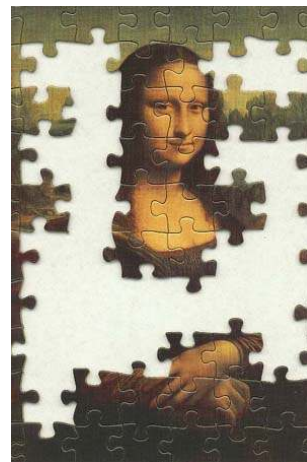


Pieces of Your Retirement Puzzle

The question has long been asked “just what is a financial plan and why do I need one”? A well designed financial plan takes the pieces of the financial planning puzzle, which include investment, retirement, tax, protection and estate issues to name a few and fits them together to produce an efficient outcome. Just as the shortest distance between two points is a straight line, a comprehensive financial plan allows one to accomplish their objectives in the shortest time with the fewest mistakes. An ageless proverb states that a wise man learns from other’s mistakes while a fool learns from his own. A financial consultant’s knowledge base consists of years of experience that can be a valuable asset.

Much like this puzzle, each piece of a financial plan represents an integral part of the whole. Apart from each other the pieces are little more than a piece of paper but when put together they are transformed into a work of art. As we work through the process of putting the puzzle together we begin to see exactly what the outcome will be. However, it is only after we’ve committed ourselves to this process that we are able to see the value in what we’ve accomplished. It is not like buying a car where you can kick the tires and slam the doors and know exactly what you are going to get ahead of time. So you need a professional with credentials and references that you can trust. At a minimum he should have a CFP® designation. The Certified Financial Planner mark ensures at a minimum that he has dedicated himself to the rigorous education and testing demands of the CFP® Board.



Jigsaw puzzle enthusiasts understand that sticking to a systematic process is the most effective way of completing a puzzle. First, they suggest fitting all the pieces with straight edges together to build the framework of the puzzle. From there they begin to move inward filling in empty spaces. As the puzzle takes shape, they can easily spot a piece that is out of place, remove it and replace it with the correct one. They build a head of steam, sort of a snowball effect that moves them ahead with greater purpose and clarity. Similarly, a systematic process for financial planning will produce the best results. As you move through the process you’ll begin to see the big picture quite clearly and become more enthusiastic about the result.

People’s plans are frequently ineffective because they focus only on areas they are familiar with but neglect those elements that they might not fully understand. Concluding that this type of “plan” is profitable is tantamount to hanging a piece of a jigsaw puzzle on your wall and telling your family that you have a picture of the Mona Lisa. Planning like this can seriously undermine your progress and even set you back financially. Successful planning is often about the things you don’t even know to ask, not those that you do. Hiring a professional with experience and knowledge to handle the hidden issues can be a boon for you in the end. The following case studies will help to bring to light some of the issues.



In a recent case we worked with Fred who retired after twenty years of service with his employer and rolled his 401(k) plan into an IRA. While his investments performed well and were sufficiently diversified, he didn't fully understand the distribution options when he began to take withdrawals. His oversight cost him \$22,000 in unnecessary taxes. Focusing only on investments without considering the tax ramifications of withdrawals can be disastrous. Fred approached us and we prepared an income plan to minimize his tax liability as he supplements his income.



In like fashion, we met Alameda who held her property in joint tenancy with her daughter in an effort to help manage her affairs as she became incapable of doing so. But by holding assets that way, at her death the IRS disallowed the traditional step up in basis which would have eliminated any tax consequence and created a tax nightmare for her daughter when she sold the assets months later. This oversight cost her child over \$63,000 that she otherwise would not have owed. We are now working with her daughter to address the ownership issues of her assets so her children do not have to experience the same unnecessary tax burden that she did.



In yet another instance, Margie needed to supplement her income from her deceased husband's retirement plan. Not being knowledgeable about the options available to beneficiaries, she rolled her husband's company retirement plan into her own IRA as is customary. But because she was under the allowable distribution age of 59½, the IRS did not allow access to that money without penalty. She could have transferred the assets to an alternative account and created a monthly income for herself without any penalty. This oversight cost her \$6,700 she otherwise didn't need to incur. We are now working with her to make certain that the rest of her husband's accounts are managed to provide penalty-free access to the funds as she needs them.

These are just a few of the many stories of daily living that we encounter at Wismer Wealth Management Group. A well designed financial plan will result in a Mona Lisa of epic proportions but improperly structured can reverse your progress because success in one area can often quickly be eroded in another if the puzzle is not complete. A good financial consultant will help you organize and place the pieces together. He'll provide flexibility and help you accomplish your objectives with the fewest mistakes. And you don't have to be connected at the hip for life either. You can hire him on an hourly basis or retain him indefinitely. He can complete a single issue plan or build a comprehensive one. But the devil truly is in the details!



Dave Wismer
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