



RFC FINANCIAL PLANNERS

Organize. Simplify. Plan.



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CERTIFIED FINANCIAL PLANNER™ Professionals

Planning Points

Quarterly Newsletter - Fall 2010

OUR THOUGHTS:

As we wrap up 2010, many of us wonder what 2011 will bring with all of the changes on the horizon between income taxes, estate taxes, political elections, among many more. We certainly don't have a crystal ball to predict the future, but what we can do is prepare and focus on what we CAN control. Even though the US government may be spending like there's no tomorrow and ignoring its budget, that doesn't mean you have to. If you are tired of living pay check to pay check and want to see your debt level go down instead of increase every month, then let's setup a plan to change that. Make a commitment by dedicating one of your new year's resolutions to organizing and simplifying your financial life. One way to do this is by creating and following a realistic spending and savings plan that you can stick to.

A spending plan can be a helpful tool not only for young families trying to build up their retirement nest egg, but also folks that are in retirement. Sometimes it's even more important in retirement because you don't have the ability to earn your way out of debt by working harder like you might have counted on during working years. If you're thinking that you can't change your spending enough to make a difference, you may be surprised how much the little things add up. Small changes can make large impacts over time. For example:

- Cut back on that daily Latte. At \$3 X 5 days per week = \$65 per month. If you invest instead, earning 6% = \$4,535.05 after 5 years.¹
- Reduce Dining out. At \$20 X 3 days per week = \$260 per month. If you invest instead, earning 6% = \$18,140 after 5 years.¹

Habits are hard to break and spending beyond your means is no exception, but if you are ready to finally start living off of your money instead of everyone else, make the commitment to establish a spending and savings plan by following these steps:

1. Set financial goals
2. Evaluate your spending
3. Develop a spending plan and identify what you can use to either pay down debts or put toward savings.
4. Stick to the plan
5. Reward yourself periodically as goals are achieved
6. Review and evaluate at least annually or when changes occur.

Tips to lower your bills and save:

1. Evaluate higher deductibles on your home and auto insurance for savings from decreased premiums.
2. Focus any extra payments toward paying down highest interest rate debts, but keep making timely payments on ALL bills.
3. Save all receipts for a few months and add up your average monthly expenditures by category to identify spending habits.
4. Cut back on unnecessary expenses and either pay down debts or save the difference.
5. If your employer matches contributions to the retirement plan at work, be sure to at least contribute enough to get the full match, and do more if you can!
6. Look for alternative ways to spend your free time that are cheaper. Renting books, music, & movies from the library is free!

More great tips and tools can be found on a number of websites. We encourage you to check out this site for example: www.feedthepig.org.

If you are interested in learning more about increasing your financial freedom, please RSVP to attend our next education event "**How to better manage your cash flow and finances**" held on Nov 9th. [See details below.](#)

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2010 Year End Planning Ideas: Some of the following may be advantageous to consider if tax rates are going to increase in 2011:

- 1) Make your 2010 IRA and ROTH IRA contributions for those who are eligible.
- 2) Convert certain retirement accounts into a Roth IRA. ²
- 3) If converting to a Roth IRA, pay the resulting tax liability now instead of spreading the conversion tax over 2011 & 2012. ²
- 4) Sell assets with unrealized gains to take advantage of existing capital gains rates.
- 5) Give increased consideration to municipal bond investments.
- 6) Seek to harvest/realize tax losses.
- 7) Maximize use of retirement plans offering tax-deferred or tax-free accumulation.
- 8) Consider contributing funds to an annuity contract or life insurance policy with tax deferred accumulation.
- 9) Receive ordinary income now rather than in a later year.
- 10) Defer discretionary deductions (example-charitable contributions) to later years.
- 11) Consider tax-efficient or tax-managed investment strategies.
- 12) Explore the use of investments that generate potential tax deductions.

Everyone's situation is different and careful consideration must be given to each case to determine the best course of action. Please contact us to discuss any of these thoughts in further detail and to explore your personal situation. Also consult with your tax advisor regarding these decisions. We are always happy to work in tandem with that individual as well.

DID YOU KNOW?

Top & Bottom Taxes - The **top 1%** of US taxpayers in 2008 paid an **average tax rate of 23.3%** (i.e., federal income taxes paid as a percentage of adjusted gross income), resulting in total taxes paid of \$392 billion. The **bottom 50%** of US taxpayers in 2008 paid an **average tax rate of 2.6%**, resulting in total taxes paid of \$28 billion (source: Internal Revenue Service).

To Defer or Not Defer - The earnings achieved by an investment account inside a **life insurance or annuity contract** generally grow on a **tax-deferred basis**. The lack of current taxation on this so-called **"inside buildup"** removes an estimated **\$265 billion of federal income taxes** over a 10-year period (source: Congressional Budget Office).

RFC EVENTS:

Don't miss our next event:

"HOW TO BETTER MANAGE YOUR CASH FLOW AND FINANCES" on Tuesday, November 9th 6:30PM-8:00PM at:
Sigma Financial Corp, 300 Parkland Plaza, Ann Arbor, MI 48103. RSVP to Laura or Karen at 734-272-4224 by Nov 8th.

We teach the following continuing education classes at locations listed below. If interested, please call the numbers below to register.

Ann Arbor Community Education / Rec & Ed (734) 994-2300

• "Roadmap for Retirement" 2 week class – January 24th & 31st from 6:30-8:00 PM

Plymouth Community Education (734) 416-2937

• "Roadmap for Retirement" 2 week class - February 7th & 14th from 6:30-8:00 PM

Washtenaw Community College-Life Long Learning (734) 677-5060 or <http://www.wccnet.edu/lifelong-learning/browse/>

• "Roadmap for Retirement" 2 week class - March 9th and 16th from 6:30-8:00 PM

Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

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If you would prefer to receive our quarterly newsletter via e-mail instead of by mail, please e-mail us at info@rfcfinancialplanners.com

Securities offered through Sigma Financial Corporation, Member FINRA/SIPC.

Fee-based investment advisory services offered through Sigma Planning Corporation, a registered investment advisor.

¹ Rate of return is for illustration purposes only and is not indicative of any particular investment. Your results will vary. Information for this article was obtained from these helpful online sites: www.feedthepig.org

² This material is provided for general and educational purposes only and is not intended as tax, legal or investment advice or for use in avoiding penalties that may be imposed under U.S. federal tax laws. Please consult your tax advisor for advice regarding your personal tax situation. Conversion from a Traditional IRA to a Roth IRA first requires paying taxes on any pre-tax contributions, plus any gains. Additionally, the money used to pay these taxes cannot come from your Traditional IRA without a 10% penalty, if you are under age 59 1/2. Converted amounts can be distributed without penalty after five years, beginning January 1 of the year of conversion and ending on December 31 of the fifth year. Each conversion has a separate five-year holding period. If you're under 59 1/2 and take a distribution of converted amounts prior to the five-year holding period you may be subject to the 10% premature penalty. Distribution of earnings before completing a five-year holding period & attaining age 59 1/2 may be subject to tax and a 10% penalty.