FINANCIAL FORUM

NOW'S THE TIME TO REGAIN CONTROL OF YOUR FINANCIAL FUTURE

By Joseph W. Spada, CFP®

In 2008, the financial system was on the brink of collapse. Midway through 2009, the system remains and the equity markets have stabilized. Yet, the traumatic aftereffects of volatile markets, rising unemployment, increasing taxes and inflation have paralyzed people with fear; more fear than I've experienced in 30 years advising clients. People are insecure about their financial future but afraid to make changes.

To overcome fear, you must act. There are many proven, effective ways to enhance your financial security, doing nothing is not one of them.

The first step to regaining control is to create a current financial plan with fresh ideas and new thinking. Start by assessing the damage from 2008 so you know exactly where you stand. Then update your goals. Check for potential problems by asking the following:

- Can I still retire in 2015?
- What's my current estate tax burden?
- Will my family be able to maintain their lifestyle if I die now?
- Are my investments and income protected against increasing taxes, bear markets and rising inflation?

Once shortcomings are uncovered, and new strategies and products are selected to overcome them, *execute your plan.*

When it comes to investing, there are numerous planning opportunities to combat volatile markets, increasing taxes and inflation.

To manage taxes, which may increase 25%, allocate high tax investments (hedge funds, taxable bonds, etc.) to tax deferred IRAs, Pensions and 401Ks. Overweight taxable equities to ETF's and index funds because of their low turnover and trading, which can reduce your tax burden.

For managing inflation risk, diversify into gold, energy, real estate and commodities, which have historically risen with inflation. Short-term bond laddering and TIPS (Treasury Inflation Protection Securities) can also hedge inflation.

Diversification is still an effective strategy to help reduce investment losses. Even in 2008, this was true - a portfolio with 100% allocation to global stocks lost 40%, while a well diversified portfolio of fixed income, hedge funds, and global stocks lost 17% according to Morningstar. However, simple diversification between fixed income and stocks is not enough. To reduce risk, portfolios should include annuities, non-correlated asset-classes like managed futures, hedge funds and tactical asset-allocation funds. Fixed income should include treasuries, municipal bonds, corporate bonds, fixed annuities, TIPS, and cash-value life insurance.

You should rebalance your portfolio at least annually to avoid increased investment risk from one asset class outperforming others. Now is the time.

Joseph W. Spada, CFP ® Managing Director of Summit Financial Resources, Inc. 973-285-3620/ jspada@sfr1.com.