SPRING 2009

CJM
Wealth Advisers, Ltd.
PLANNING WITH PURPOSE

Looking For A Turnaround

There have been so many things written and said about the current recession, and we have tried to define and explain what has been going on. The reality is that the current economic downturn ("recession") started in December 2007, and it is now 17 months old, making it much longer than our average downturn and the longest recessionary environment since World War II. Statistically, it should be ending soon however, we are not convinced that we will see an economic upturn anytime in the next several months.

There are signs that the economic freefall and serious bank problems are beginning to stabilize. Month by month, not all the news is negative and getting progressively worse. In fact, some of the first quarter earnings numbers showed surprising strength. In addition, we have seen better than expected news on housing starts and retail sales. We continue to believe that we will reach a bottom sometime during 2009, and we are hopeful that the market will recognize the bottom and coming recovery and begin to move forward later in the year. One might think that the recent five-week market upturn in March and April reflects the economic turnaround, but the March/April rally offers a potent reminder that markets rarely wait for full clarity to react. When sentiment is at such negative extremes, even signs that things may be "less bad" than feared can be enough to kindle strong advances. But a true market turnaround may still be several months off in the future.

The reality at this point is that the market offers good value and a great opportunity for those with a longer term, patient perspective. As students of history, we believe there will be a recovery over time, and that the economy (and market) will move forward and recover in the future. We just cannot predict the date of the turnaround and the strength of the market however, we will do our best to help you identify the opportunities and participate in the recovery when it happens.

Calling all Federal Employees – Do You Know the Current and Future Costs of Your Life Insurance?

Since we are located in the DC Metro area, CJM has many clients who work for the various departments and agencies of the Federal Government. Most have a substantial amount of their life insurance coverage through "FEGLI" which is the group term coverage available. At first glance, what's not to like? You are guaranteed coverage with no Underwriting requirements. It is automatically debited from your paycheck. Plus, it seems pretty cost effective. But as Lee Corso (football analyst) has said many times – "not so fast, my friend".

We would agree with all these statements, but we would caution our clients not to use the "ease" of getting FEGLI to dissuade them from simply reviewing how much they are actually paying and will pay in the future. This is especially true if you

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Your Questions – Our Answers

What are the 2009 contribution limits for employer sponsored 401(k) and 403(b) plans?

The limit is $16,500. The catch up contribution for individuals age 50 or over is $5,500. If you are 50 or over, you can contribute a total of $22,000 during 2009.

How much can I contribute to an IRA account in 2009?

First, there are two types of IRA accounts – Traditional and Roth. The contribution amount to either the Traditional IRA, Roth IRA or combined is $5,000. The catch up contribution for individuals age 50 or over is $1,000. If you are 50 or over, you can contribute a total of $6,000 during 2009. All contributions to a Traditional IRA may not be tax-deductible; please consult your tax-adviser to confirm deduction eligibility.

What is the new Virginia state deductible contribution limit?

A resident of Virginia who is the owner of a CollegeAmerica account may deduct contributions of up to $4,000 from his or her state taxable income. If more than $4,000 is contributed in one year, the remainder may be carried forward and deducted in future tax years. For account owners age 70 and older, the entire amount of any contribution may be deducted in the year contributed or in a future year.

Can 529 plans be used for adult education?

Yes, 529 plans can be used for adult education at eligible institutions. An eligible institution is just about any accredited post-secondary school, including community colleges and many of the privately-held online universities. If an institution is part of the federal student aid system, then it is an eligible institution for purposes of Section 529. Any client with an inkling that college or vocational courses may be in their future can set aside funds in a tax-deferred 529 plan, naming himself or herself as beneficiary, and tap the account tax-free to pay for those courses. It is not necessary to pursue a degree — the cost of a single evening course by a part-time student constitutes a qualified higher education expense.

How much can I contribute to my SIMPLE plan?

You can contribute $11,500 in 2009. The catch up contribution for individuals age 50 or over is $2,500. If you are 50 or over, you can contribute a total of $14,000 during 2009.

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are over the age of 45 and have FEGLI option B. Our case study below (pulled directly from the opm.gov website) shows an individual who makes $100K and has selected "5 multiples" or $500K in Option B coverage for their dependents. Notice how the monthly cost significantly increases each year. Your premium doubles between the ages of 54 and 55 and more than doubles between 59 and 60. In just 6 years, the total annual premium has gone from $1,818 to $7,800!

Many people don't really notice because it just shows up as a higher amount on your monthly paystub. You can do your own calculation by visiting this website. http://www.opm.gov/calculator/worksheet.asp

CHANGE TO THE COST OF YOUR OPTION B INSURANCE OVER TIME.

Age Group	Cost For Option B Insurance per pay period
45 through 49	$97.50
50 through 54	$151.50
55 through 59	$303.50
60 through 64	$650.00
65 through 69	$780.00
70 through 74	$1,300.00

We have run this analysis for several clients and helped them to secure term coverage with a private insurance carrier, which will save them thousands of dollars over the next ten to twenty years. One 55-year old who had $750K FEGLI coverage is projected to save over $60,000 in the next 15 years by pivoting to 15-year guaranteed term. We are not trying to be overly critical of FEGLI by any means – this is an extremely beneficial program, especially for those who have some health issues that may otherwise preclude them from securing coverage. However, we want to make our clients aware that there are significant increases in later years with FEGLI, and there are options in the marketplace to potentially reduce your premium dollars and maintain the appropriate amount of coverage.

A closing comment for all of us who don't work for the Federal government: This analysis can also apply to anyone who has group term coverage through their employer. You just need to secure a projection of the term costs for the next 10-20 years, and we can help you compare this to what may be available through a private insurance carrier.

Contact us if you have any questions.

Materials/Labor	Annual Change
Drywall	-16.2%
Plywood	-7.1%
Lumber	-8.1%
Re-bar	50.3%
Ready-mix	3.1%
Steel Studs	23.1%
Concrete Block	3.3%
Structural Steel	40.2%
Bricklayer	4.9%
Carpenter	5.5%
Electrician	5.0%
Painter	5.8%
Plasterer	6.0%
Plumber	5.8%
Iron Worker	6.0%
Roofer	6.2%

(MSB) Marshall & Swift/Boeckh is a leading supplier of building cost information.

Understanding Homeowners Insurance Valuations

How can it possibly be that your home's market price has dropped significantly, but the dwelling value on your homeowner's policy keeps going up? With a surplus of homes on the market right now, the value of your property has likely gone down. On the contrary, costs to rebuild (your dwelling insurance value) are actually going up. According to Earl Martin, Regional Appraisal Manager for the Chubb Group of Insurance Companies; "Our appraisal staff is in regular contact with local contractors, restoration specialists and high-end builders monitoring cost trends. While home market values continue to plummet, construction costs remain strong and are even on the rise, although at a slower rate than in the past. Our research shows that current construction cost trends continue to be fluid and dynamic."

The cost to rebuild a home or repair a home after a loss includes labor, materials, equipment cost, overhead, profit, taxes, etc. According to MSB (Marshall & Swift/Boeckh), at the end of 2008, labor wages increased nationally at an average of 6% and materials had an overall average increase in the residential arena of 3.7%. Through the first quarter of 2009, the nationwide costs for labor and materials continued to rise.

Remember, your homeowner's insurance policy should cover the cost to rebuild your home. If you are unsure how to calculate the cost to rebuild your home, you should contact your insurance agent for assistance. If your home is not insured to value at the time of a loss, your out of pocket expenses to rebuild can be significant.

Provided by Diane Beatty who is a vice president at USI Insurance Services, LLC and can be reached at: diane.beatty@usi.biz

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Tips from the Pros

Not sure what to do next? Here are some tips from investment professionals for coping with a prolonged market downturn. Meeting regularly with a financial adviser — no matter what your age — is imperative, as is living within your means.

Your 20s and 30s (starting out)

- Build up a year's cushion in a money market fund in case you are laid off or without an income for the foreseeable future.
- Set up an automatic investment program that invests a specific amount every month from your paycheck or bank account. This plan allows you to purchase more shares when prices are low and fewer when prices rise. You will also be positioning yourself for a stock market recovery.
- Make the maximum contribution, if possible, to your 401(k) or 403(b) retirement plan. Take advantage of any employer match available.

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The Four Fundamental Estate Planning Tools

Regardless of the size of your current estate, you generally should have as a minimum four estate planning tools: a will, a durable power of attorney, a living will and a medical power of attorney.

A Will

A will is a legal document that details where you want your estate's assets to go (after debts and taxes are paid) and who is going to oversee the execution of the will. It also may state who is to care for your minor children.

Without a will, the laws of the state will determine what happens to your estate's property. Your spouse, children or other heirs could end up with less than you planned; the assets could be poorly managed; your children might not have the guardian you wished; or your estate could end up paying more in taxes and legal fees than necessary.

Keep in mind that a will does not supersede everything else in your estate plan. For example, if your will lists your wife to receive your entire estate, but your ex-wife is the primary beneficiary of your life insurance policy and retirement account, then your ex-wife would likely end up with those benefits.

Durable Power of Attorney

A power of attorney is a lifetime document for estate planning. It allows you to designate a representative, such as your spouse or adult child, to perform certain actions for you should you become ill, incapacitated or otherwise unable to manage your affairs. The representative could, for example, pay bills, sell securities or make major financial decisions on your behalf, depending on how broad or narrow you limit the powers. Without a power of attorney, your spouse or other loved one would have to go through the delay and expense of seeking approval from the court to carry out needed financial transactions.

A Living Will

A living will is an individual's written declaration of what life-sustaining medical treatments he or she will allow or not allow in the event they become incapacitated. For example, the person may request that artificial nourishment be or not be withheld if he or she is terminally ill.

Family members or medical institutions often challenge the meaning or validity of living wills, so take considerable care and be specific when drafting it. States provide standard-language forms, but some experts feel they are too vague.

A Medical Durable Power of Attorney (or health care proxy)

This document authorizes a person to make medical decisions on your behalf, ideally to carry out what you've specified in your living will. Talk to the person before appointing them, and be sure they understand and are comfortable with your wishes, and will be strong enough to carry them out even though some family members may object.

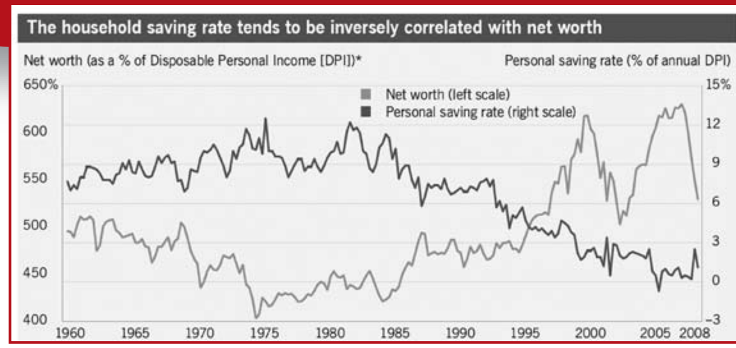
In general, if you have moved to a new state, have had a significant personal change (i.e. marriage, divorce, children/grandchildren, disability issues or loss of a spouse or loved one) or it has been more than 10 years since your documents were created, you should look them over and have them reviewed by a competent estate attorney. Your planner can help you find someone who will be able to meet your estate planning needs. Once your documents are created or updated, please request a copy be sent to us for our files. We can then better assist you in case there is a need for funding a trust or estate administration. We are here to help!

What the Personal Saving Rate May Be Telling Us

In recent years, the personal saving rate in the U.S. has declined sharply. It currently hovers near 2.0%, but for a brief stretch it was actually in negative territory. So why has it fallen and what does this tell us?

"Many things affect our saving habits," says Capital Strategy Research economist Darrell Spence. "But one explanation for the recent downward saving trend was the multiyear run-up of home values and stock markets. As home equity and investment portfolios grew, people felt wealthier and de-emphasized saving outside of retirement or higher education accounts."

Indeed, according to data from the Federal Reserve and the U.S. Bureau of Economic Analysis, economic boom times — such as those of the late 1980s or the tech bubble that followed a decade or so later — that result in rising net worth (the sum total of a person's net assets, including investments, retirement savings and home equity minus their liabilities) have generally been accompanied by saving rate declines. The reverse holds true too. When the economy and home values head south or stagnate, personal saving often increases, as it has in recent months.



Source: Federal Reserve, BEA.

** Net worth is a snapshot of your financial picture at a given point in time. For example, if your DPI for the year ended 12/31/08 was $10,000 and your net assets (including investments, retirement savings and home equity minus liabilities) on that date totaled $50,000, then your net worth is represented as 500% — or five times your DPI.*

What's the lesson? Regardless of market or housing conditions, saving and investing beyond retirement or higher education is vital. By following a consistent investment program appropriate to your life stage and financial objectives, you won't just be saving for a rainy day only after drops begin appearing on the windshield.

– From American Funds "Investor" Spring/Summer 2009

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Your 30s and 40s (saving for retirement and children's college expenses)

- Confer with your financial adviser to monitor retirement investments and to take advantage of the numerous options offered by 529 college savings plans.
- Don't panic and liquidate investments in a market downturn.
- Continue investing for the long term in a diversified mix of equity and fixed-income funds.

Your 50s (providing support to both children and aging parents)

- Minimize expenses wherever possible.
- Keep investing regularly in your retirement plan. Starting the year you turn 50, you are allowed to make catch-up investments.
- As college years approach, move a portion of your children's 529 savings plans into cash to preserve capital.

Your 60s (transitioning to retirement)

- If possible, work a few years past the standard retirement age of 65 (or the early retirement age of 62).
- Maintain a two-year cash reserve, but try to keep the remainder of your portfolio (or a significant amount of it) in stock mutual funds.
- Consider part-time employment. You may be able to postpone withdrawing from your retirement savings or at least minimize initial distributions.

Your 60s and 70s (drawing income in retirement)

- Tap your taxable savings first. Draw from your tax-deferred retirement accounts last.
- You can't control the stock market, but you can manage your income withdrawal strategy. Retirees who move everything from stock mutual funds to bond and money market funds in a downturn risk missing out on the historically higher returns generated by stocks in a recovery.
- Reduce spending during market declines. It will help lessen the impact to your portfolio.

– From American Funds "Investor" Spring/Summer 2009

CJM News

CJM Chili Throw down!

Fire up the crock pots, we're havin' a throw down! On Monday, April 13th, a few people here at CJM competed in a Chili throw down (cook-off). It was a lot of fun and a great time for everyone. Anthony Jones, Amanda Runion, Tina Babicz, and Debbie Delardi made fabulous chili creations, which all came out deliciously different! We took this very seriously, asking each of our three judges to complete score cards, which graded our CJM Chili recipes on taste, appearance, aroma, and texture……then the scores were added up and the winner was Debbie! The prize was a lovely chef's apron and matching trivet.

Here is our very own Brian Jones admiring everyone's hard work and possibly sneaking a taste before the judging began – busted!

Here are our distinguished judges with their official judging sashes! Holly DeLidle on the left, Emily Welch in the middle, and Margaret Miller on the right. If you're thinking to yourself, "I don't recognize Margaret, I wonder if she's new?" You are correct – we are happy to introduce you to Margaret Miller, who has been with us for a few months as our Receptionist…and now…..an official taster. Margaret is a wonderful addition to our team and she makes a great first impression when our clients call in. We're proud to have Margaret as the first person you might talk to when calling in and coming in to see us.

Television appearances:

Brian Jones appeared on CNBC's *On The Money* on April 14, 2009 where he answered a number of questions relating to real estate, tax and short term cash options. Tracey Baker is also set to appear on CNBC's *On The Money* later in the spring to discuss health benefits planning as part of one's overall financial plan (exact date yet to be determined.)

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.

CJM Wealth Advisers, Ltd.

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