

## THE CALM BEFORE THE STORM HOW THE GLOBAL DEBT CRISIS WILL AFFECT YOU!

*By Gregory R. Banner, CLU®, CFP®, CRTP*

It started in Europe and will eventually work its way to the United States. Massive debt and out-of-control government spending in countries like Greece, Spain, Italy, and now Great Britain are leading the fears of investors that larger country debt defaults are only a matter of time.

Just a few months ago, the world was shocked when the British government announced a huge unexpected budget deficit. This announcement tied into worries that the current government will not change and will continue to let the country spiral further into debt. The recent selling frenzy of the British pound and British government bonds that were dumped in huge quantities is a reflection of the selling by global investors. In the near term, we expect that the United States dollar and investment markets will benefit from money fleeing Europe and Euro investments looking for a safe haven. This could lead to as much as a 5% increase in stock prices over the next several months before problems start here.

You may ask how this affects me over here in the United States. If you take Greece or even Britain, which is starting the cycle, investors first dump the country's bonds as fast as they can flee for safety. This in turn drives bond prices down dramatically, leading to higher interest rates and tighter credit, which translates, into increased rates on everything from mortgages to auto loans and credit cards. Consumers will typically halt their spending, which drives the economy and leads to a slow down of corporate spending and earnings. Eventually, all of these things can lead to a drop in stock prices and dreaded higher unemployment.

Is this starting to look familiar to things going on in the United States? We are the country with the biggest spending problem and largest budget deficit. Suddenly the sovereign debt crisis playing out in Greece and other small countries has now migrated to Britain! We feel it is only a matter of time before this debt crisis jumps across the Atlantic and is on our doorstep here in the United States. We feel there is a good

chance this will play out later this year, which could create the "double-dip" recession often mentioned in the news. If you stop and look at 2008, the United States government stepped in with bailouts and mass spending to prevent a collapse of this country. If there were another double-dip recession, the politicians would have a much harder time spending their way out of it based on the current frustrations of the people. These frustrations can be seen with the election in Massachusetts and the rise of the Tea Party.

While the United States seems like a safe haven to the rest of the world right now, it will probably be a short-term play and by later in the year the world will be worried about the United States debt and spending again. If history is any indication of the future, you can see what has and is playing out in other countries having similar problems. Now is the time to sit down and address not only your investment allocation but also your debt situation to see what risks and opportunities you may have in the future.

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## The RMD is back in 2010.

In 2009, Congress declared you did not have to take a Required Minimum Distribution (RMD) – that annual withdrawal from your IRA they normally make you take (and pay tax on) when you reach age 70 ½. Last year you didn't have to ... this year you do.<sup>1</sup>

It is important to note that all of your traditional IRAs and qualified retirement plans are subject to an RMD.<sup>2</sup> So remember those IRAs you may have at other firms. Roth IRAs are not subject to RMDs.<sup>3</sup>

In addition, the IRS tells you how much you have to take out of your IRAs collectively. It does not insist you take the RMD from each account. For example, if you would like to take more from a low paying IRA bank CD than your growth-oriented accounts, you can take your total RMD amount calculated using values of all your accounts from that single bank CD.

Just remember to take it. While Congress gave us a pass in 2009, if you fail to take your full 2010 RMD, the IRS may impose a 50% penalty tax on the amount you did not take out.<sup>4</sup>

We can set up your RMD on an annual, quarterly, or monthly basis.

If you would like to talk further, please call us at 858-455-1825. As always, we are here for you.

1. <http://www.irs.gov/retirement/participant/article/0,,id=188023,00.html>
2. [http://www.irs.gov/publications/p590/ch01.html#en\\_US\\_publink1000230720](http://www.irs.gov/publications/p590/ch01.html#en_US_publink1000230720)
3. [http://www.irs.gov/publications/p590/ch02.html#en\\_US\\_publink1000231081](http://www.irs.gov/publications/p590/ch02.html#en_US_publink1000231081)  
[http://www.irs.gov/publications/p590/ch02.html#en\\_US\\_publink1000231079](http://www.irs.gov/publications/p590/ch02.html#en_US_publink1000231079)

## HOW AND WHEN TO SIGN UP FOR MEDICARE

*Breaking down the enrollment periods and eligibility.*

Provided by John L. Jenkins, AEP®, EA, CFP®.

Medicare enrollment is automatic for some of us. In fact, anyone who has received a Social Security check or 24 months worth of Social Security Disability Insurance (SSDI) is automatically enrolled in Medicare Part A and Part B.<sup>1</sup> Part A is hospital insurance; Part B is medical insurance.

If you're getting Social Security checks and approaching age 65, you'll get a Medicare card in the mail three months before your 65th birthday. Medicare benefits begin on the first day of the month in which you turn 65. If you are getting SSDI (regardless of your age), the card will arrive coincidental with your 22nd monthly payment and you are entitled to Medicare coverage with your 25th monthly payment.<sup>1,2</sup>

Oh yes, there is another important criterion: you must be a U.S. citizen or a legal resident of this country for five years or longer to be eligible for Medicare.<sup>1</sup>

Some of us have to contact the SSA. If you're coming up on 65 and not receiving Social Security benefits, SSDI or benefits from the Railroad Retirement Board, you can still apply for Medicare coverage. You can visit your local Social Security Administration office or dial (800) 772-1213 or go to [www.ssa.gov](http://www.ssa.gov) to determine your eligibility. (If you're going online, don't just type in [ssa.gov](http://ssa.gov); you need the [www.](http://www.ssa.gov) to get to the site.)

In this case, if you are eligible you have the choice of accepting or rejecting Part B coverage. If you want Medicare Part A and Medicare Part B, then you should sign your Medicare card and keep it in your wallet. If you don't want Part B, you put an "X" in the refusal box on the back of the Medicare card form, and send the form to the address shown right below where your signature goes. About four weeks later, you will

get a new Medicare card indicating that you only have Part A coverage.<sup>3</sup>

When can you add or drop forms of Medicare coverage? Medicare has enrollment periods that allow you to do this.

- The initial enrollment period is seven months long. It starts three months before the month in which you turn 65 and ends three months after that month. You can enroll in any type of Medicare coverage within this seven-month window – Part A, Part B, Part C (Medicare Advantage Plan), and Part D (prescription drug coverage). AS it happens, if you don't sign up for some of this coverage during the initial enrollment period, it may cost you more to add it later.<sup>1</sup>
- Once you are enrolled in Medicare, you can only make changes in coverage during certain periods of time. For example, the annual enrollment period for Part D is November 15-December 31, with Part D coverage starting January 1. (You can also select a health plan for the next year or drop or change Part D coverage in this period.)<sup>4,5</sup> Additionally, there are also open enrollment periods between January 1 and March 31. These dates frame an open enrollment period for Part D; if you enroll in Part D in this window, coverage starts on the first day of the month after the plan receives your enrollment form. There is also an open enrollment period for Part B coverage from January 1 to March 31; if you sign up for such coverage within that period, it begins in July of that year.<sup>1,4</sup>

Special situations. Individuals with end-stage kidney failure who need dialysis or a transplant may qualify for Medicare regardless of age. Upon diagnosis, they can contact

the SSA. Medicare coverage usually takes effect three months after a patient begins dialysis. People with Lou Gehrig's Disease (ALS) are automatically enrolled in Medicare as soon as they begin receiving SSDI payments.<sup>1</sup>

Do you have questions about eligibility, or the eligibility of your parents? Your first stop should be the Social Security Administration (see the contact information in the fourth paragraph above). You can also visit [www.medicare.gov](http://www.medicare.gov) and [www.cms.hhs.gov](http://www.cms.hhs.gov).

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Citations.

<sup>1</sup> [nycmccap.org/guide/chap06a1.html](http://nycmccap.org/guide/chap06a1.html) [8/16/09]

<sup>2</sup> [questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std\\_adp.php?p\\_faqid=2193](http://questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std_adp.php?p_faqid=2193) [9/1/09]

<sup>3</sup> [questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std\\_adp.php?p\\_faqid=2191](http://questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std_adp.php?p_faqid=2191) [9/1/09]

<sup>4</sup> [questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std\\_adp.php?p\\_faqid=2253&p\\_created=1254843348](http://questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std_adp.php?p_faqid=2253&p_created=1254843348) [10/6/09]

<sup>5</sup> [cms.hhs.gov/center/openenrollment.asp](http://cms.hhs.gov/center/openenrollment.asp) [10/1/09]

## Is Your Life Insurance Right For You NOW?

**Life insurance is hard.**

It is hard to know if you have the right kind. It is hard to know if you have enough. In addition, it is hard to know if you need any at all.

The insurance companies have made it even harder by coming up with bewildering names: whole life, term life, universal life. Some life insurance policies have a cash value while others do not. Some invest that cash value in the stock market while others pay a fixed rate of interest. Some insurance policies combine all of these ideas.

This may be one reason why a recent study by the National Association of Insurance Commissioners found that about 40% of people do not review their life insurance annually.<sup>1</sup> In my experience, that number seems to be even higher. No matter what the exact number, a large portion of Americans may simply be paying for insurance that is not right for them.

That is why it is important for you to sit down annually with an insurance professional to review how your policy works and how it will help you to protect your family.

When you are young, a certain type of policy is needed. As you raise a family and take on more responsibilities, your needs change again. At some point – when the nest is empty or other life changes occur – there may come a time where you do not need life insurance at all or you may desperately need to protect your estate. Reviewing your life insurance policies is one way to make sure you have the coverage that is right for you and your family now, today – not when you bought it.

When is the last time you thought about your life insurance? Is it time to look? If so, We invite you to speak with us. We can be reached at 858-455-1825.



**An investment strategy with the objective of providing an inflation-adjusted income for life**

**Provided by John L. Jenkins, AEP®, EA, CFP®**

Will you outlive your savings?  
Or will you have income for life?

Many investors may not reach desired returns on their investments and plans.

**Why?**

#### **Lack of strategy**

Individuals often chase performance and unintentionally become players in momentum-driven markets.

#### **Lack of patience**

Investors may not give their investment decisions enough time to realize their potential or take advantage of time.

#### **Emotions**

Many investors are prone to emotion-based decision making, often driven by a strong desire for profit, followed by a fear of risk and loss.

#### **And, of course, inherent risks**

Investing by its very nature has many different risks that can affect an investment's or plan's final outcome.

#### **The Challenge**

For the first time in history, retirees are more concerned about living too long than they are about dying too soon. A married couple at age 65 has a nearly 40% probability of at least one of them living to age 95 or beyond.\* We are all living longer. We could live well beyond the monetary benefits of our retirement plans. It's a serious problem but there is a solution – *The Income for Life Model™*.

\*Source: Mouton & Company, Inc.

#### **Retirees Continue to Ask**

- Do I have enough assets to last as long as I plan to live?
- Are they in the right place?
- Which assets do I use first?

#### **Longevity is the New Retirement Risk!**

#### **A Solution**

An investment strategy with the objective of providing inflation-adjusted income for life.

Our proprietary analysis can offer you a unique report that will answer the previous three questions, and help you navigate through retirement by developing a plan designed to specifically address:

- Inflation
- Taxes
- Asset Allocation

We then work with you diligently to define a distribution strategy designed to:

- Increase Income
- Decrease Risk
- Save Taxes
- Preserve Principal

#### **The Planning Process**

Developing a plan for the distribution phase of your life is an important endeavor and one that requires a thorough process.

**Fact Finding:** We ask pertinent questions to discern your goals and objectives.

**Analysis:** We give you a customized Income for Life Model™ report.

**Strategic Design:** We make specific recommendations for ways to help achieve your financial goals.

**Implement:** We can help you ensure that your strategies are carried out.

**Review:** We will review your financial situation relative to your changing circumstances.

Please call us to schedule your appointment to discuss how The Income for Life Model can be applied to your circumstances.

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**We cannot direct the wind,  
but we can adjust the sails.  
- Bertha Calloway**

## Workshops

All workshops take place at the Southern California Institute, 3636 Nobel Drive, Suite 450, San Diego, CA 92122 *unless otherwise noted*. Please RSVP to Sam at (858) 455-1825 or [samhaskell@asset-preservation.com](mailto:samhaskell@asset-preservation.com).

### Strategies for the Large IRA

will be presented by John L. Jenkins, AEP®, EA, CFP® on Thursday, April 1, 2009 from 2:30—4:00 PM.

This workshop will provide a comprehensive set of strategies for the large IRA. Topics include leveraging the large IRA through life insurance, stretching the IRA over the life expectancies of younger beneficiaries and converting the IRA to a Roth IRA all while using Tax Bracket Maximization. John will discuss the “how to”, the “why” and “why not”, along with the most appropriate circumstances and the benefits available.

### Income For Life -

with John L. Jenkins, AEP®, EA, CFP®, Asset Preservation Strategies, Inc., and Yolanda York, Social Security Administration will take place on March 21, 2010 from 10:30 AM—Noon at the Southern CA Institute.

Come learn the basics of social security and stay for a special presentation about Retirement Planning for the 21st Century.

Will you outlive your retirement savings or will you have Income for Life?

Join us for this unique and valuable presentation.

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### Are REITS Right for Your Portfolio?

*Real Estate Investment Trusts offer a way for smaller investors to buy into big real estate.*

If you dream of emulating Donald Trump but don't have millions to invest in real estate, a Real Estate Investment Trust or REIT can provide some of the upside income potential with a much smaller investment.

Simply put, a REIT is a way for everyday investors to invest in property and real estate. It can be commercial real-estate, apartments, condominiums, homes and other types of property. REITs specifically invest in properties that produce income and pass on the profit to investors in the form of dividends. In fact, REITs must distribute at least 90% of any profit to qualify for preferential tax treatment.

REITs come in three major forms. The most common and widely purchased are shares of equity REITs, which invest in commercially managed property that may produce income. This is generally

the type of REIT that is referred to when discussing them as an investment tool.

Less common versions of REITS include mortgage REITs, which make loans to owners of real estate or invest in current outstanding mortgages. According to *Investopedia.com*, these REITs account for less than 10% of REITs available today (2009). The final version is a hybrid of the equity REIT and the mortgage REIT and also accounts for a small percentage of REITs. These hybrids combine the mortgage investment of one with the property management of the other.

Most REITs contain numerous properties ranging in size, activity and function. Like portfolio diversification, a REIT's diversification may provide some protection from the ups and downs of individual properties such as occupancy rates, defaults on rents, and downturns in industry sectors or local markets. Specialized REITs hold only specific types of property, such as apartments, commercial office space or retail.

Like other investments, REITs carry the risk of loss of investment. Because they can be a complicated investment product, consult your financial professional before investing to better understand whether REITS are right for your portfolio. Investing in real estate or REITs may not be suitable for all investors and is subject to significant risks. These risks may include limited  
*(continued on page 6)*

## Referrals

### Thank you for your Referrals

Most of our new clients come as a result of referrals from people like you. If you know a friend, family member or small business owner who might benefit from our services, please let us know. Be assured that anyone you refer to our firm will be treated with the same high standards of professionalism and confidentiality that we extend to you and all of our clients.

## Circle of Friends Gala Great Success

We want to thank all of you who attended or otherwise supported our Circle of Friends Gala benefiting the Autism Discovery Institute, Diagnostic and Treatment Center at Rady Children's Hospital.

Asset Preservation Strategies, Inc. co-sponsors this annual event as an appreciation night for Southern CA Institute Laureates, Members, their families, clients and friends.

In addition to a good time being had by all, significant funds were raised by the event for the charity. We thoroughly enjoy giving back to the community through this wonderful event and greatly appreciate your support.

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operating history, potential conflicts of interest, payment of significant fees to affiliated sponsors, advisors and general partners, potential illiquidity and liquidation at less than the original amount invested, and possibility of declining real estate values. Income payments are not guaranteed and subject to the claims paying ability of the company. Investors should carefully consider their investment objectives, risk, charges, and expenses of REITs before investing.

For a prospectus and more complete information, including risks, expenses please contact your financial advisor. All investors should obtain a prospectus and read it carefully before investing.

Written by Securities America for distribution by Gregory R. Banner, CLU®, CFP®, CRTP.

