FALL 2009

CJM Wealth Advisers, Ltd.

PLANNING WITH PURPOSE

Safe to Hike in the Forest?

The signs of economic recovery are all around us. Industrial production is now up for each of the past three months, and factory usage reached 70% for the first time since December 2008. Housing starts, housing prices (in many areas), retail sales, and manufacturing are inching up following severe declines in 2008 and early in 2009. So it's OK to go for a hike in the forest (market) again, but it does not guarantee that you might not encounter a bear on your path, so we should proceed with caution.

The economic data are looking better, and the business outlook is brighter. However, housing starts are still off 70% from their peak, and industrial production and factory use are well below their average levels of recent years. And unemployment numbers reflect the underutilization of factories and production capacity. Companies have trimmed their payrolls, and productivity and profitability have been buoyed by this effective cost cutting. More than 75% of the companies in the S&P 500 Index that have reported third quarter earnings that have beaten their expected profit numbers, so third quarter earnings have been a pleasant surprise.

But we need to get people back to work so that they have a paycheck and can participate in any economic recovery. We will look to small and mid-size businesses to lead the way to recovery in the job market. Any jobs recovery will likely be slow, so the economic recovery may take us several years. Recovery is underway, but it may come with temporary setbacks, and an occasional "bear" on the path.

So enjoy your walk in the economic woods... just be cautious and patient.

Investors cannot invest directly in an index.

Important Information

Need Money? It is important to remember that it may take at least a day, and probably several days, for a withdrawal request from your account to be processed. Depending upon the request, special paperwork may be required, and/or trades may need to be made. In addition, it can take 3 business days for money to go through the ACH system to your checking account. With the holidays coming, and in general, we appreciate having as much heads up notice as possible. Thank you.

How to Unretire: Planning a Post-retirement Move Back to the Workplace

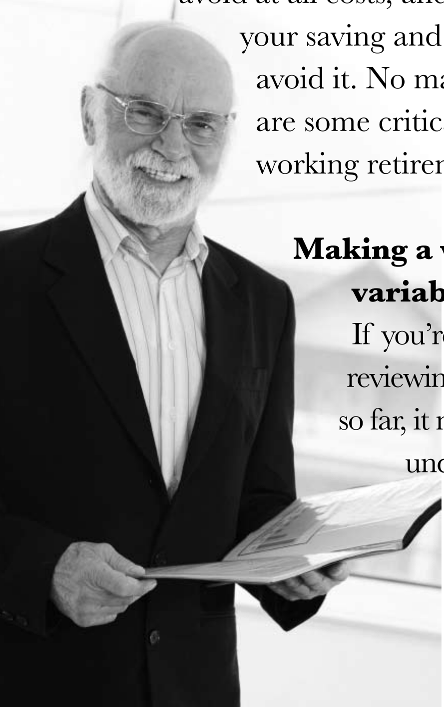
Source: Financial Planning Association

There once was a time when retirement meant leaving the workforce for good. But an April 2006 survey by Zogby International and the MetLife Mature Market Institute found that about 11 percent of retirees aged 55-59; 16 percent between 60-65 and 19 percent between 66-70, reported they had gone back to work. Since that time, the financial markets have been under significant strain and the numbers have surely risen.

Going back to work isn't necessarily a negative. Not everyone does it because they're having trouble making ends meet. Some people go back to work because they're bored and need a new challenge; others find a great opportunity to share a lifetime of skills.

Yet for every retiree who considers a return to the workplace, there's a critical need to review investment, insurance and tax issues. If a retired person hasn't already done so, it makes sense to confer with a tax or financial adviser before going back on the clock.

According to MetLife, most older employees expect to stop working for pay at the age of 70. The best time to talk about working in retirement is at least five years before you retire. If you're working with a good adviser, they'll force you to answer key questions about the retirement you want to have. You might discover that working in retirement is something you want to avoid at all costs, and you'll have to accelerate your saving and investment strategies to avoid it. No matter where you stand, here are some critical points to consider in a working retirement:



Making a working retirement a variable in your planning: If you're in your early 50s and reviewing your retirement planning so far, it makes sense to ask yourself under what conditions you'd return to the workplace. You obviously need to know based on current projections how much money you're likely to gather from savings and other retirement resources. Then you need to consider how much money you'd be satisfied making in your post-retirement working life.

Consider how a return to the workplace will affect you personally and socially: If you're 40, 50 or 60, working right now probably feels like breathing – when have you not worked? But it may not be the best option after a year or two out of the workplace.

Talk to a tax professional before you make a move: Tax issues shouldn't determine your ambitions and goals, but it's important to consider the impact work-related income will have on your retirement. Many retirees find that it doesn't take much post-retirement, work-related income to tip them into a higher bracket. Look for ways to control the taxes you'll ultimately pay, including continued participation in qualified plans, IRAs, and other tax-favored accumulation vehicles and using annuity income to fill the gap between the beginning of the "post-retirement" period and the age when full Social Security benefits can be drawn without an offset for employment income.

Consider what earnings will do to all your retirement payments: If you are planning to work, consider not only the tax impact, but also how that might change the way you plan to draw on your retirement savings and investments as well as Social Security. If you are planning to work, it's important you consider delaying receipt of those benefits for as long as you can.

Look for work-related incentives: Particularly for retired state workers, there are many opportunities to return to state employment and actually augment existing pensions. Current population projections show that there will actually be a worker shortage as the Baby Boomer generation retires, so many private employers might approach their retirees with similar benefits to make return worth their while.

Consider insurance issues:
If a retiree returning to the workforce is already

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Tax Tips to Consider as the Year Winds Down

About the last thing anyone wants to do at holiday time is think about taxes, but it makes sense to check your year end tax situation with a tax professional or your financial planner to make sure you've done everything in December to be ready for April.

Here's a list of tax tips that might make a difference on your tax return:

Face the AMT, don't fear it.
Even though Congress approved a one-year band-aid intended to prevent 15 million new taxpayers from getting hit by the dreaded alternative minimum tax (AMT), you need to check to see if you're on the hit list. Essentially, if you qualify for the AMT, it blocks (or adds back into AMT taxable income) deductions of state and local taxes, home equity loan interest (unless you used the money solely for home improvements), personal exemptions or other potential deductions.

Any of the following factors besides your income could trigger the AMT based on their size and amount:

- State and local taxes paid
- Deductible medical expenses
- Capital gains
- Miscellaneous itemized deductions
- The bargain element of stock options
- Get some advice. If you determine that you have crossed the threshold for the AMT, you may want to defer taking some of those targeted deductions.

Defer that income, raise those deductions.
Again, taking factors like the AMT into consideration if you qualify, make sure you've reviewed all deductions you're eligible to take while looking for opportunities to defer income into the next year to save money on taxes. Likewise, see if you can push your annual bonus into next year to cut your tax bill.

Get money into those retirement accounts. If you haven't elected to participate in your company's 401(k) plan or don't have a traditional or Roth IRA, make this the year you change all that. You have until April to open an IRA and make a deposit, and make a resolution to put the maximum into your company's retirement savings plans. You're not only saving money on taxes, you're planning for your future.

Write those checks. See if you would benefit by paying next year's quarterly state and federal tax early and see if you can squeeze in your January mortgage payment before Dec. 31. That means more deductions in the year.

Sell some losers. Do a portfolio and tax review to see if it makes sense to peddle some money-losing investments in taxable accounts to offset capital gains for the year. While capital losses are put together with capital gains, they can be deductible against up to $3,000 in income.

Give to charity. Both cash and property donations can be deducted for the current year, but be circumspect about getting receipts for items exceeding $250 in value or higher. If you're 70½ or older, you now can make tax-free distributions of up to $100,000 a year from your IRA directly to a charity this year – this can be particularly effective for those whose charitable deductions already exceed income limitations.

Give to the kids. Gifts of up to $13,000 per child don't need to be reported. Also check whether it makes sense to deposit that gift in a 529 College Savings Plan designated for that child with your children or grandchildren as beneficiary.

Please note that neither Financial Network Investment Corporation nor any of its agents or representatives give legal or tax advice. For complete details, consult with your tax advisor or attorney.

To convert or not to convert, that is the question: New rules for Roth conversions in 2010

Wait! Before you skip this article because your household income has been too high to convert Roth IRAs in the past – take a second to note the coming changes next year.

Beginning January 1, 2010, many more investors will be eligible to convert their Traditional IRAs to Roth IRAs, and they will have a special one-time option for dealing with the taxes on the conversion.

A couple highlights are as follows:

- The income limit for Roth conversions will disappear for tax year 2010. Currently, households with modified adjusted gross income greater than $100,000 are not eligible for a Roth conversion.
- Investors who convert in 2010 will be able to spread any taxable income created by the conversion evenly across 2011 and 2012, unless they elect to recognize all of the income in 2010. This two-year option exists for 2010 conversions only.

Start with the Basics: Traditional IRAs versus Roth IRAs

With a traditional IRA, contributions are normally tax-deductible and earnings grow tax-deferred until the investor makes withdrawals, which then will be subject to ordinary income taxes. In addition, account owners are required to take minimum distributions beginning at age 70½. On the other hand, with a Roth IRA, investors contribute after-tax dollars—that is, money that has already been taxed (there is no tax deduction for Roth contributions). As a result, the investor will not have to pay tax on future qualified withdrawals. In addition, Roth IRAs are not subject to required minimum distributions during the owner's lifetime, so these accounts can benefit from additional tax-free growth.

So the question becomes, should I convert all or a portion of my Traditional IRA(s) to Roth IRA(s)?

Major Considerations for Roth conversions

Tax rates – past, present and future:

A good first move is to sit down with your advisor to discuss your current tax rate vs. your anticipated future tax rate if/when you plan to take distributions from your IRAs. A crystal ball would really help here!! Factors that will impact your future rate are numerous, fluid and some out of our control. Based on these assumptions, if you anticipate being in a higher tax bracket in the future, converting to a Roth IRA could be a consideration; otherwise, you may choose to stay with the Traditional IRA.

Availability of cash to pay the conversion tax:

The question of whether the investor has non-IRA assets to pay the conversion tax is an essential one. You need enough cash on hand (not in the IRA) to pay the taxes due on the conversion to truly maximize this strategy. This is where many investors will decide liquidity is not enough, thus Roth conversion does not makes sense for them.

Impact on income tax rate:

Another important consideration is how a Roth conversion would affect the investor's current tax situation. Because the amount of the pre-tax assets being converted will be added to the investor's adjusted gross income, the conversion could push the investor into a higher marginal tax bracket. Be mindful of this when calculating potential tax impact.

Ability to defer taxes on 2010 conversion:

Taxpayers who convert in 2010 will be able to spread the conversion income evenly across 2011 and 2012, unless they choose to recognize all of the income in 2010. Keep in mind that investors who convert in 2010 will not have to make a decision about the two-year option until April 15, 2011, so this might provide additional flexibility during 2010 tax preparation.

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Questions & Answers

Is the standard FDIC insurance $100,000 per depositor for all accounts except IRAs?
Deposits at FDIC – insured institutions are insured up to at least $250,000 per depositor through December 31, 2013. On January 1, 2014 the standard insurance amount will return to $100,000 per depositor.

Is there a website that will help calculate my per depositor amount?
FDIC's website https://www.fdic.gov/edie/index.html has EDIE the Estimator. This website is provided as a courtesy and is not under the control of Financial Network.EDIE can calculate your FDIC insurance coverage for each FDIC-insured bank where you have deposit accounts. EDIE lets you know in a printable report for each bank whether your deposits are within or exceed coverage limits. The information you get from EDIE is only as accurate as the information you enter.

Before you begin you will need the following:

- All the deposit accounts you have at FDIC-insured banks
- Current balances
- Names of all account owners and beneficiaries.

If I received my 2009 Required Minimum Distribution can I put the dollars back into my IRA without being taxed?
The IRS on September 28th issued a notice stating that anyone who received an RMD has until the later or 11/30/09 or 60 days after receipt to roll it over to avoid being taxed on it. Amounts received in 2009 in excess of the RMD do not qualify for the November extension but they can be rolled over if less than 60 days have passed. REMEMBER – This notice is only for 2009 since RMDs are not required this year.

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Future change in treatment of Roth IRA distributions: There is no guarantee against the federal government modifying the rules in the future to reduce or eliminate the tax-free distributions from Roth IRAs. While unlikely and a politically risky move, it needs to be a consideration. Social Security benefits were tax-free at one point but are now taxed at a modified rate.

Partial conversions: Based on several of the factors above, converting ALL of your traditional IRAs may not be in your best interest. To hedge against future tax law changes and to maximize tax efficiency, you may consider a partial conversion of just a portion of your overall Traditional IRA assets.

Conclusion
The changes coming in 2010 offer new retirement planning opportunities to high-income earners who previously were unable to invest in Roth IRAs. At the same time, these changes introduce new planning challenges which include some factors too technical to mention in this article. Overall, it is a good idea to discuss this Roth conversion strategy with your advisor during your next review to see if it fits your unique planning situation.

Sources: Morningstar Advisor, Ed Slott's IRA Newsletter, Vanguard's Research Note
Please note that neither Financial Network Investment Corporation nor any of its agents or representatives give legal or tax advice. For complete details, consult with your tax advisor or attorney.

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receiving Medicare or covered by a "Medigap" policy, they may be able to lower their costs or improve their coverage by accepting group coverage as primary underwriter of their medical expenses. Since people over age 55 are generally the greatest users of the healthcare system, coverage issues are particularly important to run by a financial planner.

Keep saving:
If you return to the workplace, see what you can do to take advantage of your new employer's 401(k) plan or any other tax-advantaged retirement savings benefit, particularly if an employer matches your contribution. Don't miss a chance to enhance your retirement savings.

CJM News

Happy Halloween!

We hope you enjoy these adorable pictures of Dave Greene's children Leila and Diego (aka Tinkerbell and Thomas the Tank Engine, *left*) as well as Emily Welch's daughter Lilianne (an adorable unicorn!, *right*) We also had some Virginia Tech cheerleaders (Brian Jones' girls) as well as some tough football players (Amanda Runion's sons) enjoying the holiday fun although unfortunately they are not pictured. A great Halloween was had by all (we think by now they have finally gotten over the sugar high!)

Bronze Recognition Award from the 2009 Juvenile Diabetes Research Foundation

WALK TO CURE DIABETES
VIRGINIA

CJM was awarded the Bronze Recognition award for our involvement in raising funds for the Juvenile Diabetes Research Foundation's Walk to Cure Diabetes. We could not have done it without the generous support of all of you. Thank You!

Since 1978, CJM Wealth Advisers, Ltd. has been working with affluent individuals, families and business owners to address financial concerns no matter how acute or broad they may be. With a collective focus on helping our clients live the life they want, we understand that financial planning needs to be done with a purpose in mind. Otherwise, what is the use of planning at all? At CJM Wealth Advisers, Ltd., we believe in planning with purpose.

What is your purpose? Is it to…

…create a retirement income stream to last a lifetime?

…minimize investment risk and maximize return?

…prudently plan a legacy for your heirs?

…carefully position a business for a future sale?

We offer our clients real solutions by being objective and approachable while delivering excellent client service.

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