

Are Your Financial Promises Risk-Adjusted?

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According to Merriam-Webster's dictionary, risk is defined as "exposure to the chance of injury or loss." Risk affects every aspect of our everyday lives in both positive and negative ways. However, without risk, there are no potential rewards.

Many investors utilize risk protection strategies to protect themselves from the negative aspects of risk, e.g., diversifying an investment portfolio to avoid the risk of being invested in only one specific area of the market. Although diversification does not ensure a profit or protect against a loss in a declining market, a diversified portfolio allows investors to take advantage of the potential returns across multiple areas of the market – the reward.

Another example of risk protection is purchasing homeowners insurance. Most homeowners wouldn't even contemplate going without insurance and leaving their home unprotected from damage or burglary. When it comes to investing, mitigating risk should similarly be an important consideration. While you cannot "insure" your investments, there are ways to mitigate risk and potential solutions available to help protect your assets.

An important risk strategy is to diversify your investment portfolio across different asset classes to help minimize volatility. Diversification and asset allocation should be determined first and foremost through a risk assessment questionnaire and reviewed on a regular basis with your wealth management advisor to capture any changes to the level of risk you are comfortable with. Your risk tolerance level should remain the same in both up and down markets.

During times of market volatility, such as the one we are experiencing now, it is always more of a challenge to stick with a diversified investment portfolio. Our faith in the world economy is being questioned as is our faith in the markets. However, these are the times when it is most important to stick to the strategies you have in place to mitigate the risks

you are exposed to. If you move away from the appropriate asset allocation strategies, how will you know when it is the exact right time to move back into the market? No one can accurately guess exactly what day the economy will rebound. Rely on your wealth management advisor to guide you through these tough times and help maintain an appropriately diversified portfolio based on your risk tolerance.

You may find that the conversation about risk is also one about tradeoffs. If you do not take the necessary risks, you may not achieve the necessary returns to grow your portfolio and meet the goals you have for retirement. Another risk associated with an investment portfolio is withdrawals. Withdrawals may take place during the accumulation or retirement phase of your life. You and your advisor can employ strategies that allow for liquidity, if needed, during the accumulation stage or help provide a stream of income during retirement. Both of these strategies help mitigate risk that may occur when you remove money from your portfolio.

There are many forms of risk that need to be reviewed when considering your overall investment strategy. It is important to monitor how your risk aptitude changes as your life changes in order to ensure your family's assets are protected as well as to help ensure you are able to earn the money to fund those assets. There are many solutions that should be implemented in a well-thought-out holistic wealth management plan to protect your family and allow you to keep the promises that you have made to them. Speak with your wealth management advisor today to develop a wealth management plan that meets the specific needs of you and your family.

New Law Affects Required Minimum Distributions for 2009

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On December 23, 2008, former President George W. Bush signed into law the H.R. 7327 Worker, Retiree, and Employer Recovery Act of 2008. Part of this act waives 2009 required minimum distributions (RMDs) for retirement plans such as traditional IRA, 401(k), 403(b) and certain 457(b) plans, and inherited retirement accounts. This means that if you hold or inherited one of these accounts and are over the age of 70½, you are not required to take required minimum distributions from these accounts in 2009.

If you are eligible to postpone taking your first 2009 RMD until April 1, 2010, the 2009 RMD waiver is still applicable. However, the act does *not* waive any 2010 RMDs.

Example: 2008 RMD Calendar Year

Greg reaches the age of 70½ during 2008, and he decides to delay his first RMD until April 1, 2009. Greg's requirement to withdraw his 2008 RMD no later than April 1, 2009, has not changed due to H.R. 7327. If he has not yet made his 2008 RMD payment, it is now considered late and subject to penalty. H.R. 7327 does allow Greg to forgo his 2009 RMD, which would otherwise have been required by December 31, 2009. Greg's next RMD is required no later than December 31, 2010.

Example: 2009 RMD Calendar Year

Sharon reaches the age of 70½ during 2009, which typically requires her to take her first RMD by April 1, 2010. Due to H.R. 7327, Sharon is not required to take her 2009 RMD, and her first RMD will now be the 2010 RMD, which must be made no later than December 31, 2010.

Furthermore, if you inherited a retirement account and the deceased individual died before reaching his required beginning RMD date (at the age of 70½) and you are receiving distributions over a five-year period, you can now waive the distribution for 2009, effectively taking distributions over a six-year period rather than a five-year period.

Contact your wealth management advisor today for more information regarding this law and how these changes can benefit you.



Make Your 2009 IRA Contribution Today

Are you considering skipping your 2009 IRA contribution because of the down market?

Consider this: Investing in an IRA every year takes advantage of dollar-cost-averaging over the long term. Skipping a contribution may be a costly strategy and could have a significant impact on your future retirement.

How much could you lose in the long run?

- Let's look at a hypothetical example: Your plan was to invest \$5,000 each year in a well-diversified portfolio that earns 7 percent.* This year, you are concerned about the turbulent market, and decide to skip your IRA contribution.
- The table below shows how much you could potentially lose in your retirement nest egg by skipping just two years, or just five years, rather than staying the course over 30 years.

	Investing annually for 30 years*	Skipping 2 years*	Skipping 5 years*
Potential value of your IRA	\$505,365	\$431,733	\$338,382
Potential difference in value		(\$73,632)	(\$166,983)

It's not too early to make your 2009 contribution. Talk to your wealth management advisor today.

* This example is for illustrative purposes only and does not represent the performance of any security. Assumptions: (1) annual \$5,000 IRA contributions made on January 1 of each year and continuing for 30 years, 28 years, or 25 years. (2) Annual rate of return of 7%, compounded annually. (3) No taxes on any earnings within the IRA. The ending values do not reflect taxes, fees, or inflation; otherwise, amounts would be lower. Earnings and pretax (deductible) contributions from a Traditional IRA are subject to taxes when withdrawn. Earnings distributed from Roth IRAs are income tax-free, provided certain requirements are met. IRA distributions before age 59½ may also be subject to a 10% penalty. Systematic investing does not ensure a profit and does not protect against loss in a declining market.



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