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ADVANCE DIRECTIVES

Advance Directives are a way to "have your say" about the type of care you receive (or don't receive) in the event you suffer a catastrophic medical event, such as a stroke or an accident that leaves you unable to communicate your wishes. Every adult should plan ahead by completing an Advance Directive that specifies his or her personal preferences in regard to acceptable and unacceptable medical treatments. There are two types of Advance Directives:

Living Will

A Living Will states your preferences regarding the type of medical care you want to receive (or don't want to receive) if you are incapacitated and cannot communicate. You specify the treatment you want to receive or not receive in different scenarios.

Medical Power of Attorney

Also known as a durable power of attorney for health care or a health care proxy, a Medical Power of Attorney names another person, such as your spouse, daughter or son, to make medical decisions for you if you are no longer able to make medical decisions for yourself, or you are unable to communicate your preferences. Note that a Medical Power of Attorney is not the same as a Power of Attorney, which gives another person the authority to act on your behalf on matters you specify, such as handling your financial affairs.

Important Points to Remember

- Each state regulates Advance Directives differently. As a result, you may wish to involve an attorney in the preparation of your Advance Directive
- You can modify, update or cancel an Advance Directive at any time, in accordance with state law.
- If you spend a good deal of time in several states, you may want to have an Advance Directive for each state.
- Make sure that the person you name to act for you - your health care proxy – has current copies of your Advance Directive.
- Give a copy of your Advance Directive to your physician.

GUARANTEED INCOME – THE INTEREST RATE CONUNDRUM

Anyone who knows us is aware of the huge and unplanned projects that have been going on at our house. Over the last year, over 1/3 of our house has had to be rebuilt and remodeled. These projects were unforeseen and unfunded. Yet, they had to be done. When a person has lived in the same house for 20 years, moving stuff around and cleaning out storage areas is an unforgiving job. Needless to say, it was also not fun, financially.

Having had time to reflect on this experience, I relearned for myself something I discuss with my clients: Income is King!

We were fortunate; my wife has a good job. I have a good career. In spite of that, we had to borrow money in order to get over the 'hump' and pay for these projects. All of the advice about saving for 3 month's income came in handy, but that wasn't enough. It was a very frustrating time.

One day, I was cleaning out a filing cabinet. We needed to move it. Inside the filing cabinet I found some marketing and planning materials from the late 1990s. The company I worked for back then had fixed annuities paying 7%! Inside the product brochure was a lifetime income schedule. Not only were they paying 7% but the minimum was 4.5%!

This got me thinking about how we used to help people plan for retirement. We'd look at their income, figure out their pensions and social security, and then look for the longest and highest guaranteed interest plan.

> "The Lord Addressed Job out of the storm: 'Let loose the fury of your wrath; tear down the wicked and shatter them. Bring down the haughty with a glance; bury them in the dust together; in the hidden world imprison them. The I too will acknowledge that your right hand can save you'"
>
> *Job, 40. 6, 11-14*

What Happens at a Traditional IRA Owner's Death?

Here's where "stretch" IRA planning can come into play. Required minimum distributions from a traditional IRA cannot be avoided during your lifetime. As illustrated by our earlier example, however, required minimum distributions do not necessarily deplete the value of a traditional IRA. Instead, the value remaining can be substantial at an IRA owner's death, when careful advance planning can serve to stretch the tax deferral into the future. The options available to an individual who inherits a traditional IRA include the following:

IMMEDIATE LUMP-SUM DISTRIBUTION

Surrender the Inherited IRA and receive the entire value in a lump sum. The taxable value of the IRA is then included in the beneficiary's income in the year of surrender.

DISTRIBUTION OVER 5 YEARS

If the IRA owner was under age 70-1/2 at death, the beneficiary can take any amounts from the Inherited IRA, so long as all of the funds are distributed by December 31 of the year containing the fifth anniversary of the original IRA owner's death. This option is not available if the IRA owner was over age 70-1/2 at death.

The Assets are transferred in to an inherited IRA in the beneficiary's name, where the date which required minimum distributions must begin depends on whether or not the beneficiary is the surviving spouse and by the IRA owner's age at the time of death.

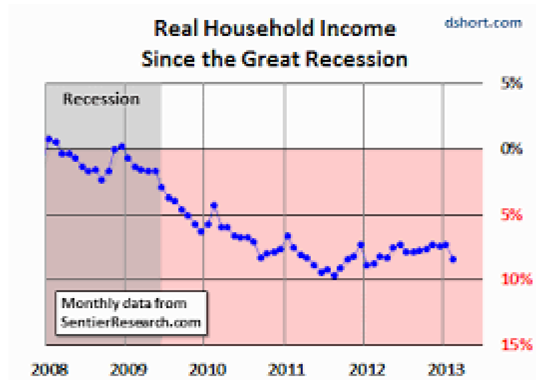
For spouse beneficiaries:

- **If the deceased spouse was younger than age 70-1/2 at the time of death**, the surviving spouse may delay required minimum distributions until the year in which the deceased spouse would have reached age 70-1/2.
- **If the deceased spouse was older than age 70-1/2 at the time of death**, the surviving spouse must begin taking required minimum distributions by December 31 of the year following the spouse's death.

For non-spouse beneficiaries:

Required minimum distributions from the Inherited IRA can be spread over the non-spouse beneficiary's life expectancy, with the first payment required to begin no later than December 31 of the year following the year of the IRA owner's death. The life expectancy option can be used to provide a current stream of income, while still extending the tax deferral of funds in the Inherited IRA by stretching the required minimum distributions over the beneficiary's life expectancy…potentially a long period of time in the case of a younger beneficiary.

(conundrum…..cont'd)



(fig 1)

Then something happened on the way to a 'guaranteed income'. For the last 8 years, the Fed has kept interest rates at a dangerously low level. While this strategy might be good for home loans and consumer loans, it has been disastrous for those planning on good guaranteed rates. As income has fallen for those in the workforce, so has income fallen for those who are retired.(fig 1) Too many citizens are faced with the conundrum: put their money at unnecessary risk in the stock market, or just take it on the chin in their lifestyles? Some even go back to work to make up the income shortfall.

Enter the Fixed Indexed Annuity with an income account rider. The person who is retired or thinking about retirement needs to consider how this revolutionary plan can give them the peace of mind they need. The first principle of the Fixed Indexed Annuity is: No Stock Market Losses. The Second Principle is: No Risk to principal or earnings. The Third principle is: guaranteed income account growth. The fourth principle is: guaranteed lifetime income.

Everyone who is thinking about retirement, whether they are still working, or retired needs to think about safety of their hard saved funds. Mutual funds and stocks have their place. Owning a guaranteed retirement asset such as a Fixed Indexed Annuity that can earn up to 14%, with no downside risk also has its place.

A recent study shows that those relying on a Fixed Indexed Annuity for retirement cash flows have a 97.5% chance to successfully retire.

The conundrum: Rely on excessively low interest rates and an unpredictable stock market? Or leave that worry behind with a Fixed Indexed Annuity? Now THAT'S the solution to your conundrum.

EXCERPT FROM 22 SUCCESS LESSONS FROM BASEBALL

by Ron White

Robert Frost and Bobby Thigpen
Bobby Thigpen spent most of his career with the Chicago White Sox and had a good baseball career. However, I am sure that it's a little known fact that he also fancied himself as somewhat of a poet. That's right...a poet. The man who the White Sox looked to in the ninth to mow down batters could have been the next Robert Frost. Actually, that may be an exaggeration. His poetry most likely would not have received an 'A' in any Junior High English class. Thigpen, after his first full year in the Major Leagues, posted a 7 and 5 record with 16 saves and an ERA of 2.70. But, he did sense that the possibility of not being signed was real. He sent this short poem to White Sox chairman Jerry Reinsdorf:

As I sit at home this off-season,
I wonder what the hell is the reason,
Why the club wants to be unfair,
Underpaying a player who can produce and care.

Reinsdorf could roll with the punches and promptly responded with some rhymes of his own
.

I hope you are a really good pitcher,
Because as a poet you will never get richer; If you are not pitching this year, I will be sad but won't fear;
Though you may be one of the best,
There's always someone among the rest.

At this point it was getting fun. And Thigpen couldn't resist but to respond with more poetry of his own. Thigpen sent this gem to his fellow poet:

It is true that my potential as a poet is very small, But, in the ninth who do you want to have the ball?
You say there will always be someone among the rest,
But, who do you want, them or the best?

Thigpen didn't get his salary doubled like he wanted. But, he did get signed and had a nice career. Someone once said that, 'Life is too serious to be taken seriously.' Thigpen is a man who had an unconventional and fun approach to a very serious issue, such as his salary. How often in business and life do you make a serious situation only more serious by being unnecessarily stoic. If we can learn any lesson from Thigpen, it would be to lighten up and have some fun.

UPCOMING EVENTS:

1. August 2nd & 4th, Retirement Planning Workshop, Spassos, Minnetonka, 5pm
2. August 18,19, Retirement Planning Workshop, Lakeside Supper Club, New Prague, 5pm
3. September 13,15,19, Social Security Education Workshops, Chanhassen Community Center, 630pm
4. September 27, 29 Retirement Planning Workshop, Buca's, Eden Prairie, 5pm
5. October 4th and 6th, Retirement Planning Workshop, Pier 500, Hudson WI, 5PM.

Contact us through our website at www.srins.com to register.

COMMENTARY.

The other day I went to the Deputy Registrar to pay for my car renewal. The young man at the desk asked for my 'proof of insurance'. I demurred. He quickly pointed to the notice saying '*new requirement, proof of insurance*.'

I quickly produced my 'proof of insurance' and the transaction was completed. On the way home, I began to think about article I recently read on the 'unpreparedness' of baby boomers for retirement. The article referenced a study done by Bankers Life. The results were not comforting. The study detailed the 'retirement planning' process of most boomers. It detailed when people began planning for retirement. In most cases, that age was north of 50.

Then I thought about my encounter at the Registrar. The government MAKES me insure my car. My mortgage company MAKES me insure my home. No one MAKES us insure our retirement income. No one MAKES us insure our lives. If we think about it logically, are our house and our automobile more of an asset than our income and our retirement income? Setting aside the 'social contract' argument, doesn't everyone have a vested interest in our ability to provide for ourselves and our loved ones? I think so. That's why at Scheiber & Associates we 'insure' our clients' incomes. Through solid retirement plans and life insurance, our clients have 'sleep at night' plans. Do you?

STOP THINKING "IF ONLY"

by Tom Hopkins

"If only I could get a better break."

"If only I had some money."

"If only I would've married the right person."

"If only I worked for the right company."

"If only I had the right parents."

Do you pull back from taking full personal responsibility for yourself? Many of us do. We think that a parent, a teacher, a friend, a boss, a spouse, the company we worked for, or some governmental program should shoulder our burden for turning our lives into what we want them to be. This approach can't get the job done. Other people and organizations have too many pressing challenges and priorities of their own.

What does this mean? That you'll always be disappointed when you depend on others for the things you must do for yourself. It's so easy to justify the temptations of freeloading, to slide into being a follower, to fail to see the hidden price tag in the handout. Unless you take complete control of your life and assume full personal responsibility for yourself, who will?

No one will.

Every dollar you earn is worth ten given to you. Earned money creates the self-image of self-reliance; given money creates the self-image of other- dependence. This is why some families stay on welfare for generations. Hangers-on and free-loaders are the most frustrated people on earth because they have created their own frustrations. You can't be successful and happy until you earn the respect of the toughest, hardest to fool, and most important judge in the world: yourself.

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