YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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A living trust is one of the most prevalent estate planning tools in use today. Could one be right for you?

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The one thing that unites all retirement savers is the need to consider their current stage of life, and the priorities that come with it, when selecting investments. At each life stage, your specific asset allocation, or investment mix, should address your unique time frame, financial goals, and personal tolerance for risk.

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Joe Ridenour
FORUM Private Client Group
Vice President
joe.ridenour@forumpcg.com
317-558-6321
11313 USA Parkway
Fishers, IN 46037

Since a living trust can hold both separate and community property, it can be a convenient estate-planning vehicle for spouses and registered domestic partners to plan for the management and ultimate distribution of their assets in one document.

A Living Trust Can Help Simplify Estate Planning

Living trusts are one of the most prevalent estate planning tools in use today. Many people use a living trust instead of a will to avoid probate, a court-supervised process for transferring assets to the beneficiaries listed in your will, which can be expensive and exposes your estate to public record. A living will does not avoid the estate tax but makes the settlement process much easier.

Living trusts are most appropriate for those with substantial assets or complex estates. In general, financial planners frequently recommend them for individuals or couples with an estate of $100,000 or more. Estates of this size typically are subjected to probate in the deceased's state of residence, which can cost anywhere between 2% and 4% of the estate's value in court and legal fees. Young couples without significant assets and without children, who intend to leave their assets to each other when the first one of them dies, may not benefit from having a living trust.

Naming a Trustee

When establishing a living trust, most people name themselves as the trustee in charge of managing the trust's assets. You should also name a successor trustee, either a person or an institution, who will manage the trust's assets if you ever become unable or unwilling to do so yourself. A living trust is not irrevocable, so you can amend it at any time.

Almost any type of asset can be placed in a trust, including savings accounts, stocks, bonds, real estate, life insurance, business interests, art, collectibles, and personal property. To fund a trust, you need to change the name or title on your assets to the name of the trust. Be sure to be thorough: Anything that remains in your name will not be considered part of the trust.

Spouses and Domestic Partners

Since a living trust can hold both separate and community property, it can be a convenient estate-planning vehicle for spouses and registered domestic partners to plan for the management and ultimate distribution of their assets in one document.

Wills Versus Living Trusts

	Wills	**Living Trusts**
Probate	Subject to probate Become public record	Not subject to probate Remain private
Cost	Generally cost less to create but probate costs can be significant.	Generally cost more to create but avoid probate.

An estate planning attorney can advise you on whether a living trust is appropriate for your personal situation. This type of "substitute will" may help you transfer assets to your heirs in a way that maintains your privacy.

[1]*The information presented here is not intended to be tax or legal advice. Each individual's situation is different. You should speak to a tax or legal professional to discuss your personal situation.*

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During the course of a year, it's possible to experience a number of milestones that have the potential to affect your financial outlook.

Your Life Stage Can Influence Your Investment Selection

If you'd like to have a bit of fun while also gaining insights into an important investment strategy, then spend a moment thinking about three or four people you know whose lives all seem quite different. Your list might include a young adult just starting his or her first real job, a 40-something parent, and a 65-year-old getting ready to retire.

What do they all have in common regarding their financial outlook for retirement, beyond the prospect of receiving a relatively modest income from Social Security? The answer is simple: The one thing that unites all retirement savers is the need to consider their current stage of life, and the priorities that come with it, when selecting investments. At each life stage, your specific asset allocation, or investment mix, should address your unique time frame, financial goals, and personal tolerance for risk.[1]

However, it would be a mistake to assume that age alone determines an investor's life stage priorities and investment strategies. During the course of a year, it's possible to experience a number of milestones that have the potential to affect your financial outlook, such as a job change or a death in the family. As a result, the investment strategies you implement must address your goals as well as the specific details of your situation.

Short-Term vs. Long-Term

For example, if your financial goals are short-term or conservative in nature, then relatively low-risk, fixed-income investments may be appropriate since they are generally less susceptible to short-term market risk than stocks.[2]

Investors who have longer retirement time frames may want to consider relying more heavily on stock investments.[3] As the years go by and risk management becomes a bigger priority than wealth accumulation, rebalancing your investment mix to make it more conservative is often considered a wise move.

There are certain types of investments designed to address your life stage-specific asset allocation needs in one fund. Such funds, often called target-date funds, are designed to be used alone. So contributing to more than one simultaneously might be a counterproductive strategy. Target-date funds are not guaranteed to reach a certain value by their target date, and may decline in value at any time.

[1]*Asset allocation does not assure a profit or protect against a loss in a declining market.*

[2]*Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.*

[3]*Investing in stocks involves risk, including potential loss of principal.*

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