Financial Insights®

A Creative Personal Finance Report

(626) 919-3456
(800) 365-7749
FAX (626) 919-6127

JOSEPH N. RUBINSTEIN, MBA
Personal Financial Consultant
General Securities Principal

DIVERSIFIED SECURITIES INC.
COMPLETE INVESTMENT AND ADVISORY SERVICES
1000 LAKES DRIVE, SUITE #420, WEST COVINA, CA 91790
E-Mail: joerubins@yahoo.com CAL. INS. LIC. #0A68771

April 2010

Risk Aversion Quiz

Answer the following questions, total your points and score your risk aversion and tolerance.

1) The most important thing in investing is not to lose any money.
- ❒ strongly agree (1 point)
- ❒ agree somewhat (2 points)
- ❒ disagree (3 points)

2) In the long run, investing in stocks will leave me better off than investing in government-backed bonds.
- ❒ strongly agree (3 points)
- ❒ agree somewhat (2 points)
- ❒ disagree (1 point)

3) I'm willing to accept fluctuation in the underlying value of an investment that offers a higher current return.
- ❒ strongly agree (3 points)
- ❒ agree somewhat (2 points)
- ❒ disagree (1 point)

4) I'm willing to accept a lower current yield if over the long run I think I can earn a higher total return.
- ❒ strongly agree (3 points)
- ❒ agree somewhat (2 points)
- ❒ disagree (1 point)

5) I don't mind a non-liquid investment if in the long run I earn a better than average return.
- ❒ strongly agree (3 points)
- ❒ agree somewhat (2 points)
- ❒ disagree (1 point)

6) I'm willing to accept a lower current yield if I'm certain I can get all my money out whenever I need it.
- ❒ strongly agree (1 point)
- ❒ agree somewhat (2 points)
- ❒ disagree (3 points)

7) I'm willing to place some of my money in riskier investments if they're professionally managed and I have the opportunity to be compensated by a substantially higher yield.
- ❒ strongly agree (3 points)
- ❒ agree somewhat (2 points)
- ❒ disagree (1 point)

What's your risk tolerance? Minimum risk investor = 8-12 points; moderate risk investor = 13-17 points; more aggressive risk investor = 18-21 points.

Note: this quiz does not provide comprehensive investment or financial advice.

Consult your financial advisor.

Sources of Income

Have you ever stopped to think about money and how it comes into your possession? There are four sources:

- You, working
- Charity
- Inheritance
- Your money working

That's right, four sources — and it doesn't matter how young or old you are, where you live, or how rich you are. That's it. That's all there is.

Here's the dilemma: when you approach middle and older ages, the first option may not be available (although the elderly are working more and more these days and, often, retirees are at least consulting or working part-time). But sometimes, like it or not, the world of work retires you, whether you want to be retired or not!

Charity is certainly an option, but not a very pleasant one or one that you would likely choose, given other options.

An inheritance is a possibility, but no guarantee, and with people living longer and longer, rich Aunt Agatha's estate may not be up for grabs for a long time!

So what's left? Your money, working for you. And how do you go about achieving that? Steady saving and investment for the rest of your working life (and after, too). Even if you are currently retired, you should not let down your guard.

Questions & Answers

Q. I have three separate IRA accounts and want to roll them over into a single account. I want to use the cash for 60 days (which I am allowed to do without tax or penalty), but the rules say "one IRA rollover per twelve-month period." Is that per IRA?

A. It is **per** IRA. You may rollover all three IRAs into a single new IRA simultaneously or within the same year.

You must make a rollover contribution to the new IRA by the 60th day after you receive the cash in order to qualify for tax-free treatment and void being subject to possible income tax and penalties. Federal income tax withholding of 20 percent applies to any cash distribution paid directly to you, even if you plan to roll it over.

The one rollover per year rule applies only to rollovers between IRAs. You may also want to consider IRA **transfers** which have no annual limitations, but preclude the "use of cash" option.

Q. In your opinion, what are the most devastating investment mistakes?

A. The list is long, but I guess I'd have to go with a) failure to set investment objectives (including reasonable expectations) and b) failure to implement the strategies to reach the objectives you've set.

You won't get anywhere if you don't know where you want to be or what roads to take.

Q. Is there an annual limit on an individual's charitable contributions?

A. Calculations can be complex as you near the limits, but maximum deductible cash contributions are 50 percent of adjusted gross income (AGI).

Property (held for one year or more) limits are 20 or 30 percent of AGI, depending on assets and the receiving group.

Consult a tax expert regarding your specific situation.

We will accept questions from readers and reprint selected answers in this column. Send your question(s) to us; we'll answer as many as we can.

Financial Notes Worth Noting

The Short-Term Goal

Most often, in these pages, we talk about long-term goals and long-term investing. And rightfully so. It is probably the most important kind of investing you will do in your lifetime.

Why? Because of the basic tenet: you can either invest a little money and give it a lot of time (assuming investment at a young age) or wait and hope to be able to invest a lot of money and not worry too much about the amount of time.

The discipline required to do these, however, is tremendous. So what about those short term goals? The ones that provide happiness along the way? A down payment on a second home? A special boat? That wedding? Are they important, too? You bet!

The table below shows what your discipline has to be in order to reach your financial objectives within your desired time frame, assuming a certain return on your money. The figures assume compound rates of return and lump sum investments at the beginning of each year.

Review your current short-term goals and check them against the table. Pick the rate you think you'll be able to achieve and the number of years you have to accumulate the desired amount. At that intersection you'll find the required annual investment. If you put money aside on a monthly basis, you can approximate the amount by dividing the annual amount by 12.

Building for a Short-Term Goal

(Annual savings required to produce $10,000 in 1 - 5 years at varying rates of return*)

Savings Period	4%	5%	6%	7%
1	$9,615	$9,524	$9,434	$9,346
2	4,713	4,646	4,580	4,515
3	3,080	3,021	2,963	2,907
4	2,264	2,210	2,157	2,105
5	1,775	1,724	1,674	1,625

**** Rates of return in this table are for illustrative purposes only and do not imply or guarantee that your investments will achieve these returns nor do the figures represent the returns of any particular investment. The figures are hypothetical and do not take taxes into account. Actual rates of return on your investments will vary.***

Where Is The . . . ?

If something were to happen to you, would your family members know where to locate these items? They should.

- ❐ most recent will
- ❐ safe-deposit box and key
- ❐ birth certificate
- ❐ marriage certificate
- ❐ last 6 years of tax returns
- ❐ employment/pension records
- ❐ insurance policies
- ❐ deeds
- ❐ cemetery plot deeds
- ❐ funeral wishes
- ❐ unpaid bills and liabilities
- ❐ other assets / stock certificates, etc.
- ❐ bank, credit union and credit card account information
- ❐ living will
- ❐ trust documents

Great Ideas To Implement Today!

It's Enough to Identify Goals, Right? Absolutely Not! Write Them Down

Writing things down seems like a simple, direct and basic exercise: but "things-to-do" and grocery lists come easier than committing your desires, wants and needs to paper.

A lecturer and author as well as a national organization corroborates how good an idea it is: Gerri Detweiler **(The Ultimate Credit Handbook)** and the **Consumer Federation of America**.

Their concept: an objective or goal is just a thought until it is written down. Only then does it become part of a complete strategy. In fact, in a recent study of 1,770 households, the **Consumer Federation of America** found that families that had written plans saved and invested twice as much as those who didn't.

Further ideas on goal setting and planning that we feel are particularly important to your financial future: determine, with the help of your advisors, what your goals and objectives are and discuss the strategies needed to reach them.

Set goals that are specific, achievable (with some stretch) and have measurable mileposts along the way to the goal.

And, based on your desires and those expert opinions, **write them down!**

Inflation Rate	Years to Goal 5	10	15	20	25	30	35
3%	1.2	1.3	1.6	1.8	2.1	2.4	2.8
4%	1.2	1.5	1.8	2.2	2.7	3.2	3.9
5%	1.3	1.6	2.1	2.7	3.4	4.3	5.6
6%	1.3	1.8	2.4	3.2	4.3	5.7	7.7

Adjusting for inflation

Select a multiplier that intersects with your estimate of inflation and the number of years that you have to achieve your goal. Multiply the current cost of your goal by the appropriate multiplier. While inflation has hovered around 3 percent for quite a few years, medical and college costs have risen at almost double that rate.

Annual Return*	Years to Goal 5	10	15	20	25	30	35
6%*	1.3	1.8	2.4	3.2	4.3	5.7	7.7
7%*	1.4	2.0	2.8	3.9	7.9	10.2	11.2
8%*	1.5	2.2	3.2	4.7	6.9	10.1	14.8

What your current dollars will be worth at differing rates of return over various periods of years

Multiply your current dollars by the multiplier that appears at the intersection of the number of years you have to reach your goal and the average annual return you estimate for your investments.

Source: *The Walsh Group*

***Returns in the table above are hypothetical and do not guarantee, promise or predict that your investments will achieve those returns; nor do they reflect the returns of any particular investment. Factors are calculated based on annualized and constant returns. Your investments may grow at higher or lower rates, depending on market conditions. The figures do not take taxes, commissions, fees or other charges into account.**

Investment Ideas

As the Stack on Your Desk Grows, Simplify Your Life and Your Stacks

For many years, we have talked in these pages about Keeping It Simple. Now, the idea has become really vogue with articles in the general media as well as entire books dedicated to the idea. Headlines like:

Break the Bonds of the Frenetic Lifestyle
and
Time Is Money, But There Is No Time!

can be found everywhere.

While most of the contemporary articles include sidebars like "living on just $8,000 a year," or "how to work less," we don't think it's necessary to give up a lot in order to make your financial life less complex.

Bottom Line: you don't need to buy a book to get some ideas about simplification.

Here are some starting points and guidelines; you can make the necessary adjustments to suit your lifestyle and particular circumstances.

1. Deposit your paycheck (and get other things done) automatically. A recent survey showed that, over a year, the average American spends more than eight hours waiting in line to deposit paychecks.

2. Let your bank or credit union pay your monthly bills automatically (most institutions will do so for free or very inexpensively). This option precludes forgetfulness and allows updating.

3. Save and invest automatically (make one of those automatic monthly payments, mentioned before, into an investment).

   Automatic investing or dollar-cost averaging is not a foolproof investment technique and does not assure a profit nor does it protect against loss in declining markets. It involves continuous investment, regardless of price fluctuations. Investors contemplating dollar cost averaging ought to consider their ability to continue purchasing over a period of time, even when prices are low. This incorporates the idea of "pay yourself first" and "do things automatically" to accomplish a most basic goal.

4. Round your checkbook balance (let the bank worry about the pennies). We often spend too much time worrying about the pennies and not enough on dollars.

5. Use your ATM card for most transactions (at **your branch** and **when you wish**). Convenience, convenience, convenience is the name of the game.

6. Use the "memo" at the bottom of your checks to indicate the category of payment (makes tax time less aggravating). An alternative is to use on-line checking or any of the popular software options.

7. Use only one or two credit cards sparingly (less numerous statements and less non-deductible interest). Also, take a moment to read the most recent communication from your credit card companies.

   They will spell out the modifications that most have made to your agreement, in anticipation of the recent and new "rules" put into effect by Congress.

   Most credit card companies made substantive changes to interest rates and other card parameters in anticipation of Congress' intention to protect YOU!

8. In the investment arena, leave the driving to the professionals:
   - Invest in professionally managed investments;
   - Don't leave investment decisions to Uncle Joe's arthritic knee or other spurious ways to make investment decisions

9. Consolidate all your investment papers into a series of files; or maintain all your important papers digitally.