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“Caution” is Still the Word of the Day by James S. Lineweaver

Last fall the world was coming to an end. The banks were all going to fail, the FDIC was going to run out of money, and we were all going to be speaking Chinese. At the time while we all agreed we had serious economic problems to solve, the world was not coming to an end. That was an overreaction.

Fast forward and the stock market major indices have appreciated more than 10% year-to-date and are up close to 50% from their March '09 lows.* The economy is showing signs of recovery, and we see and hear from the press that the recession is over. All is well, or so they say. This too is an overreaction.

We continue to see encouraging signs that the worst of the recession is behind us, and that the economy has hopefully hit bottom. This is very good news. But, to say that all is well is not accurate. The losses that have been suffered from Wall Street to Main Street will take years to overcome. We may be in the midst of a recovery, but this recovery will be hard-fought every step of the way. The balance sheets of many companies have been significantly hurt by the recession. With credit markets

remaining very tight, simply borrowing more money to add cash to the balance sheet for many businesses is not an option. Balance sheets are going to have to be repaired with internally generated funds, and that will take time.

The balance sheets of many Americans have also been hurt. Consumers in the U.S. have not opened their purses and wallets to start spending freely, and that may not happen for some time to come. In the past, consumers felt good knowing both their 401(k)s and their homes were both appreciating. This came to be known as the **wealth effect**. But that **wealth effect** has turned negative, and will not turn positive until residential real estate prices increase (not happening yet), portfolios increase in value (as mentioned above, this is beginning), and working Americans feel more comfortable as employment numbers increase (not happening either). Consumer spending may never get back to previous levels, as the availability of credit will be substantially diminished going forward. That is good long term, as too much credit helped get us into this mess. We here at Lineweaver Financial Group have always had a conservative

lean when it came to investments; we like managing our clients' principal. Even though we see much-needed progress in the economy, our normally conservative stance remains one of greater caution than usual. We would rather err on the side of caution rather than take these preliminary indications as signs that all of our economic ills are behind us.

If you have questions on the structure of your portfolio as we move forward from the recent near-economic disaster, give us a call. Better yet, read the *WealthWatch* section for your opportunity to stay informed.

We Are Now a Change Gang Leader!

Our summer Car Wash to raise money for Rainbow Babies & Children's Hospital was so much fun and such a success (thanks to those of you who brought your cars out!) that we have been asked to become a **Change Gang Leader** for the **Rainbow Radiothon**. We are pleased that as a first-year participant we have been promoted so rapidly! In early years of the telethon, companies placed buckets for employees to drop spare change into and donated this change to Rainbow. Those companies who encouraged other companies to follow suit became **Change Gang Leaders**. The name has remained the same,

but the monies raised far exceed spare change. As a Change Gang Leader, we will be manning the phones on Thursday November 12th for the WDOK Radiothon from the lobby of Rainbow Babies and Children's Hospital. Be sure to listen to WDOK that day. Who knows, you might be inspired to call and make a contribution to this worthy cause!



Jim Lineweaver
President and Founder

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WealthWatchSM Education Series Returns

Summer is over, the kids have been back in class for over a month, and now it is time for you to get back to class also. We gave you the summer off so you could play more golf, spend needed time in the yard and garden, and attend those great summer cookouts; but now it's time to get back to work. Doctors will tell you one of the secrets of staying young is to continually exercise your mind and your body. We are doing our part to help you keep your mind sharp by inviting you and your guests to our *WealthWatch* Education Series.

This fall's series has already kicked off with *The Truth About Annuities* and *Healthy Aging: Your Health is Your Wealth*. The upcoming *Understanding Retirement Health*

Benefits & Enrollment Options in October is a clear and informative explanation of your available healthcare options. As of this printing, seats are still available for this third session. Rounding out 2009, we will be featuring an **Education Funding** program in November, and a **Tax Planning** session for December—see the enclosed flyer for the exact dates and times of these programs.

We always have refreshments at our Educational Series, and occasionally include beer and wine. *Do give us a call.* Watch your mailbox or our website for additional future topics as the series progresses through the winter. Each topic will have both an afternoon and an evening session to accommodate your busy calendar.

Is an Efficiency Study Warranted?

We as Americans are living longer. For the first time ever, the life expectancy of Americans has surpassed 78 years, according to the National Center for Health Statistics' report released in June 2008. That is good news for many reasons. One of them is that one of the factors insurance companies use in quoting premiums is life expectancy; and with life expectancy increasing, premiums have come down. This may have an impact on the cost of providing your family with adequate life insurance protection. If you have existing life insurance policies, performing an **insurance efficiency study** will let you know if you have the most cost-effective coverage available. Replacing your existing coverage with new coverage could provide your family with the same

amount of coverage at a lower cost, or more coverage for the same outlay you are experiencing now.

Other than the increasing life expectancy of all of us in general, there may be changes in your health that could lower the cost of your insurance coverage. If you are a former smoker, your rates could be lower today. If you were taking medications but no longer need them, likewise your premiums could be lower now than they were when you took your life insurance policy out.

Life insurance has changed over time; newer policies have features that reflect the changing needs of today's consumers. Many newer policies allow the owner to access the death benefit if they are

Think Now About Next Year's Tax Bill

You do not have to file your 2009 Income Tax returns until April 15, 2010, but the steps you take now can impact the taxes you will pay. We are talking about *tax planning*.

If you are close to the borderline of itemizing or not, the tax planning strategy of *bunching* may help. By using this strategy, you may be able to itemize in one tax year by increasing your deductions for that year, and in the following year take the standard deduction. By bunching deductible items into one year, you create "fat deductible" tax years which may allow you to itemize your deductions. Then follow the next year with a "lean deductible" tax year and take the standard deduction.

To create a fat deductible tax year, think about bunching medical expenses, estimated state income tax payments, real estate taxes, and charitable donations into one tax year. By getting above the standard deduction you will be able to utilize Schedule A.

Medical expenses are a good example. You get no tax benefit from medical expenses until they exceed 7.5% of your ad-

justed gross income. By shifting elective medical expenses from one year to the next, you may get above the 7.5% threshold. This may get you above the threshold where you can itemize. Since you have shifted these items into one tax year, the following year will not have as many deductions, and you will take advantage of the standard deduction. Then in Year 3, start all over again and bunch deductible items again and itemize. Medical expenses include fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, and psychologists. Also included are payments for hospital services, qualified long-term care services, nursing services, and laboratory fees. The cost of items such as false teeth, prescription eyeglasses or contact lenses, laser eye surgery, hearing aids, crutches, wheelchairs, and guide dogs for the blind or deaf are deductible medical expenses.

This is an area where you need to be proactive. You can't wait until it's time to file your tax return to determine if this strategy has any merit for you. You need to look ahead and do some tax planning for this year and years to come!

This is for informational purposes only and should not be considered tax advice. Please consult with your tax professional.

diagnosed with a terminal illness, or if they are confined to a nursing home. These concerns are much greater than they were in the past, in fact many people may be more concerned about nursing home costs that they are about insurance to cover the cost of their burial.

We have seen some older policies that are "blowing up"—meaning the cost of insurance is becoming higher than the premiums you are paying, and the cash value is deteriorating rap-

idly. This is happening to many "UL" policies that were issued in the '80s with much higher interest rates than they are crediting today. You can now get guarantees to age 100 or 120 so you don't have to worry about the insurance being cancelled when you need it most!

If you are not sure if the life insurance you have is efficient or appropriate for your current situation, let's do an **insurance efficiency study** to answer the question.