
- **Gather relevant documents.** If you're lucky, someone will leave you a Financial Bridge™ to help you know where everything is. Start by locating all essential papers that may include the following:
  - a. A copy of the will, and, if applicable, trusts.
  - b. Recent statements for any IRAs, 401(k)s, investment accounts, bank accounts, and pension plans.
  - c. Insurance policies.
  - d. Social Security numbers.
  - e. Military discharge papers, if applicable.
  - f. Marriage license.
  - g. Divorce decrees from previous marriages, if applicable.
  - h. Children's birth certificates.
  - i. Death certificate (plan on needing two dozen or so copies).
  - j. Company benefit records.
- **File for life insurance benefits.** Most insurers will pay out a death benefit within a week or so of receiving a copy of the deceased's death certificate. In most cases, they'll place it in an account earning a nominal amount of interest, which will allow you to focus elsewhere for the time being.
  - a. If you cannot find the insurance policies, [MIB](#), an insurance membership corporation, will help you find it for a fee. Alternatively, the [American Council of Life Insurers' website](#) offers tips on finding a missing policy.
- **Contact the deceased's employer.** Most employers will quickly pay any wages owed and unused vacation or sick time. If they died on the job, you may also be eligible for accidental death and dismemberment benefits. You should also talk to the human resources department about health insurance benefits, if you were enrolled through the deceased's employer. At a minimum, spouses may be able to retain the coverage for up to [36 months through COBRA](#).

*Whether you are 40 or 80 or some other age, you have the rest of your life ahead of you. Make every day count by knowing how much you should save or spend, how to factor in health care decisions and how to leave a meaningful legacy.*

- **Check your cash reserves.** Between funeral costs and a host of other unexpected expenses -- in addition to your normal expenses -- you can find that you're burning through cash more quickly than you anticipated, so it's a good idea to make sure that you have a bit more in your cash reserves than normal. Six to eight months of living expenses should be sufficient to buy you the time you need to get your legs under you. To fund this, you might transfer a portion of the life insurance benefits to your savings account. Some insurance companies will even provide you with a debit card you can use to draw on the benefit.
- **Consider government death benefits.** Widows or widowers may be eligible for Social Security at age 60. Families with dependent children under 18 are also eligible for survivors' benefits. Visit the [Social Security website](#) to determine what you're eligible for.  
Military veterans are eligible for a free burial in a national cemetery. The Veterans Administration will also provide a flag, headstone, and financial assistance. If you choose to have burial in a private cemetery, the VA will also arrange to have a military funeral conducted at the gravesite.
- **Consider retirement plan options.** If you were the primary beneficiary of your spouse's IRA, and he or she was the original owner, you may transfer the plan's assets into an IRA in your name. Doing so will prevent you from having to take any distributions from it until you turn 70 1/2. If your spouse was not the original owner, or if you do not want to transfer it to an IRA in your name, you may take a distribution from it without having to pay any early withdrawal penalties. You will owe income taxes on any distribution, however. You're also able to roll your spouse's 401(k) plan directly into an IRA in your name. Some employers will permit you to keep the assets in the company's plan, if you choose. Doing so may allow you to tap those assets earlier if you are considerably younger than your spouse while avoiding early withdrawal penalties.  
If you are the beneficiary of a retirement plan, but not the spouse, you cannot roll over the plan to your own IRA. You can set up a beneficiary IRA account and you will have to take required minimum distributions (for both traditional and Roth IRAs). You can also "cash out" the plan, but then you would owe tax on the whole distribution.  
Consulting with a trusted financial advisor may help you determine which option is best for you.
- **Settle the estate.** The will names an executor, who will handle the administrative duties of distributing the estate, and you'll be working very closely with them during this process. If you have a safe-deposit box, make sure that you and the executor take an inventory of it.  
You should also consider enlisting an estate attorney to help you file any estate tax returns and final income tax returns that are required. The estate tax return must be filed within nine months of the date of death, and the final income tax return must be filed by April 15<sup>th</sup> of the year following the date of death.

- **Take care of the miscellany.** You've now taken care of the most immediate needs, but a few more issues remain. At some point, you'll have to re-title all of your assets, such as your house, car, savings accounts, etc. You'll also want to change the names on your checking accounts and credit cards. In each case, you'll want to make your request in writing, and enclose a copy of the death certificate. You'll also want to change the beneficiaries of your own life insurance policies and retirement accounts if the deceased was previously named on these. Now is also a good time to revisit your own will and any trusts, to make sure that they're up-to-date.
- **Take a fresh look at spending needs.** You've been through a lot. Once you get past the first several months, it may make sense to meet with your advisor to re-evaluate how much you can spend going forward. It may be more or less than you did in the past. Your advisor can help you understand what you own, what you owe and how to make your money last throughout your lifetime.
- **Create a memorial.** Sometimes one of the most healing things to do is create a small memorial in their honor. It needn't be anything lavish; something as simple as a garden in the corner of your yard or a small paver in a walkway with their name on it can serve as a tangible tribute to their life, and to the role they played in yours.

Above all else, recognize your own emotional needs throughout this process. You're going through one of the darkest phases of your life, so by all means enlist the help of your friends and family as you negotiate your way through the things that a loved one's death makes necessary so that they can help you get back on your feet. It will help both you and them get through this difficult period.



# Organize Your Financial Life

By Elaine Eakes

For all you skeptics out there, Feng Shui, the ancient Chinese energy system isn't just a bunch of woo-woo. Organizing your financial record keeping system can reduce stress, improve your confidence and help you achieve the life you've envisioned. Whether you're a pack rat or a purger, you can benefit by streamlining your financial records.

If your financial paperwork is in a state of disarray and taking over your home, you may waste time and money looking for receipts and other documents. And that could lead to missed opportunities like additional tax deductions or mail-in rebates.

If your system doesn't help you stay on top of things, you could pay more than you have to in credit card interest and fees or capital gains taxes. The benefits of an organized financial life include easier tax preparation, a better handle on your overall financial situation, a lighter burden on your loved ones when you're gone, and a better night's sleep (aah, peace of mind).

## Take Out the Trash

The first step to organizing the records you do need is to toss out the stuff you don't. You can let go of the following:

- Marketing materials and envelope stuffers. Most bank and brokerage statements come with materials about other products and services. If you aren't interested in them, get rid of them right away. If these don't have any personal information on them, recycle them.
- Cancelled checks. Keep any cancelled checks you need to support tax deductions, insurance claims or the cost basis of your home (major home improvements). You probably don't need to keep checks for routine purchases once you've reconciled your bank statements – shred them.
- ATM receipts. Once you've reconciled your bank statements, you can get shred these.
- Annual reports. Read these when you get them and then recycle them. Even better—many are available online now so check with your brokerage company to see if you can be notified electronically.
- Proxies. Either cast your vote right away or toss them out (recycle!) if you don't plan to vote.
- Paid bills. Once you've paid the bill you don't need to keep it unless you need it to support your tax deductions. Some people like to keep one or two months' worth of utility bills on file in to prove residency or quickly find service contact information.
- Pay stubs. Keep one year's worth to reconcile with your employer's W-2 form. If it matches, you can shred the individual paystubs.
- Credit card receipts. Match your receipts to your monthly statements when you get them. If they match up, you can shred the receipts unless you need them to document your tax-related expenses, insurance claims or the cost basis of your home (major home improvements). Save receipts for major purchases until the warranties expire.

## Breathe And File

Now that you've let go of what you don't need, take a deep breath and begin Step 2: Organizing the things you need to keep. Before you dig in, think about how you want to set up your system so that it's simple and easy to maintain. To make maintenance a less painful chore, try putting your files in a central location that's easy to access in an area of your home that you actually enjoy being in. Some people like to keep a current filing area for information they file and retrieve frequently, and a "deep storage" area for documents they need to keep but are unlikely to access often. Critical documents should be kept in a bank safe deposit box or a fire-proof safe. Consider what works for your situation and your space limitations. What are the keepers? Here's a list to get you started.

*Because money is a form of energy, you need to give it enough attention to stay organized, focused and balanced.*

- Birth certificates, adoption papers, marriage licenses, divorce papers, death certificates, Social Security cards, citizenship papers. Estate documents such as will, trusts, powers of attorney.
- Titles, deeds.
- Tax returns for the past seven years.
- Insurance policies.
- Year-end brokerage statements and all investment confirmations for purchases and sales.
- Monthly bank statements (after you reconcile).
- Monthly credit card statements (after you reconcile).
- Medical records and claims.
- Property tax bills.
- Outstanding loan and mortgage papers.
- Home improvement records.

### Work Smarter

Once your filing system is set up and your current paperwork is under control, the third step is to set yourself up to keep control in the future. Here are some things you can do to work smarter.

- Go paperless. Consider signing up for electronic statements and confirmations on your investment accounts. Investigate paying your bills and doing your banking online. Consider buying a scanner to save copies of documents you want to keep (make sure you back up all your electronic records). You may also want to purchase a shredder to help you safely destroy sensitive material and prevent identity theft.
- Create a new daily, weekly or monthly habit of organizing your financial paperwork. This is the hard part, but once you're into a routine that works for you, you'll be able to stay organized.
- Coordinate with your organizer/calendar. As you file, make notes in your calendar of due dates and action items.
- Create a financial inventory of all the pieces that are important to understanding your financial situation. This could include a list of your assets and liabilities, financial institutions, account numbers, a catalog of your financial documents, safe deposit box contents and a list of important contacts such as your financial advisor, attorney, and accountant. This will help you keep track of what you've got, but it will really help your loved ones figure out what they need when you are gone.
- Reward yourself for getting your act together (although the journey was fun, wasn't it?). You don't need to be an organizational guru to be able to find your tax return when you need it. You just need to clear out what you don't need, focus and file what you want to keep, and work smarter at staying on top of it.



## About Radiant Wealth™

“Radiant Wealth” is a state of mind. When you know you have everything you truly need and you can extend that sense of fulfillment to enrich the lives of others, you will find financial happiness. We invite you to be a part of that process and think beyond the traditional measures of wealth. Join us at [www.financial-happiness.com](http://www.financial-happiness.com).

Stevens Wealth Management an independent fee-only asset management and strategic planning firm located on Chicago’s North Shore in Deerfield, IL. Our mission is to proactively act in our client’s best interest as a fiduciary. Our goal is to help clients attain peace of mind through a process of visionary, comprehensive investment management and retirement strategies. Contact us at 847-444-0209 or [www.stevenswealth.com](http://www.stevenswealth.com).

Sue Stevens, CFP®, CFA, CPA/PFS, MBA, MS is editor of Radiant Wealth and owner of Financial Happiness LLC and Stevens Wealth Management LLC. She has twenty years experience working with individual clients on personal finance issues and has been recognized by Forbes/Goldline Research, Bloomberg, Worth and others as a leading wealth manager. Sue was Director of Financial Planning at Morningstar, a senior executive at The Vanguard Group and Arthur Andersen and played cello professionally for 15 years.

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Thanks to everyone else who makes this newsletter possible.

