SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

1ST QUARTER 2010 • Issue #14

PLANNING FOR A SUCCESSFUL NEW YEAR

Happy New Year! By the time you read this another holiday season will have come and gone. I sincerely hope that it was an enjoyable time for you and your loved ones. I also hope that, in spite of everything, 2009 was a good year for you overall. Now, with the chaos of the holidays behind us and a brand new year just beginning, it's a good time to start thinking about the future and making important plans for your financial security.

This issue of the Advisor Newsletter will cover some very important financial issues that will help you plan for a successful 2010! Take a look inside and learn about planning for a successful financial year, Roth IRA conversions, and estate planning. For those of you with general interests, I highly recommend the Financial Pyramid article.

Once you've had a chance to read this quarter's issue of Advisor, I encourage you to give me a call, send me an e-mail, or schedule a time to chat in person. I'm here to help you and can offer a lot of assistance in navigating future financial plans. Not only can I provide a Sons of Norway Financial Checkup, but I can answer any questions you might have about retirement needs, insurance and estate planning.

I'll be the first to admit that planning for the future can be daunting and stressful, especially if you are trying to do it alone. If nothing else, it's always good to have another set of eyes take a look at your plan to make sure nothing gets missed. And remember, whether you own a Sons of Norway financial product or not, I'm happy to help you in any way I can—my goal is to ensure you have as strong a financial future as possible.

In closing, I hope that you will find this issue's information to be of great interest and worth sharing with other friends, family, or lodge members. If so, I strongly encourage you to share this issue of the Advisor with them. Remember, financial planning and protection is important for everyone, even if it does seem a little daunting at times, and knowledge is the best first step in creating solid financial plans for your future.

The Financial Planning Pyramid

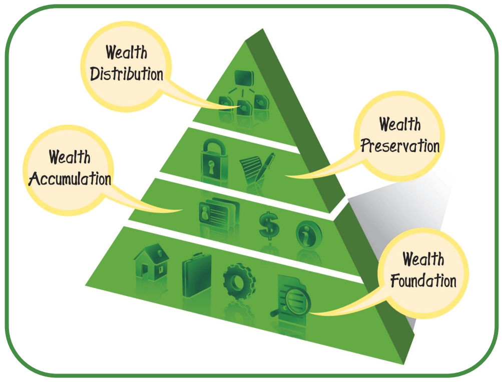
by Len Carlson

A Time-Tested Tool to Help Organize Your Finances

Back in the November issue of the Viking's Family Finance Section there were ideas on smart management of your money in order to live well in retirement. I would like to expand on this by discussing some different steps to take, which will build that retirement nest egg and protect it.

We all know there is a limited amount of money to solve our limitless financial needs, so prioritizing needs is a definite necessity when trying to manage your money wisely.

One method of prioritizing your needs is the use of a **Financial Planning Pyramid**. There are four different levels or blocks, starting at the base of the pyramid and moving to the top: *Wealth Foundation, Wealth Accumulation, Wealth Preservation, and Wealth Distribution*. Each level is sub-divided into building blocks that represent some common financial products used.



The first level, *Wealth Foundation*, is composed of basic insurance coverage, which is the minimum coverage for products, which should be determined and met before you focus on financial needs in the next level. Failure to address your needs at this basic level leaves your savings and investments vulnerable to uncovered losses. Products you should consider at this level are health, auto, homeowners, disability income, and life insurance.

Once the Wealth Foundation needs are addressed, start building the next level, *Wealth Accumulation*. Investments for accumulating wealth include deferred annuities, mutual funds, CD's, and real estate.

As your assets and income grows, you will move up to the next level of the pyramid, *Wealth Preservation* block – as your income and assets grow, consider increasing your umbrella liability coverage as well as purchasing long term care insurance.

Finally, at the top of the pyramid, in the *Wealth Distribution* block, consider annuities to help maintain and manage your retirement income. Also, estate planning products, such as life insurance, should be considered to conserve your estate for your heirs.

So, how do you get started with the planning process? Perhaps meeting with a Financial Benefits Counselor can help you with the following: 1) identify life situations, such as getting married, planning for retirement, or dealing with retirement; 2) determine and prioritize major common financial needs within each life situation; and, 3) discuss basic coverage amounts, types, and costs applicable to each life situation identified. In doing so, you can allocate your available dollars to optimize coverage of your financial needs, and you are thus using smart management techniques to maximize your financial future.

Good Riddance 2009. What Will 2010 Bring?

By Len Carlson

The recession may be over, but it probably won't feel that way until a year from now. In fact, the first six months of 2010 may feel a lot like the last six months of 2009, with unemployment still climbing and home prices still falling.

Although no one knows exactly what will happen, it does appear that the economy has turned a corner. We believe that the second-half of 2010 will be better than the first half. This means that now is the time to set yourself up for a better 2010. In doing so, let's look at the economic areas that perhaps concern everyone.

First, your home. After several years of slumping house prices, the end of the real estate bust may be in sight. While home sales are rising and investors are shrinking, we can still expect values to fall another 5% to 10% before we see a rebound. If you are a buyer, don't hold off much longer. Your buying power will gradually be reduced as conditions in the housing market improve. Keep a close eye on mortgage rates. If they rise sharply, act quickly to lock in a low fixed rate. For sellers, postpone listing your home, if possible. If you can hold out a few more years so as to compete with fewer foreclosures, your home will bring a higher price. If delaying isn't an option, act fast before prices drop further. Perhaps make a few necessary repairs to attract more buyers.

Second, if you are like many Americans, you are trying to save more in 2010. So what do you do? Have you considered annuities? Annuities can be a great alternative that allows your money to grow on a tax-deferred basis while earning a competitive interest rate, plus annuities have liquidity features that make them look very attractive. **Also, get out of variable debt.** Rates are only going to get higher, so pay down your credit cards and home equity loans as aggressively as you can.

Third, concerns about your job. Despite the talk about economic recovery, some of you may still be anxious about this year's job market, if not for you, perhaps for a relative or friend. While we still aren't at our peak on the jobless front, we should be getting close. The bad news is that it may take a longer time to recover the jobs lost than it has in previous economic down-turns. The good news is that pay raises should be increasing and companies are starting to hire more employees. If you are employed, be proactive at work — seek out higher profile work assignments, if possible, and volunteer to take on added responsibilities.

If you are not employed, look for employment in different fields or different positions in the same field. Update your skills and lower your salary expectations, at least for now. In any event, it's always a good idea to keep your resume updated and start reconnecting with people in your professional network — use social media tools such as Facebook and Linked-In.

Estate Planning Tools

By Ken Thul

In her excellent article "Peace of Mind" in the January 2010 Viking magazine, Caralee Adams discusses taking the first steps towards estate planning. Two estate planning tools she mentions are wills and trusts and I think they deserve a closer look:

A will is a document that directs the distribution of your property when you die. In your will, you name an executor to handle the will after you die. Wills can accomplish other things as well, commonly they are used to name a guardian for minor children or a handicapped person or establish testamentary trusts to hold, manage and direct the distribution of your property. If you die without a will (intestate), your state of residence makes a will for you. Most people prefer to have their own will.

Trusts are legal entities used to hold title to property for the benefit of one or more persons. The Trust Agreement or Declaration of Trust is the written document that sets forth the terms and conditions of the Trust. There are typically three main parties to a trust: 1) Grantor - The person creating the trust and owner of the property that is to be transferred to the trust. 2) Trustee - The person or institution named in the trust that administers the trust and executes the directions of the trust agreement. 3) Beneficiary/ies - The person or persons who benefit from the trust.

There are two types of trusts, the first of which is a living trust ("inter vivos" trusts). Living trusts are created during the lifetime of the grantor and can be a revocable living trust or an irrevocable living trust.

A revocable living trust can be altered or revoked by the grantor. Upon revocation, the grantor resumes ownership of the trust property. Revocable living trusts are used when the grantor does not want to lose permanent control of the trust property. With a revocable living trust, you may add or withdraw assets, change the Trust Agreement or Declaration of Trust and retain the right to make the trust irrevocable in the future. The assets in this type of trust will generally be includable in the grantor's taxable estate, but may not be subject to probate. In many states, because such property is not subject to probate, confidentiality may be maintained. Generally, a revocable living trust does not protect your assets from creditors.

An irrevocable living trust may not be altered or terminated by the grantor once the agreement is signed. There are two distinct advantages of irrevocable trusts: Trust income is not taxable to the grantor and the trust assets are not subject to estate taxes in the grantor's estate. These benefits will be lost if the grantor receives trust income, uses trust assets, or retains any ownership rights of trust assets. If the trust is irrevocable, the grantor can never change it, terminate it, or withdraw assets. It is an independent entity under the law.

The second type of trust is a testamentary trust. These are created as part of a will and must conform to the statutory requirements that govern wills. This type of trust becomes effective upon the death of the person making the will and is commonly used to conserve or transfer wealth.

Your Sons of Norway Financial Benefits Counselor can help you find an estate planning attorney and provide you with a complementary Financial Security Analysis. It's a simple worksheet to help you set and prioritize your goals, initiate a plan of action, and review and update your plan regularly. There's no cost or obligation, so contact your Sons of Norway Financial Benefits Counselor now.

Advisor Answers –

Dear Advisor,

I have heard that there are some changes being made with regard to conversion of Traditional IRA's to Roth IRA's. Can you fill me in?
Chris P.
Bend, OR

Yes, there are changes. First, let me explain what a Traditional IRA and a Roth IRA are.

A Traditional IRA is where a person makes a contribution of up to $5,000 ($6,000 if you are over 50) for 2009 and you are able to make a deduction from your adjusted gross income to hopefully lower your income tax liability. You also need to fall within certain income amounts to make this deduction. In addition, when you take out a distribution at retirement, you are subject to income taxes. You are also required to take out a required minimum distribution at age 70½.

With a Roth IRA, the contribution amounts are the same as the Traditional IRA, but they are non-deductible and there are different income amounts to qualify you to make a contribution. At retirement when you take distributions, you receive the money income tax free, plus there is no required minimum distribution at age 70½ Regarding conversion from a Traditional IRA to a Roth IRA, you needed to have a modified adjusted gross income of at least $100,000, plus if you are married you needed to file a joint return. In addition, you needed to pay the taxes because of the distribution from the Traditional IRA the next year.

With this background, here are the changes. In 2010, you can make the conversion from a Traditional IRA to a Roth IRA <u>without</u> the $100,000 income limitation and if you are married, you don't need to file a joint return. In addition, if you make the conversion, the tax can be spread out over 2011 and 2012. This ability to spread out the tax over two years is a one-time change, while the change removing the $100,000 modified adjusted gross income and having to file a joint return are gone permanently.

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ADVISOR is provided by your Sons of Norway Financial Benefits Counselor as an additional service to you.

Director of Agencies: Len Carlson
Editor: Erik M. Evans
Designer: Michael Brandjord

Address any correspondence to your Financial Benefits Counselor or:

ADVISOR
1455 West Lake Street
Minneapolis, MN 55408

Visit our website at:
www.sonsofnorway.com

E-mail questions or comments to:
advisoranswers@sofn.com

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SONS OF NORWAY
1455 West Lake Street
Minneapolis, MN 55408
www.sonsofnorway.com
(800) 945-8851