

TheLoop

An Insight Financial Advisor Newsletter

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The Importance of Paying Attention

When it comes to financial matters, there is usually one spouse that “handles it” and often we find the other feels they don’t need or want to know what’s going on. “I trust you,” “I don’t understand any of this” and “I don’t pay attention” are the phrases we hear. But leaving it all to one person and “having no clue” about your finances is a bad idea.

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What could go wrong and how do we solve those problems? That's what a financial plan answers – it's a roadmap aligning your resources to reach your goals. How do you plan to make things go well? And what do you plan to do if things do not go well?

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The Importance of Paying Attention

Written by: Heather Calmes

When it comes to financial matters, there is usually one spouse that “handles it” and often we find the other feels they don’t need or want to know what’s going on. “I trust you,” “I don’t understand any of this” and “I don’t pay attention” are the phrases we hear. But leaving it all to one person and “having no clue” about your finances is a bad idea.

First of all, I don’t buy it, many people are just selling themselves short and are

much more aware than they give themselves credit for. Second, what will happen when the beloved bookkeeper becomes ill and you are left picking up the pieces? Luckily understanding a few key things can help keep you just enough in the loop to not be lost. Read on for 5 things to keep you in the know about your investments, whether you are the primary financial family member or not. And trust me, you can do it!



Where are your investments held (company name)?

It is important to know who the custodian, or company that hold your investments, is. If you need to access your money you must first reach out to the proper company. If you have a financial advisor you should know how to contact them.

What type of account is it?

There are more than one type of investment account and each is administered differently. Do you have a Trust or an IRA account? Maybe it’s a TOD? If the worst happens it will be important to know what types of accounts you own so you can be sure to access the money as quickly as possible.





How much do you own?

Investment values change day to day, but you should know about how much money you have invested. Often investment accounts act as your nest egg... its important to know how many eggs you've got in your basket.

How to read your statements

Statements seem easy enough to decipher at first, but many people don't know what they are looking at once the statement is in their hands. This is normal as there is a lot to look at. If you don't know how to read your account statements you should schedule a statement review with your financial advisor. By the way, reviewing your statements is the best way to keep up to date on the previous three items.

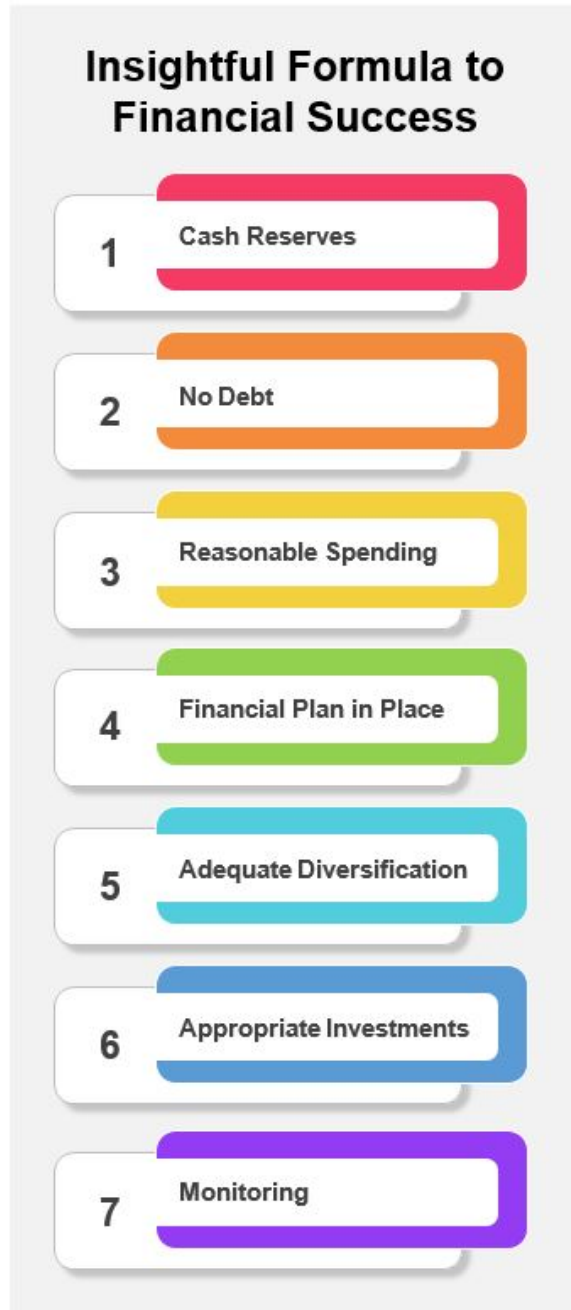


Keep in touch. Ask us questions!

Even if you are not the keeper of the finances in the family it is important to join in on a meeting with your advisor from time to time. This will help keep you in the loop on the items noted above. In addition, you might remember to mention something your spouse does not. It is also important for you to ask questions if you do not know the answers to the items above. The more face to face time (or phone time) you have with your advisor the easier it is to ask questions.

Insightful Formula to Financial Success

Written by: Wanda Delgado (245708)



There is a fairly simple formula for financial success that I have been using during my 30+ years in this industry and I'm going to give it to you. In fact, we've put together a graphic (pictured on the left) to show you the secret sauce...

Yep! It's the same few things I talk about at every client meeting, in practically every newsletter, and inevitably at just about every social gathering. Although you may have heard or seen me discuss these topics before, it is always important to have a reminder. We've already covered Cash Reserves, No Debt, and Reasonable Spending in previous issues of The Loop, so let's move on to Part 4 – Financial Plan in Place ...

This article was written by
Wanda L Delgado, CFP®
Registered Principal



Financial Plan in Place

Insightful Formula to Financial Success, Part 4

What could go wrong and how do you solve those problems? That's what a financial plan answers – it's a roadmap aligning your resources to reach your goals. How do you plan to make things go well? And what do you plan to do if things do not go well?



A Comprehensive Financial Plan will include “chapters” – such as:

- Cash Flow Management
- Debt Management
- Insurance Planning
- College Expense Planning
- Estate Planning
- Income Tax Planning
- Retirement Income Planning
- Investment Management
- Charitable Gifting Planning

Not everyone needs to focus on each chapter. It will depend on their time in life, circumstances and personal goals.

Let's look at a few of the chapters that apply to most people and how things can go wrong without a plan... The stories are extreme but true. The endings are shocking, and all could have been prevented.

Insurance - Risk Management Planning

An Ensured Calamity

A man calls a radio show legal expert, wants to ask a question. He says, “My tree fell on the neighbor's house; do I have to pay for the damages?” The expert says, “Why don't you call your insurance agent?”



Man says, “Don’t have it. I don’t need property insurance; the house is paid for. If it was wrecked, I could sell the land and make a lot of money.” Legal expert says, “Pay for the damages ... and have your head examined!”

The moral of this story is, yes, rich people need insurance too. A bad luck event could wipe you out.

Risk management planning, or Insurance planning answers these questions...

- What happens if you get sick?
- What if you’re not “technically sick” and you need Long Term Care?
- What happens if you die?
- What happens if your belongings are stolen or damaged?
- What happens if your house or your real estate properties are damaged or destroyed?
- What happens if something on your property injures someone or something?
- What happens if, by accident, you’re driving injures someone or damages their property?
- What if, on purpose, you injure someone when you are driving? (Answer: Go to jail.)

Estate Plan

A Hot Mess

A couple of summers ago, when temperatures reached 106° regularly, a client told me of his friend who was in danger. The man was widowed, no children and lived alone in his home, which had NO AIR CONDITIONING. His doctors had classified him as incapacitated mentally. He had no Power of Attorney, no Living Will, no Living Trust. No one was legally appointed to spend his money to install air conditioning, or move him to an apartment or assisted living facility where he would be safe and far more comfortable. The only thing to do would be to call Adult Protective Services.



Even if you have ample financial resources, you need a plan in place in case you can’t figure out how to use them.

Estate planning answers these questions...

- Who takes charge of your finances if you become incapacitated?
- Who takes charge of your finances if you die? Who inherits your earthly wealth?

A basic estate plan will include

- Power of attorney
- Health directive
- Beneficiary designations on all your retirement plans, life insurance, and annuities
- Last will and testament naming an executor and beneficiaries
- Living trust or testamentary trust naming a Successor Trustee and beneficiaries

Retirement Income Analysis

A Flipping Disaster

A married couple bought run-down houses, renovated them and resold at a profit. House-flipping is a common term for this. They set-up a corporation, and made it an S-corporation. The husband thought he had a fine strategy to sidestep any money taken as wages or salary. He arranged for profit not to be taken as salary, but as “distributions” to be taxed at ordinary income tax rates. This “saved” on payroll taxes. He felt this was a clever way to avoid paying 15.3% in

Self-Employment taxes as business owners must pay the company’s share and the employee’s share.



Unfortunately, along the way, they failed to save or invest much of their profit from operations. More unfortunately, they failed to build adequate Social Security credits to qualify for Social Security retirement benefits. (You need 10 years of coverage.) Even worse, they divorce; he remarries. About 10 years later, the wife hopes to start collecting Social Security retirement benefits only to learn she could only collect Supplemental Security Income up to a maximum of \$931.72 per month, after she had exhausted the modest savings she had. What a disaster; thank goodness she has a daughter. But then, insult to injury, the ex-husband WAS receiving social security benefits. How? Based upon his spouse’s record; he had been married for more than 10 years to the new spouse.

Despite having sufficient resources now, you must save for your future. A failure to plan ahead can lead to disastrous outcomes.

Retirement Income Analysis answers these questions...

- How much income should you expect after your earning years and how long will it last?
- What are your income streams?
- How much do you expect from Social Security?
- How much do you expect from real estate income?
- How much do you expect from investments?

Income Tax Planning

An Utter Catastrophe

A wonderful young lady inherits a half a million dollars from her parent's retirement plan account. She decides to take all the money out of the investment account at once and go on a spending spree. Her Enrolled Agent warns her to pay estimated taxes so she doesn't end up with an undesirable outcome. But she is living her best life in a new condo and a new car along with other fun items of luxury and comfort. At the end of the year this lovely young lady receives her 1099 and is in shock; it's time to pay taxes and she has nothing, zero dollars to pay the tax bill on a half a million dollars. What a catastrophe!



It is important to know how much you might expect to pay in taxes so you know how much money you actually have to spend. No one wants to get caught with a tax bill they can't pay.

Income tax planning answers these questions...

- What kind of income do you receive?
 - Earnings
 - Rents
 - Interest
 - Dividends
 - Capital Gains
 - Retirement Plan distributions
 - Alimony
 - Gambling winnings
 - Lottery winnings
- Do you have any control over how much you will get and when you get it?
- Are you paying more income tax than your "fair share"?

As you can see from these horror stories a lot can go wrong if you don't plan properly. What could go wrong and how

do you solve those problems? How do you plan to make things go well? Make a financial plan and know.