May - June 2012

Money Moxie®

What Does Money Mean To You?

A Retirement Storm is Brewing

SMEDLEY FINANCIAL SERVICES, INC.®
www.SmedleyFinancial.com

The Top Tax Bracket

Dear Valued Clients,

Much discussion continues to be made about the mysterious "Top 1 Percent of Taxpayers." What is the Adjusted Gross Income (AGI) required to be in this elite group? Is it $1 million? $5 million? $10 million? Or more? Actually, it's considerably lower than you might think. (AGI is total gross income minus specific exemptions and deductions.)

Striving to keep this year's presidential election debate on taxes in perspective, the IRS Summary of Federal Income Tax Data reveals the surprising figures for the most recent year available (2009). The data reveals the threshold of AGI to be in each category of Top Taxpayers' Participation and its Percentage of All Taxes Paid:

AGI	Top Percent	Percent of All Taxes Paid
$343,927	1%	37%
$154,643	5%	59%
$112,124	10%	70%
$ 66,193	25%	87%
$ 32,396	50%	98%

Amazing, isn't it! The thresholds are all much lower than you might guess. Now, keep in mind this astonishing fact: Forty-seven percent (47%) of all Americans do not pay *any* income tax. Perhaps this will give all of us something to ponder.

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Upcoming Events

Yes, You Can . . . Raise Financially Aware Kids

Many of you may wonder, "Can I really raise financially aware kids?" And the answer is, "Absolutely! Yes, You Can." It's important that kids learn about money at an early age and the lessons they learn are mostly learned at home. Even today, whether you tried to or not, you probably taught your children or grandchildren something about money. You taught them by your actions and attitude.

Learn the four lessons your children and grandchildren need to know to be financially successful for life. As always, feel free to invite your friends and family to join us as well.

Live Presentation: Join us at the Salt Lake Hotel Monaco on Thursday, June 28th at 6:00 PM. Seating is limited and RSVP is required. Call us today at (800) 748-4788 to reserve your seat. Refreshments will be served.

Live Webinars: Join us on Tuesday, July 10th at 10:00 AM or Thursday, July 12th at 2:00 PM. Watch for an upcoming email with instructions for registering and participating in a webinar.

Do you have a *Retirement Storm Brewing?*

By Sharla J. Jessop, CFP®

Each day for the next 19 years 10,000 baby boomers will turn age 65. Besides their age, these boomers have much in common. They face many of the same challenges: A Social Security system that is changing, skyrocketing healthcare costs, and the reality that they may live longer than they ever planned. The result—most Americans feel they are financially unprepared to live into their 70s, 80s, and 90s. Though the picture may seem bleak, there is hope.

Healthcare—Protecting your nest egg

Retirees face a triple threat when it comes to healthcare costs in retirement: Declining health, increasing healthcare premiums, and rising healthcare inflation. The truth is that as we age our bodies continue to break down. Couple this with the fact that health insurance premiums are increasing with age.

At retirement, we will pay more, overall, for healthcare than we did during our working years. Starting Medicare at age 65 is crucial. If you miss this age-based deadline the result can leave you uninsured and paying a late penalty. This is one area where you cannot afford to "learn as you go." Choosing a Medicare supplement is just as important. While the benefits are standardized, the premiums vary widely.

What does this mean for you? It is essential that you have a plan to deal with healthcare costs during retirement. A recent Fidelity Investments study estimates a couple retiring at age 65 will require $230,000 or more to cover healthcare costs throughout their lifetime. For many this represents a significant portion of their retirement nest egg. If left to chance, healthcare costs may deplete your retirement savings.

Social Security—Maximizing your benefit

How and when you claim Social Security benefits can boost your retirement income by tens of thousands of dollars over your lifetime. While Social Security options may seem straightforward, you owe it to yourself and your spouse to understand all of the options as well as strategies available before beginning benefits. Keep in mind Full Retirement Age (FRA) is no longer 65—today it is 66.

It's true that you will receive a higher Social Security benefit if you continue to work and delay benefits until age 70. But it's more complex than that. Taking Social Security before FRA will cause you to forfeit valuable options. Many naively believe the decision is as easy as, "Should I take my benefit at age 62, 66, or wait until age 70?" While the local Social Security office can explain your options, they will not recommend which option to take or discuss strategies to maximize your benefit.

Maximizing Social Security benefits depends on your personal situation. Making the right decision for you requires a thorough knowledge of the system, your

Continued on next page

options, the strategies, and your contributions into the system. You will need help beyond what the Social Security office can provide.

Longevity—Living longer than you ever thought
Life expectancy is on the rise. Couples age 65 today have a 50 percent likelihood that one partner will live to age 94.[1] Have you set enough aside to maintain your lifestyle for a longer period of time? Will you need to reduce your spending at the beginning of retirement to bridge a potential gap? What if you need the services of a care facility? How will that impact your nest egg and your surviving spouse?

Those who have helped provide a loved one with long-term care understand the value of a long-term care policy. An average stay in a long-term care facility is three years. Survey results recently released by Genworth[2] show that the median annual rate for a private nursing home room in 2012 is $81,030. Over the past five years these rates have been increasing at an annual rate of 4.28 percent. This is much higher than the Consumer Price Index (CPI) would lead you to believe.

While the cost for a long-term care policy may seem high, the reduced financial risk is well worth the annual premium. Keep in mind, Medicare does not cover long-term care facilities. Other options may include self-funding, which requires a significant financial base that can absorb the increased expenses. Medicaid is another option and is the least favorable. It requires you to spend down the majority of your assets. This can leave a surviving spouse without much-needed resources to maintain a comfortable lifestyle.

Your Nest Egg—The glue that holds it all together
Now that you see the storm brewing, what will you do? While 81 percent of pre-retirees think a retirement income plan is important, 75 percent of pre-retirees have no plan.[3] What does this say about your concerns for the future? Protecting your precious resources takes well-thought-out planning. The time to do something is now. Consider this your wake-up call!

You have the questions and we have the answers. Let Smedley Financial help you with your Medicare, Social Security, and long-term care decisions. We can help you tie these complex options into your lifetime income plan. Contact our Wealth Management Consultants to discuss your situation. Call us at (800) 748-4788 or visit us online at www.smedleyfinancial.com. Plan to attend a future workshop.

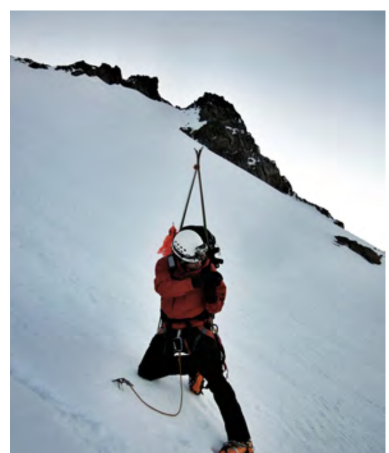
1. Centers for Disease Control, 2. Genworth Financial, Inc. Cost of Care Survey 2012, 3. Fidelity Investments Retirement Mindset research October 2010

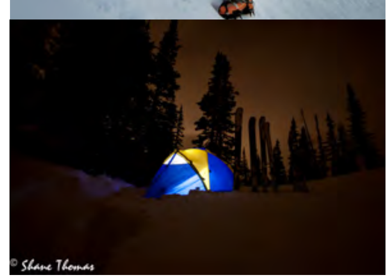
Employee Spotlight: Shane P. Thomas

Since 2003, Shane has served as IT Specialist for SFS. Protecting client information, Shane monitors the integrity of our network to insure that all private client data remains accurate and secure. He also supports investment professionals throughout the United States to help build a successful wealth management practice. He provides these advisors with recommendations incorporating the SFS investment portfolios.

Shane earned his bachelor of science (Information Systems) degree from the University of Utah in 2002.

Shane and his wife, Mindy, are the parents of four amazing children. He is an outdoor and photography enthusiast. He especially enjoys snow and water skiing, mountaineering, rock climbing, and taking pictures of it all.





Your Money's #1 Enemy

By James R. Derrick Jr., CFA

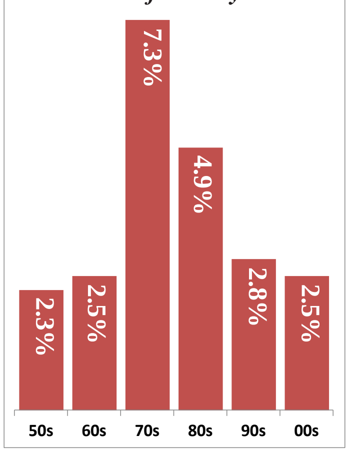
Mailing a letter through the U.S. Postal Service 50 years ago cost 4 cents.[1] Gradually that amount began to change, rising by a penny or two every few years. After 19 changes in 50 years, it now costs 45 cents to mail a first class letter.

Housing, health care, food, apparel, education, transportation, and even recreation all rise in price over time. Just like the stamp, the rise is typically gradual—so gradual that we often ignore it. Over a lifetime, however, its effects can be devastating.

The rise in prices is known as inflation and it is a normal part of life. A dollar today should be worth more than a dollar in the future. This creates economic incentives to spend and invest. However, inflation does present problems for savers.

The U.S. government has created a hypothetical basket of goods that it values every month to determine how prices change over time. The most common is known as Consumer Price Index (CPI). To "improve" accuracy, the government periodically substitutes and swaps items in or out of this basket.

Historical Inflation by Decade[4]



Over the last 50 years the average increase in prices (CPI) has been 4.1 percent (think -4.1 percent impact on your savings). To those familiar with inflation this may seem high, but it is true. Now, consider three facts that make it even more severe.

(1) This rate of inflation compounds, so its impact becomes great over long periods of time. If you retired today with a $3,000 dollar payment per month, it could be worth half as much in just 15 years. Hard to believe, but consider history: $1,000 dollars in 1962 would be worth only $129 in 2012.[2]

(2) It could get even worse. There is no guarantee that current low rates will last. There have been several periods in U.S. history when inflation has spiked to double digits (1974, 1975, 1979, 1980, and 1981). The impact of inflation at this high a level is nothing short of a crisis. It could happen again. In the words if President Harry Truman: "*The only thing new is the history you haven't read yet.*"

(3) Your personal rate of inflation is different than CPI. In retirement you may spend twice as much on medical care. (Over the last 50 years medical inflation was 5.9% per year. This means that $1,000 in 1962 medical dollars would be worth just $56 in today's medical dollars.) The difference for retirees is so substantial that there is a new measurement CPI-E, which is weighted for elderly. The rate of inflation for CPI-E has been greater than CPI for every year since the measurement began.[3]

Don't stuff your savings under the mattress. The most vulnerable dollars to inflation are those sitting idle. Instead, stay ahead of inflation. Even low-rate savings choices may not keep up, especially after tax. That is the irony of "safety."

However, potential solutions are available. To stay ahead of inflation we should be more than just savers. We should be investors. Of course, that involves risk and no one likes the sound of that, but imagine where different strategies may leave you 15, 20, or 25 years down the road.

A balanced plan that is customized for your personal needs and financial personality is essential. There are specific tools available to keep up with inflation. The right mix may help. So protect yourself from constant inflationary attacks. This should be your #1 goal and we can help you reach it. SFS

1. Wikipedia: http://en.wikipedia.org/wiki/History_of_United_States_postage_rates
2. Federal Reserve Bank of St Louis, http://research.stlouisfed.org
3. U.S. Bureau of Labor Statistics
4. Federal Reserve Bank of St Louis, http://research.stlouisfed.org

The Internet and You:

Social Media

By Shane P. Thomas

It seems like nearly everyone from teenagers to grandparents are on Facebook, Google+, Twitter, Instagram, or other social media sites. Social media is a great way for people to share thoughts, ideas, pictures, and videos, and interact with their "friends," "followers," "circles," or acquaintances wherever they may be in the world.

Meetings and events can be organized and planned on several of these sites and you can even get reminders to wish your friends a happy birthday. By the same token, social media can also be used negatively because everyone can share thoughts, ideas, pictures, and videos with anyone. Each social media site has important security settings that can and should be set by the user. These settings should be looked at closely and often as they are always changing and evolving.

It is important for both the young and the old to understand and use the privacy settings that these sites have implemented. As Twitter says on their privacy page, "What you say on Twitter may be viewed all around the world instantly."

When used wisely, social media can be informative and engaging but should never replace good, old-fashioned face-to-face conversations.

Is the Internet a safe place to interact? Just like when you walk out the front door to your home, you have to think about your surroundings and decide how you will act and what you will say and do, the same applies online.

Oftentimes people feel that social media sites are a separate world, but in reality they are an extension of the current world we interact in. Another thing to remember is that social media exists to take your online activity and personal information and turn it into revenue in some way or another. Keep this in mind the next time you are prompted to play a game or click on an ad found within the sites.

For in-depth information, safety tips, and advice on using social networks, please visit ConnectSafely.org.

Go Paperless: Electronic delivery is available for this publication. Go to the Contact Us page on our website and click on "Sign Up to Receive." In addition, those with National Financial accounts have the option of electronic delivery of statements and prospectuses. Call us for more information: (801) 355-8888 or (800) 748-4788.

2012 Tax Tables: View new updates to the 2012 Contributions Limits and Tax Tables at www.SmedleyFinancial.com. Scan this QR code with your smartphone to be directed to the tax tables on the website.

Should You Rescue Your Children?

By Mikal B. Aune

With this recent recession, more and more parents have been faced with the dilemma of whether to help out adult children. Feelings of love and of guilt drive the need to teach and/or help children.

Many people ask themselves, “How can I refuse to help my children when I have been so blessed?” Even more, people feel like they can’t let their grandchildren suffer even though they would like their children to learn a life lesson. So what is the right balance? When do you say “yes” and when do you say “no”?

The first thing you have to consider is your own financial situation. Will helping out your children jeopardize your ability to have financial security? Will it drain funds that are intended for unplanned emergencies, like long-term care? If so, you may not be in a position to help your children out with money. You can still find other ways to help them, like allowing them to move in with you for a short while or babysitting while they search for work.

Many people still help their children financially even when it jeopardizes their personal financial security. If you fall into this category, you may need someone to be your financial bodyguard. We can help protect you and make sure your financial future is on stable ground.

If you realistically have the resources to help out your children, you should still pause and think before swooping in to the rescue. Helping your children out may not do any lasting good, and it might make matters even worse. Much of what we learn is from the challenges we overcome. If you short circuit the challenge, your children might not learn.

You need to make sure that any money you give to your children is moving them in the right direction. “If you’re able to give [children] money, and they are trying to do the right thing, you’re really just giving them a leg up.”* On the flip side, if the money you are giving them is “supporting their bad habits, that’s called enabling. When you enable you’re helping them become less than they can be.”

To make sure you aren’t enabling bad habits, you need to set ground rules and be prepared to stick to them. Experts agree that “clear and reasonable expectations can help avoid a constant battle.”* If you give your children cash, be sure to let them know that it is a gift, because in reality that is what it will be. If you loan your children money, be sure to draw up a loan agreement or promissory note. If children move in with you, define the expectations at the beginning regarding length of stay and any payments to be made. That way you can avoid temporary arrangements turning into permanent drains.

The Wall Street Journal reported that many parents are finding that their children have “a sense of entitlement”. What we can learn from this is that “parents need to stand by their principles, and try to impart them to their children.”* Sometimes “tough love is no different from love.”* So, look to find the right ways to help your children. Say “yes” when it is appropriate and be willing to say “no” if it will harm you or your children.

The Wall Street Journal, “Parents to the Rescue. Or Maybe Not,.” March 12, 2012

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work only for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the investment strategies that work towards each client's needs, risk tolerance, and goals. We are never in a position where we are required to recommend a product we do not believe best serves the needs of our clients. We work with individuals, businesses, and family estates.

Some of the following products and services may be used to implement the plans we create.

Investments
- Managed Accounts
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds
- Non-managed
- Alternative Investments

Annuities
- Fixed
- Variable
- Indexed
- Immediate
- Deferred

Social Security
Strategies & Options

Life Insurance
- Term
- Whole Life
- Universal Life
- Variable Universal Life

Disability Insurance
- Long-Term
- Short-Term

Long-term Care Insurance
- Traditional
- Hybrid

Health Insurance
- Individual
- Medicare Supplement

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