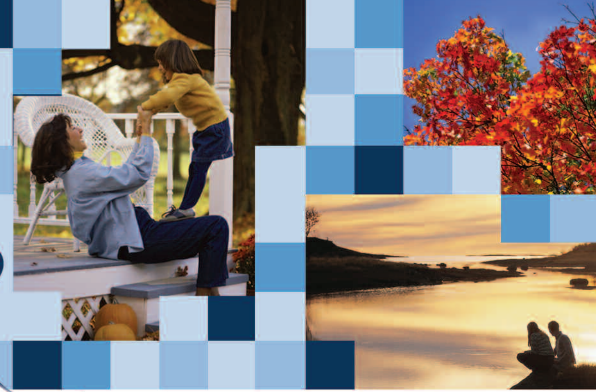
SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

4TH QUARTER 2008 • Issue #9



GIVE THE GIFT OF A SOUND FINANCIAL FUTURE

With the holidays fast approaching, many of us are thinking about the perfect gift to give our loved ones. But, for those of us who are getting close to retirement, we ought to be thinking about the perfect gift to give ourselves: a sound financial future throughout retirement and beyond. At first blush, this may seem counterintuitive–thinking of yourself before others. But it's OK.

If you take some time to think about yourself and your needs now, you can give your family members a gift that's better than any tie or gadget. You can give them the gift of a sound financial future. This probably needs a little more explanation, right? Think of it like this: with a little bit of planning now, you can ensure a sound financial future for yourself in retirement and for your family in the years beyond.

By planning properly for your retirement you can have enough money to allow you to maintain a lifestyle similar to that which you enjoy now. For example by purchasing an immediate annuity, you can ensure a monthly payment for the rest of your life and, depending on the type of annuity, for the rest of your spouse's life too. If you are ever going to do something for yourself, this is a great option.

Also, if you want, you can do more for those around you for many years to come. Do you want to make sure that your grandchildren get a good college education? Think about making them, or their parents, the beneficiary of a life insurance policy. This kind of gift will ensure that your loved ones will have the best opportunities that life has to offer. For those interested in leaving a legacy and ensuring a sound future for your family, this is often the best way to do so.

While these kinds of gifts may not be the flashiest new toy or gadget, they have much more substance and, in my opinion, a lot more meaning. Giving your family the gift of a sound financial future is a way of showing them how much you love them and how important their success is to you.

If you'd like to learn more about how to give the gift of a sound financial future, please contact me at your earliest convenience. I'd be happy to talk it through with you and help you decide what's best for your situation and for your family. Until then, I hope you have a great winter and a happy holidays!

Tips on Charitable Giving

by Ken Thul

The IRS allows an income tax break for people who donate to qualified charities. Basically, you are allowed to deduct these qualified charitable contributions from your taxable income up to an annual limit of 50% of your adjusted gross income per year. If your qualifying gift exceeds 50% of your adjusted gross income, you may carry forward the unused portion for up to 5 years.

The Better Business Bureau Wise Giving Alliance (the Alliance) offers the following tips on charitable giving. If you follow these steps, your charitable contribution activity and the tax accounting should go smoothly.

- Remember, tax exempt doesn't always mean tax deductible. "Tax exempt" simply means the organization does not have to pay taxes. "Tax deductible" means the donor can deduct contributions to the organization on his or her federal income tax return. Principal among "tax deductible" groups is the 501(c)(3) category, broadly termed "charitable" organizations.
- Check out the organization with the local charity registration office (usually a division of the state attorney general's office) and with your Better Business Bureau.
- Do not give cash; always make contributions by check and make your check payable to the charity, not to the individual collecting the donation.
- Keep records of your donations (receipts, canceled checks, and bank statements) so you can document your charitable giving at tax time.
- Although the value of your time as a volunteer is not deductible, out-of-pocket expenses (including transportation costs) directly related to your volunteer service to a charity are deductible.
- Don't be fooled by names that look impressive or that closely resemble the name of a well-known organization.

Year End Tax Planning Ideas

by Darrell Dunn

It's not fun, but trust us, a little advance planning will almost always help you reduce the taxes you owe. Here are some strategies that are especially useful come year's end.

Manipulate Your Income
Pushing tax bills into the future by deferring income into the next year and accelerating deductions into the current year are the simplest ways to reduce your current taxes. But, you must be aware of the "side effects" of any action that changes your adjusted gross income from one year to the next. The bottom line: implement only those ideas that will put you ahead over the two-year period.

Make the Most of Year-End Selling
With the Stock Market dipping in the past year you may have a few loser stocks that you wouldn't mind unloading. If you have them, you can sell enough dogs to wipe out all your realized capital gains for the year, plus another $3,000 ($1,500 for married filing separately) in regular income. Be careful to avoid a wash sale – buying the same security within 30 days before or after you dump shares. Tax rules disallow the loss. If you have realized losses over $3,000, consider selling enough winners to get back to that magic number. Taking the gains will add zero to your tax bill.

Retirement Planning
It can make sense to put off distributions if you expect to be in a lower tax bracket in future years. Also, most retirement plan distributions will increase this year's AGI, which can result in the negative side effects mentioned earlier. If you have a 401(k) plan at work, now's the time to increase how much you'll contribute till the end of the year. We suggest setting aside as much as you can stand, at least up to the 2008 deductible maximum of $15,500 ($20,500 if you will be age 50 or older at year end).

Time Your Mutual Fund Buys and Sells
If you own appreciated mutual fund shares held over 12 months and are contemplating bailing out toward year's end, sell before the December dividend. This way, your entire gain – including the amount attributable to the upcoming dividend – will qualify for the 15% rate. If you wait, part of your dividend will almost certainly consist of ordinary income. You'll owe up to 35% on the ordinary part.

Be careful buying mutual funds at the end of the year. Fund companies usually distribute all their capital gains and dividends at year end, so wait until the distribution has been made.

HOW MONEY WORKS

BY KEN THUL

"COMPOUND INTEREST IS THE EIGHTH WONDER OF THE WORLD." ALBERT EINSTEIN

For nearly 3 decades I have worked in financial services and I have discovered that many people misunderstand how money works. The following are 3 rather common financial situations that many people face; and one rather silly story to illustrate my point.

"I can't save any money; I need all my income for current expenses."

Perhaps you could invest some of your lunch money. Brown-bag your lunch and invest just $4 a day. That's $1,000 a year. It's not a lot, but if you're in your early 20s, you've got the investor's best ally on your side – TIME. If you invest $1,000 a year in an investment that averages an 11% annual return (the average annual stock market return since 1926), it'll grow to more than $1 million dollars in 46 years, when you're ready to retire. Now, get your employer's 401K plan to match your investment, and you'll have more than $2 million at retirement time.

The story of Mark and Jennifer

Mark and Jennifer are college sweethearts. They graduate, start their careers, and get married. Both age 22. Jennifer immediately starts saving $100/week for retirement. Mark waits to start his retirement savings. Twelve years later, Mark and Jennifer start their family and Jennifer abandons her career to be a stay at home mom and thus stops funding her retirement account. Now Mark starts his $100/week retirement savings. Assuming they both retire at age 65 and get a 6% constant return on their accounts, who will have more money in their account at retirement time? Answer: Jennifer's account balance will be $544,341 and Mark's will be $449,449. Jennifer will have deposited $60,000 and Mark will have deposited $155,000. Jennifer's balance is more than 9 times her deposits and Mark's balance is less than 3 times his deposits. The difference, TIME.

Choose your compensation plan

You have a very specialized and rare skill and a businessman needs to hire you for 30 days for a special project in his business. He offers you 2 choices for compensation. Plan #1: $10,000 per day for 30 days – or – Plan #2: one cent per day, doubled each day for 30 days. Which pay plan should you choose? If you choose Plan #1, you will be compensated $300,000. Not bad, that would be an annual income of $3,600,000. But if you choose Plan #2, you will be compensated $5,368,709.12 for your 30 days of work.. That's super, that would be an annual income of $375,766,813,243,813,000,000, 000,000,000,000,000,000,000,000,000,000, 000,000,000,000,000,000,000,000,000,000, 000,000,000,000,000,000,000,000,000,000, 000,000,000.00. If it happens to be a leap year, your annual income would be doubled!

"How should I invest my money?"

Ten years ago, you had $200,000 to invest. You put $100,000 in a S & P 500 index mutual fund and $100,000 in a Sons of Norway annuity. After 10 years, which of your investments did better?

This table shows the historic rates of return of your investment choices.

After 10 years, the value of your S & P 500 index fund is $151,306.88 and the value of

Year	S&P 500 Returns	Sons of Norway Annuity Rates
1998	26.67%	7.25%
1999	19.53%	5.85%
2000	-10.14%	5.85%
2001	-13.04%	6.20%
2002	-23.37%	5.95%
2003	26.38%	5.40%
2004	8.99%	4.55%
2005	3.00%	4.35%
2006	13.62%	4.30%
2007	3.53%	4.40%

your Sons of Norway annuity is $167,701.77. Your boring annuity outperformed your exciting S & P index fund by $16,394.89. It's the story of the tortoise and the hare.

Advisor Answers –

Q: I am closing in on age 70, I have two traditional IRA's and one Roth IRA. What are the minimum distribution requirements and what is the effect of failing to meet these requirements? Please clarify.

Ole
Eureka, CA

Ole,
Your question is shared by many, so let me clarify.

First of all, traditional IRA's and simple IRA's (non-Roth IRA's) are subject to the minimum distribution requirements that apply to qualified plans. The required beginning date for lifetime distributions from non-Roth IRA's is April 1st of the calendar year following the calendar year in which you attain age 70½. You reach age 70½ on the date six calendar months after the date of your birthday.

Second, since you own two traditional IRA's, the RMD must be calculated separately for each IRA, but the total RMD may be taken from any one of your two IRA's.

Finally, a penalty tax is imposed on you if the amount distributed under your IRA for a calendar year is less than the RMD for the year. The penalty is equal to 50% if the amount by which the distribution made in the calendar year falls short of the required amount. Generally, the penalty will be imposed in the calendar year in which the amount was required to be distributed.

A note here: The penalty tax may be waived if you establish, to the satisfaction of the IRS, that the shortfall was due to reasonable error and that reasonable steps are being taken to remedy the shortfall.

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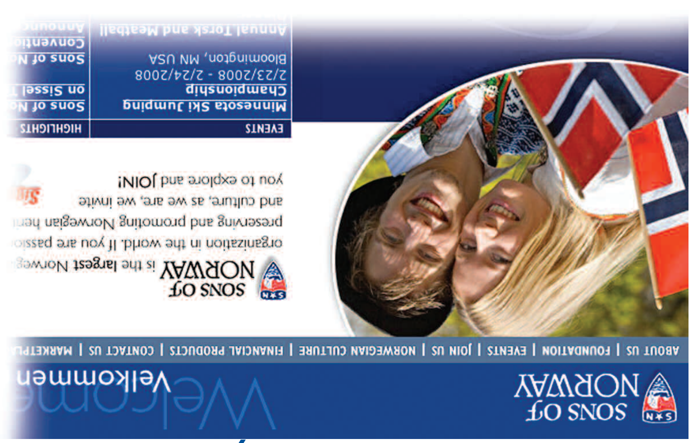

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