WINTER 2009

CJM Wealth Advisers, Ltd.

PLANNING WITH PURPOSE

Economic Stimulus Needed?

We continue to read articles and watch TV commentators "explain" why the economy is so bad, people are losing jobs, and the world is coming to an end, and we agree that things are much worse today than they were a year ago, or two years ago. But the reality is that most people (98 – 99%) who had jobs last year still have them this year. So why are the retail sales numbers so much less than they were a year ago?

We believe that American consumers (who drive 70% of the US economy by most estimates) are not cutting consumption because of falling earned income. We believe they are cutting consumption to protect themselves from the uncertainty in the economy and to help save and make up for the investment losses last year. And what will help to eliminate this uncertainty?

The foreclosure of homes needs to be addressed so that this stress on consumers is reduced in the financial system. There are several initiatives underway now that we believe will reduce this stress and help to stabilize the real estate values. Congress will soon pass a massive stimulus bill which will give the consumers hope that their government is trying to "do something." Finally, banks and credit markets are moving back to a more "normal" environment, which will help to settle the fear and uncertainty that consumers are feeling.

So as we move on through the year, and consumers begin to feel better about the future and their own situation, some of the uncertainty will disappear and things will begin to return to normal. We still are hoping for improvement in the equity markets in the second half of this year and anticipating an economic recovery at year end or early in 2010.

Call us with questions, but hang in there!

CJM Wealth Advisers, Ltd.

Your Questions – Our Answers

Is it too late to contribute to a Traditional or Roth IRA?

You have until April 15, 2009 to make your 2008 IRA contributions.

I heard there was a change made to the number of investment changes that can be made in a 529 college savings plan?

Yes, under a temporary rule investment changes may be made twice within the 2009 calendar year. The standard rule is scheduled to go back into effect in 2010.

Was there a recent tax law change regarding required minimum distributions (RMD)?

You are normally required to take RMDs the year you turn 70½ – and each year thereafter. If you do not satisfy an RMD, the IRS imposes a 50% penalty to the extent you withdraw less than the RMD. For 2009, this penalty is waived for owners and beneficiaries of retirement plans. In other words there is no minimum distribution requirement for IRAs or defined contribution plans for 2009.

Can I still receive my RMD?

Yes, you can still receive your RMD from your account – you just aren't required to do so. If you are taking an RMD automatically for income it will be paid to you.

How will my RMD be calculated for 2010?

RMDs for 2010 will be based on the 12/31/09 value of your retirement account divided by your life expectancy for 2010 using the appropriate IRS tables.

If I am under the age of 59 ½ and would like to withdraw money from my IRA but because of the early withdrawal penalty decided against it. Has this penalty been waived for 2009?

No, there has been no waiver of the early withdrawal penalty.

I sold some stocks and mutual funds in 2008 and now have taxable losses. What happens to the taxable losses?

Capital losses are netted against capital gains i.e. capital gain distributions from mutual funds. Up to $3,000 of excess capital losses are deductible against ordinary income each year. Unused capital losses are carried forward indefinitely and may offset capital gains, plus up to $3,000 of ordinary income during each subsequent year.

Helping Family Members During Tough Times: *How Far Should You Go?*

As the uncertain economy continues, many people might find friends and family members in troubled financial straits and in need of help. Unless you have plenty of money to spare, it's wise to seek a little advice before writing a check or offering your home or other property.

Your planner can help you sort out options based on different scenarios, but the important thing is to consider your financial needs first. If financial support is going to endanger your regular contributions to retirement or your child's education fund, you may want to find non-financial means of help or severely limit the monetary commitment you make.

Here are some thoughts on handling such a situation:

Plan the talk first: Remember that this situation is as much about the relationship as about money. The decision to help a family member with money problems requires understanding – lecturing tends not to work so well. But it's right to encourage the people you want to help to look at their financial situation and if they are in debt trouble of any kind, they should get help. It's also important that you support them emotionally and have confidence that they will make it through this.

Consider whether you can make monetary support a gift: Actually, this is a good first question

(Continued on Page 5)

Of course, you have no control over the market's ups and downs, but you'll be better prepared to weather these cycles if you focus on what you can control.

Dealing with declines

In recent months, the market has experienced more volatility than it has in years. While market setbacks can be worrisome, it's important to remember that short-term declines and corrections are a natural part of the investment process and should not affect your long-term financial plan. The chart below illustrates how common these fluctuations have been.

A HISTORY OF DECLINES (1900 – NOVEMBER 2008)

Type of decline	Average frequency[1]	Average length[2]	Most recent occurrence[3]
Routine (–5% or more)	About three times a year	47 days	November 2008
Moderate (–10% or more)	About once a year	114 days	November 2008
Severe (–15% or more)	About once every 2 years	215 days	November 2008
Bear market (–20% or more)	About once every 3.5 years	334 days	November 2008

Source: The unmanaged Dow Jones Industrial Average.SM
1 Assumes 50% recovery rate of lost value.
2 Measures market high to market low.
3 The current market decline may not be over.

- **Stay invested.** Many investors act on emotions — getting out of the market when they see it declining and getting back in when it rebounds. Maintaining a long-term perspective means spending time in the market, not timing it.
- **Invest for income.** Whether a stock price is rising or falling, companies can continue to pay dividends. Growth-and-income and equity-income funds are typically designed to produce a steady flow of dividend income.
- **Seek consistency.** Find an investment manager that consistently seeks to reduce volatility by using a more defensive and conservative strategy.

Source: American Funds, Ideas for Investors

Past results are not predictive of results in future periods. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund's prospectus, which can be obtained from a financial professional and should be read carefully before investing. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money.

Life Insurance Blunders to Avoid

We thought we would share a paraphrased summary of a recent Business Week Online article by Alex Halperin in which our "in-house" insurance expert – Dave Greene – along with other advisors offered some basics about purchasing life insurance:

1. Don't buy the wrong amount: There are rules of thumb about exactly how much life insurance one needs, with 5 to 10 times an annual salary being a common guideline. But these numbers should be taken for what they are: very general numbers. They don't account for an individual's requirements. "The need that we're often talking about is an income replacement," says David Greene, of financial planning firm CJM Wealth Advisers, so that survivors don't encounter financial havoc in the wake of a loved one's death. A common problem is not buying enough—this is even truer in cases where small children are involved. Greene and other experts caution that lump-sum payments that look substantial on paper often don't add up to much compared with a consistent salary spread over many years.

2. Don't trust just any insurance agent—shop around: Many financial planners advise against limiting yourself to insurance advisers who are "captive" to one company. This is doubly true for people worried about their health. Insurers calculate risk factors independently of each other, so they won't all give health conditions such as heart disease the same consideration in evaluating an application. "Some [companies] are more aggressive with different risk factors," Greene says. Weighing your options doesn't end with the purchase of a policy. "The standard is, people buy insurance and they put the deposit in the safe-deposit box and never look at it again," Greene says. That's a mistake. The fact is people's circumstances change, and so do the offerings from insurance companies. The policy that best fit your circumstances five years ago might not always be the right choice today.

3. Don't forget, the world goes on: One of the hardest things for life insurance policy holders to realize is that they'll no longer be around when the insurance pays out. Weisbart says insufficient foresight can hurt relatives. For example: Say a policy holder's spouse receives health insurance from the policy holder's employer. In planning how much a life insurance policy pays, then, the primary caregiver should account for the spouse no longer receiving health insurance. In a slightly less dramatic example, buyers should remain aware that the cost of big expenses like college will continue to increase after they pass away.

4. Don't depend solely on employer insurance: When asked about life insurance, it can be easy to choose a policy provided by an employer with the premium deducted from a paycheck. But those policies can often provide a false sense of security. Among their other problems, they sometimes expire at retirement, when buying a more comprehensive policy could be more costly. Worse, group life insurance is less tailored to an individual's health and needs. And often, the policy isn't worth enough money, Weisbart says. "Most group life coverage [plans] are really pretty modest, one or two times salary," he says. "In relation to what [beneficiaries] need, it's not a lot of money." In the end, buying the wrong policy can leave your family shortchanged.

(Continued from Page 2)

in any scenario where you offer help. What happens if you don't get the money back? For the sake of the relationship involved, it might make sense to think through that possibility. Would the potential loss of money injure you, and worse, will it injure the relationship? If you don't think you will be repaid would you be willing to consider it a gift?

Making your support a loan: There are good and bad aspects to private loans. The good news first: Terms can be significantly friendlier than what a borrower would qualify for in the open market. For example, the interest rate you charge on the loan can be lower than the borrower would pay a commercial lender. You can require little or no collateral. It's a way to keep money in the family. You may also choose to require little or no collateral, and you may want to extend the repayment period longer than a bank normally would offer. If you ask a lower interest rate, you need to understand that you are making a gift to the person of the amount of the "forgiven" interest. This amount should be deducted from the annual gift exclusion limit, which is $13,000 for 2009.

Then the bad news: A poorly written agreement can lead to missed payments or default. For example, if the borrower dies suddenly, the lender's investment may be lost if the agreement isn't structured correctly. A properly executed promissory note is still an obligation of the estate, and may continue to be paid to an heir or other person or entity based on the terms as agreed. In addition, relatives cannot say they weren't treated fairly.

The best arrangements are formal – written in proper legal language, notarized and recorded in the county where the property resides. Your planner can talk to both parties about what such loans – particularly real estate loans – can mean for their respective finances. It also makes sense for both parties to visit their respective tax professionals to make sure they know the correct ways to document the loan transaction over time for tax purposes.

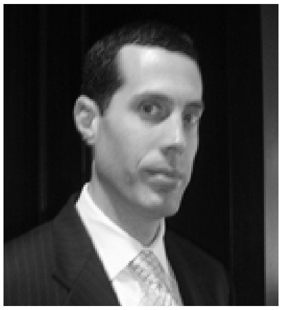
Are there non-financial solutions? There are other solutions besides writing a check. You may consider opening your home to family if they lose their housing or helping them maintain their home if they can't afford much beyond their mortgage and other bills. These are not small decisions and will lead to some financial sacrifice on your part – rising utility and food costs will increase your burden. You'll definitely want to revisit your household budget before you make this commitment.

Help them set a plan: No matter whether you offer a gift or a loan, you might want to work with them to develop a plan that will either return the money to you or put them back on their feet, or both. Your financial planner can be a useful intermediary in this process.

Set an endpoint: The thing about blending unconditional love and money is that it can be tough for both parties to move on. It might be wise to set a particular endpoint for financial support at the beginning so both parties know the clock is ticking on a solution. If you're providing housing, loaning a car or providing some other non-financial support, it also makes sense to put an expiration date on that assistance so it doesn't become a permanent situation.

CJM News

Brian Jones serves as President for the local FPA chapter



Brian Jones began serving his one-year term as President of the local Financial Planning Association of the National Capital Area in January, 2009. The local chapter has more than 1,000 members and is one of the largest in the country. CJM has the distinction of having two former local Presidents on staff (Tim Jones and Tracey Baker.) Dick Cooper and Bob Albertson (both now retired from CJM) also served in this capacity for our predecessor organization (International Association of Financial Planners of the National Capital Area.)

Congratulations Brian!

Inauguration Day

Anthony Jones shared the below pictures from the Inauguration of President Obama as well as the Southern Ball at the DC Armory. It was a once in a lifetime experience and the picture from the Mall really shows how crowded it was!

First Snow Day!

We couldn't resist sharing these pictures of Ally and Megan Jones (Brian's daughters) enjoying their first snow day. They are 19 months old and absolutely adorable!

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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