SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

3ND QUARTER 2009 • Issue #12

BACK TO BASICS

This quarter’s edition is all about getting back to basics. No matter how versed you may be in the various areas of insurance and retirement planning, it’s always a good idea to get some 101 information on the important issues. Inside you’ll learn about some basic ideas related to spending vs. saving, personal finance planning and much more.

Speaking of basics, I’ve got a couple of thoughts for you to consider. If you’ll remember, last year in the July 2008 edition we talked about the need to stay the course in a tumultuous economic climate. Nothing can be more basic than being patient and not making any major changes to your financial plans. The same still holds true today. Even though the economy is showing signs of improvement, we’re still experiencing a lot of ups and downs in the market. That being the case, if you trade in and out of the market, you'll be saddled with fees that chip away at your returns, and you'll potentially miss out on gains that long-term investors enjoy with much less effort.

The other thought for you to consider is whether its time for a complimentary Sons of Norway financial review? When you’re thinking about your financial future it’s imperative to think about your present financial status. What should you be doing now to ensure a secure future? Which programs or products are better suited for your needs and lifestyle? Are you being realistic about your plans? These are all important, basic questions that we can discuss during a complimentary financial review. If you’d like to learn more about what’s involved, or want to set up an appointment to go over your current situation and future plans, don’t hesitate to call me. All my contact information is just underneath my photo on the left hand side of the page and I’d be happy to help you in any way I can.

In the mean time don't forget to read through this quarter's issue of Advisor. There's a great article on the basics of personal finance as well as some very useful information on managing debt. Both articles are sure to be of help as you navigate these difficult economic times. Also, there's a great answer on the back page to the question of how best to pay for home improvements.

I hope you'll enjoy this issue and don't forget that if you ever have any questions, I'm always happy to help.

The Basics of Personal Financial Planning by Ken Thul

American statesman, scientist and philosopher Benjamin Franklin said, "by failing to prepare, you are preparing to fail." In these troubled economic times, with increasing longevity, rising health care costs, the decline of employer-sponsored benefit plans, rising tax rates, etc. preparing for your financial future is essential. Ironically, a lack of planning, not a lack of money, prevents many from realizing their financial dreams. Knowing where you are now, where you want to be and what resources are available to get you there can turn your dreams to reality. Your basic personal planning should include these steps:

Identify Your Financial Goals: Write them down and determine the amount of time and money to achieve your goals. A simple worksheet will help.

Goal	3 years or less		4–6 years		7 years or more	
	Time	$ Needed	Time	$ Needed	Time	$ Needed
Example: New home down payment			4 yrs	$25,000		

Determine Income and Expenses: The next step is to identify all sources and amounts of income and expenses. How much is coming in, how much is going out and where is it going. Again, a worksheet will help; add as many lines to each category as you need.

MONTHLY INCOME	
Examples: Pay before taxes	$
Interest and Dividends	$
Retirement plans	$
TOTAL MONTHLY INCOME	$
ANNUALIZED (above times 12)	$
MONTHLY EXPENSES	
Examples: Taxes	$
Savings and Investments	$
Shelter	$
TOTAL MONTHLY EXPENSES	$
ANNUALIZED (above times 12)	$

Calculate Your Net Worth: Write down the value of everything you own (assets) minus the value of everything you owe (liabilities).
Assets – Liabilities = Net Worth. Below is an example of a worksheet

ASSETS	$ Value
Examples: Home	$300,000
(A) TOTAL ASSTETS (sum of all assets)	$300,000
LIABILITIES	$ Value
Example: Home Mortgage	$200,000
(B) TOTAL LIABILITIES (sum of all liabilities)	$200,000
NET WORTH	$ Value
(A) - (B) = NET WORTH	$100,000

Analyze Your Resources: Are you protected against unexpected losses resulting from unexpected bills or short term unemployment that would prevent you from achieving your goals? An emergency fund of liquid cash can get you through the rough spots in your financial road. Many financial planners advise this fund should be 3 to 6 times your monthly earnings. This fund should be easily accessible in a savings account or a money market account. If you do not already have an adequate emergency fund, make it a top priority on your list of goals.

Unfortunately, even an emergency fund cannot prepare you for catastrophic loss or illness. Most individuals buy insurance for these costly emergencies. The most common types of personal insurance include auto, personal property, homeowners, health, life, disability and personal liability insurance. It is important to review your current coverages at least annually to determine whether you are adequately covered. Remember to factor in group coverage provided by your employer and government coverages such as Medicare, Social Security Disability Insurance and Workers' Compensation. You should also contact your attorney regarding your estate planning including a will, durable power of attorney and health care directives.

Save For Your Goals: Next, you must put your plan in action by saving money to achieve your goals. The following is a simple worksheet that will help you.

SAVINGS GOALS						
Goal	Target Date	Amount Needed	Current Assets	Gap	Number of Years to Target Date	Amount to be Saved Each Year
Example: New home down payment	July, 2013	$25,000	$9,000	$16,000	4	$4,000

Action, Commitment and Regular Review: Once you have established a solid foundation of emergency fund and insurance, you are ready to begin saving for your goals. This basic planning process provides a roadmap to get you from setting goals to achieving goals. Procrastination equals failure. Doing it when you get around to it isn't good enough, you must do it now. Things change and times change, so review your plan at least annually and when significant life events – such as job change, purchase of a home, receipt of an inheritance, marriage, birth or adoption of a child – occur and update as necessary. Dreams become reality, but not by accident. Planning + Action + Commitment = Success.

Who Needs Life Insurance?

Len Carlson

Life insurance is simply buying dollars for future delivery to provide financial security for you and your loved ones if you live too long or die too soon.

Who needs life insurance? Everyone. If someone will experience financial hardship when you die, chances are you need life insurance. It replaces your income and can help your family meet many important financial needs like funeral expenses, daily living expenses and college funding.

How do I know if I need life insurance? To figure out if you need life insurance, you should consider the following:

- Would your family have the money to pay for your final expenses, such as funeral costs, medical bills, taxes, debts, etc?
- Would they be able to meet on-going living expenses like the rent or mortgage, food, clothing, transportation cost, health care, etc.?
- Would your surviving spouse be able to save enough money to put your kids through college or save for retirement?

Whether you are young or old, married or single, take a moment to consider how life insurance might fit into your financial goal.

1) **You're married:** Married couples share financial obligations and depend upon both incomes. If one spouse dies, will the survivor have enough money to pay off existing debts and still be able to make the mortgage payment?

2) **You're married with kids:** Could your family maintain their standard of living on one income?

3) **You're a single parent:** In this situation, you are the caregiver, breadwinner, cook, chauffeur, and much more – a lot of responsibility is on your shoulders! If there isn't adequate life insurance on the parent, how can you safeguard your children's future?

4) **You're retired:** Depending upon the size of your estate, your heirs could be hit with estate taxes payable after you die. The proceeds of life insurance are payable immediately, allowing heirs to pay estate taxes and other debts without having to hastily liquidate other assets, consequently leaving less money to your heirs.

Hopefully this information has been useful, and better yet, prompts you to really think of what your life insurance needs are.

Managing Debt

Len Carlson

Debt is a major issue for many of us. Americans today carry billions of dollars in credit card debt, as well as home, car, and school loans. No matter which type of debt you have, there are smart ways to manage it that can save you money and also protect your credit rating.

Managing the debt is of the utmost importance

1) **It will save money**
Whether your APR is 1.99% or 24.99%, you are paying more than the price shown on your receipt. For example, if you spend $5,000 on new carpeting and put it on your Visa card at the rate of 18%, you may be paying over $4,400 in interest alone over the years.

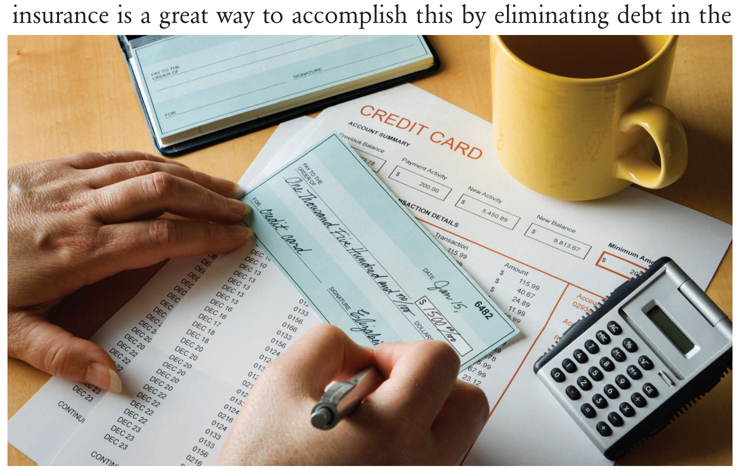
2) **It will protect your credit rating** –A poor credit rating means trouble getting approved loans later on.

Here are a few suggestions on how to manage your debt:

Understand how credit works.
As you decide how much debt to take on, remember that the lender loans you money so they can charge you interest; therefore, the bigger your loan and the longer you take to pay it off, the more interest they can charge, so over time, you pay way more than the principle balance.

Pay down your existing debt. Pay on time to avoid late fees and pay more than the minimum payment. Shop around for rates or call your credit card company to negotiate a lower rate. Pay off the high interest debt first and as you pay off each card, take that money and apply it to another card, which will result in paying down debt faster.

Have a contingency plan. Tragedy can strike at any time, so it's important to make sure your loved ones are protected. Adequate life insurance is a great way to accomplish this by eliminating debt in the



Advisor Answers –

Dear Advisor,

I am 40 years old, I contribute regularly to my employer's 401(k) plan and have additional money in a previous employer's retirement plan. I also have some money in a savings account, which is earning interest. Lately I have been considering making some improvements on my home (new siding, new windows, etc.) which will cost me approximately $20,000, and will also increase the value of my home. I have enough money in an old employer's retirement plan and savings account to cover the cost of the upgrades, but is it a good idea to cash out those accounts?

SAVE OR SPEND?

The above is a common situation that many of us are probably familiar with, whether it happens to us or someone we know.

Before deciding, you should consider the potential consequences. For example, if you take a lump-sum withdrawal now, the money in the 401(k) from your previous employer will no longer benefit from tax-deferred compounding. This is an important consequence because over time even a small 401(k) can increase greatly in value through tax deferred compounding of interest.

Also, you will owe income taxes on the money you are planning to withdraw. If that's not reason enough to reconsider, think about the fact that you will likely be subject to an additional 10% early withdrawal penalty. However, if you keep those assets in your old plan or roll them over into a Sons of Norway annuity, your savings could continue to grow to provide more income when you eventually retire.

My suggestions would be to delay the home improvement and start a new savings program to pay for the projects. To do that, you may need to put off a vacation or trim your spending. However, the sacrifice could be short-lived in that you may be able to save enough in a year or two to pay cash for improvements. Believe me, making temporary sacrifices to complete the project is a better choice than cashing out your retirement savings.

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