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YOUR GUIDE TO LIFETIME PLANNING

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4th Quarter 2011

IS OPPORTUNITY KNOCKING? *top ten positive aspects of today's market climate*

News and Notes



Julie A. Ellenbecker-Lipsky, CFP®
Vice President

ELLENBECKER INVESTMENT GROUP, INC.

Ellenbecker Investment Group cannot control market volatility, but we do have control over the amount of risk your portfolio has as well as how we react to market uncertainties.

Volatility and crisis create opportunity, and as you already know there has been a lot of volatility this past quarter and there is likely to be in the quarters ahead. For those of you who are looking at this economic environment as providing opportunities, we have listed below our top ten strategies to consider.

1. Stay true to your current investment plan. Don't make knee-jerk reactions on a bad market day. Impulse decisions are typically regretted, and making investment decisions based on emotions alone doesn't benefit your long-term financial plan.

2. When calm, review your Model Portfolio. When the skies are clear and the markets are calm be sure to ask yourself if you are comfortable with your asset allocation and the risk associated with your portfolio. It is important for us to continuously work together at reviewing, monitoring and modifying your plan when appropriate.

3. Consider a Roth conversion. When a Roth Conversion is processed you pay ordinary income tax on the current value of the conversion. As the DJIA is at a current low for 2011, you may consider doing a Roth conversion to lessen your future tax implications. If you have already initiated a conversion for 2011, it might make sense to evaluate if a re-characterization of that conversion is appropriate. When the value of securities is less, the tax implication of converting is less too.

4. Increase your 401(k) contributions. Now is a great time to exercise the notion of buying more shares while investments are low. An advantage to increasing share amounts is that when the market does trend upward you'll have more shares to participate in any potential growth. The lesser the share price, the more shares purchased with the same dollar amount. In the end, the person with the most shares wins.

5. Fund a Roth IRA. If your income allows, you may consider contributing to a Roth IRA. A Roth IRA will grow tax free if withdrawal requirements are met. When the market is lower your investment dollars stretch a little bit farther.

6. Take advantage of buying opportunities. Consider increasing automatic deposits or contributing a lump sum into an investment that is being traded at a lower value. If you have been holding cash and waiting for a buying opportuni-

ty, this may be a good time. It feels a little counter-intuitive to be buying when there is uncertainty in the market but as Sir John Templeton, one of the world's most successful investors, has been quoted — *"Invest at the point of maximum pessimism."*

7. Evaluate your tax situation. Many times there are opportunities in the form of lower or controlled taxes during periods of market volatility. If you have a certain security that has been hit exceptionally hard recently it might make sense to sell in order to capture the loss in the current tax year. Additionally, it may make sense to take profits on a security that you wish to sell as we have the 15% capital gains tax rate in place for 2011. EIG does not prepare taxes or provide tax advice; however we would be happy to arrange a conference call or appointment with you and your accountant to discuss strategies to better meet your tax planning needs.

8. Evaluate your mortgage. Mortgage rates are still very attractive. Review your current mortgage rate to determine if you would benefit from refinancing or consolidating. Don't forget to look at Home Equity Lines of Credit, credit cards and auto loan rates as well.

9. Be a mentor. It would be a good time to consider introducing investing to your child or grandchild. They would have the opportunity to buy a high quality investment at a lower value. It is always more fun to buy things on sale!

10. Schedule an appointment today. Call our office to set up a time to meet and review your personal situation. If you don't have a financial planner or advisor, feel free to schedule a complimentary financial checkup with one of our seasoned advisors.

These tips are just some points to consider and are not meant as a specific recommendation. We would love an opportunity to talk with you personally about how you can take advantage of this current market climate.

And remember... the stock market is like a roller coaster and you would never jump off the coaster while it is moving. Stay calm and enjoy the ride.

"People are always asking me where is the outlook good, but that's the wrong question... the right question is, where is the outlook the most miserable?" — Sir John Templeton

I LOVE Wisconsin

NEW 401 (k) FEE DISCLOSURE RULES — is your plan compliant?

Karen J. Ellenbecker
President



ELLENBECKER INVESTMENT GROUP, INC.

I love Wisconsin, especially the changes in the seasons. This has been such a wonderful summer-- I enjoyed the warm days and nights we experienced and hate to see it slip away. But one thing for certain is that summer will end and fall will step into its place with all of its own special appeal, followed by winter and back to the beginning with spring and a whole new year of growth. It is the certainty that is so reassuring to me, knowing that no matter how cold and dismal the winter, spring is right around the corner.

If I apply this to life... do you know what certainties are in your life plan? A few questions to consider: What would happen to your loved ones should you unexpectedly die, become disabled or get very ill? Do you have a plan that your loved ones can count on? Is there certainty for them that you have thought through all of the issues so that they will be safe and taken care of? If you are a business owner like me, do your spouse and loved ones know what to do? Do your employees?

You might be thinking that you are too busy right now to delve into these questions. Consider for a moment how busy GM and AIG were, so busy that did not see all of the red flags that brought down their companies. They not only lost their companies but their employees' futures.

We know you are busy. We understand the past and we are always looking toward the future, and we know how to make it simple for you to bring certainty to your family and your future.

Joleen Kane
Vice President
of Special
Products



ELLENBECKER INVESTMENT GROUP, INC.

The Employee Retirement Income Security Act (ERISA) requires plan fiduciaries to act prudently and solely in the interest of the plan participants and beneficiaries. Having said that, it is clear that the fiduciary role has evolved and the trend continues to place many burdens on the fiduciary to ensure the plan is in compliance. One compliance area that is changing is in regards to improved fee disclosure.

According to a 2007 AARP study,*

- Only 17% of U.S. employees said they knew they were paying 401(k) fees
- 65% believed that they paid no fees
- 18% were not certain if they paid fees

For employers of the 83% of employees who believed they paid no fees or were uncertain, this is not good news. New regulation places added responsibility to disclose and communicate fees associated with a plan.

There are three primary areas of the new regulation:

Plan Information

Plan participants must understand how the plan works. Information must be provided in an easy-to-understand format and must include any individual fees and expenses.

Jean Range, CFP®
Lifetime Planning
Financial Advisor



ELLENBECKER INVESTMENT GROUP, INC.

Investment Information

For the plan participants to make informed decisions, they must be provided with:

- a) Performance data
- b) Benchmark data
- c) Website address to obtain additional information
- d) Glossary of terms

Comparative Data

Participants must be given investment information in a standard format (provided by the Employee Benefits Security Administration). This format will help plan participants compare apples-to-apples in regard to investment products available to them.

The new fee disclosure rules place more regulations on plan service providers. This will ultimately benefit plan sponsors, giving them the tools to evaluate contracts and fees. In the end, these new regulations will help plan participants make wise investment decisions.

Now may be a good time to review your plan, your investment policy statement, and the way you communicate to your participants. Call us to arrange a conversation about your plan!

*Source: shrm.org/hrdisciplines/benefits/Articles/Pages/DisclosureViewpoint.aspx

Are you interested in joining EIG Women Connecting?

Formed this June, it's a group open to all women that meets for social interaction and activities. So far we've had golf, dancing, adventures in dining and more. There is no obligation; just sign up to receive email announcements and participate as you like! Call 262-691-3200 or email dawn@ellenbecker.com for more information.

WHAT WE CAN'T LET GO OF *possesses us*



Rick Schaefer, M.D.
rickschaefermd.com

Physical things have no intrinsic value; they only carry the meaning we assign to them. It is easy to get completely immersed in the value we give things, to accumulate, or even hoard things. It is equally easy to shift our thoughts and let go of the agreed value and escape the burden and restraint of physical things.

I heard a story growing up: **The Monkey Trap**. A trap is set by staking a hollowed-out coconut to the ground and baiting it with a banana or other treat. The opening in the coconut is just large enough to allow the monkey's open hand to squeeze through. The monkey reaches in and clutches the banana, and then finds it cannot remove its hand, as the opening is not large enough to allow its clenched paw to pass back through.

No matter how hard it yanks it cannot escape. As the hunter approaches, the monkey needs only let go to escape, but it won't. The instinct and programmed habit of behavior is too strong. The monkey has spent its whole life looking for food, grasping it, and eating it for survival.

The monkey's paradigm will not allow it to change its short-term thinking and it is captured. Only by shifting to long-term thinking, and opening to the idea that by letting go it will live to find food another day, can the monkey preserve its freedom.

This is such a fun parable to illustrate our own programmed habits of behavior. So often we will not change short-term habits to obtain long-term freedoms.

Try in your own life to let go of that which you are clutching the strongest. I suspect you will be surprised to find freedom of thought that you never knew existed.

ONE OF KAREN'S FAVORITE SAYINGS.....

*Live by what you trust,
not what you fear.*

COPING WITH GRIEF *during the holidays*



Christie Hentges
Vice President of Cemeteries
THE TRIBUTE COMPANIES
tributeinc.com

If you have recently lost a loved one, the holidays can be particularly difficult. Here are some thoughts and ideas that you might like to consider.

Traditions... should they continue?

- Holidays are filled with traditions; this is what creates the anticipation for children and adults alike. Death shatters these traditions and can create anger and resentment OR can help comfort the family through a difficult time. Those affected have to talk about traditions together so they know how to support one another.

- Create new traditions that will create a new memory of the deceased person each holiday season in the future: Light a candle; buy a special ornament for the tree; listen to a special song; attend a church service or holiday program; give a gift to charity in memory of your loved one; know the joy giving brings and how your memory will accentuate this joy.

Take care of yourself!

- Holidays are chaotic for everyone. Dealing with death during them only contributes to the stress. Slow down and find time to deal with your emotions, to stay healthy and remember to pamper yourself.

- Recognize the energy needed for your grieving process and do what you can to remove activities that counteract this.

- Eating and sleeping right are keys to help stabilize the emotions.

- If you can't come to terms with shopping, baking, decorating, etc. then simply don't do it. But talk to your loved ones about why you aren't able to and what's holding you back from these activities. It's better to miss these activities rather than feeling like you need to do them – this will add to the natural anger that is part of grieving.

- Cry when you need to; laugh when you need to. Both are okay and you shouldn't be ashamed to allow either to happen regularly.

Be forgiving:

- People around you often don't know what to say or how to talk to you. They likely will be afraid to mention your loved one's name for fear of creating emotions for you. It might take you to bring up your loved one's name to start a sought-after conversation.

- Cards and greetings often come once a year from people with whom you don't keep in regular contact. Prepare yourself in advance for the fact that some people won't know about your loved one's death. Find a way to let them know about this.

- If someone says something that is offensive, express your feelings rather than ignoring them.

At the cemetery or memorial site:

- Place seasonal wreaths and flowers.

- Hold holiday remembrance programs. Music, speakers, pictures, candle lighting ceremony and fellowship create a solemn, yet positive message of remembrance and acknowledgement.

COUNTDOWN TO *saving for college*



Mike Barry
Lifetime Planning Financial Advisor
ELLENBECKER INVESTMENT GROUP, INC.

How in the world are we going to be able to pay for college? That's the eternal question families are asking themselves in the face of rapidly rising education expenses and daunting savings challenges.

Just as we were recouping some of the losses in college savings plans and other investments over the past few years, the markets have recently taken another tumble at an extremely inopportune time. Many families were counting on these investments to fund college expenses. State budgets are strained, forcing many public schools to increase tuition, reduce financial aid or even cut grant funding completely. Private universities have typically provided a higher percentage of aid, but face similar constraints. Deficit reduction strategies may even jeopardize federal programs which have been a major source of funding for many families.

All of these uncertainties make it all the more imperative to have a funding game plan. While hopefully you've been saving for the college experience since your child was born, let's focus on the three years leading up to the big event.

Three Years Out:

Savings: Once you're this close to college, it's not wise to take undue investment risk. Unfortunately, interest rates on savings accounts, certificates of deposit and other fixed instruments are extremely low these days. They aren't likely to increase any time soon either, with the Federal Reserve indicating they'll keep rates low through at least mid-2013. This means your

best bet for savings is still a tax-advantaged plan like a 529 college savings plan or Coverdell Education Savings Account. These accounts allow tax-free withdrawals to pay for qualified education expenses.

Many 529 plans took a hit during the recession and recent market volatility. Consequently, many states have added safer investments like CD's to their plans. Investment options and fees vary according to each state's plan. Be aware that annual contributions to a 529 plan exceeding \$13,000 may be subject to a gift tax. A useful reference guide to compare all 529 plans is Savingforcollege.com.

If you have an underperforming or high-cost plan, you can roll over your money to another state's plan once a year, but fees may apply. EdVest is Wisconsin's 529 offering and up to \$3,000 per student can be deducted from your state tax return on annual 529 contributions.

A Coverdell is like an individual retirement account, with your child serving as beneficiary. There are income limits for contributing to a Coverdell and you can put in a maximum of \$2,000 per child per year.

Financial Aid: It's never too early to start thinking about how much financial assistance you can get and from what sources. Online tools such as SimpleTuition.com's Tuition Coach can help you figure out where to put your money to qualify for the most aid, depending on the individual college and methodology used for financial aid. Money in a child's name counts more heavily against a family when applying for financial aid, so for purposes of financial aid, it's typically better to save in a parent's name.

Fastweb.com has a free tool that matches your child with scholarships. You should also consult with your child's high school guidance counselor, your employer, and religious and service organizations about scholarship and grant options.

Two Years Out:

Savings: Continue funding your 529 and other savings accounts as much as possible. This is also the time to start investigating potential schools and estimating the cost of each. Starting in October, schools that award federal financial aid are required to publish a net price calculator (most on their websites), which lets you enter basic financial information to get an estimate of the school's bottom-line cost of attendance and how much need-based aid a student could get.

Financial Aid: If you're planning to sell assets to help pay for college, and will have capital gains, now may be the best time to do so. You don't necessarily want to show a large capital gain on tax returns submitted to the college your child plans to attend. This can limit financial aid possi-

bilities. When planning campus visits, meet with the financial-aid office to learn how the school determines financial need. Schools use the same formula for federal aid, but some consider supplemental income and assets.

Loans: You still don't know how much you'll need to borrow, but you should start looking at all the options available.

One Year Out:

Savings: By this point, you should have the majority of your money in fixed instruments like money-market funds, CD's and Treasury's. Typically, no more than 20% of college savings should be in at-risk investments at this time. The exception to this rule would be if you have multiple children coming down the college pipeline and alternative funding sources. In that case, you might be able to maintain more risk in your investments since you'd have a longer funding time horizon.

Financial Aid: Your child will be applying to schools and filling out the Free Application for Student Aid, or FAFSA. Be sure to promptly complete this paperwork. Some funds are distributed on a first-come-first-served basis. This would also be the time to apply for grants and scholarships as well.

Loans: Once you've determined how much to borrow, first look to federal loans as they typically have the lowest interest rates. There are Perkins and subsidized Stafford loans for students as well as PLUS loans for parents. Private bank loans would be another alternative, although they typically charge higher interest rates.

If at all possible, try to limit total debt at graduation to a level not to exceed your child's expected starting salary at graduation. Paying for college is ideally a collaborative effort between parents and children that leaves both parties fulfilled without jeopardizing the future of either.

About 529 plans: Investors should consider carefully the investment objectives, risks, charges and expenses of the municipal fund before investing. This, as well as other important information, is contained in the official statement. Please read it carefully before investing or sending money. An investor's home state may offer favorable tax treatment only for investing in a plan offered by such state. Withdrawals for non-qualified expenses may be subject to additional penalties and taxes. Consult your tax advisor regarding state and federal tax consequences of the investment. Participation in a 529 plan does not guarantee that the contributions and investment return will be sufficient to cover future higher education expenses. Investments involve risk and you may incur a profit or a loss.

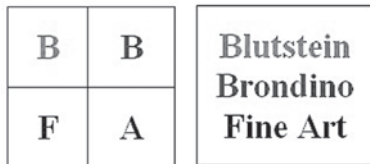
HOW TO APPRAISE AND SELL ART *and other valuable items*



Barbara Blustein



Steven M. Brondino



BLUSTEIN BRONDINO FINE ART
blustein-brondino.com

Art and antiques can be valuable assets. They are, however, often misidentified, improperly valued or overlooked in investment and wealth management planning. "Appraisal" is the process of identifying and valuing art and antiques. Appraisals should be obtained for the following purposes: insurance coverage, distribution or gifting of property and planning for the sale of property (reasons for selling are often described by the phrase "death, debt and divorce" by dealers and auctioneers).

An appraiser is a professional who provides researched, reasoned and defensible opinions of value in clear and concise terms. A competent appraiser has expertise in the kind of property that he or she is appraising; experience and formal training in appraisal principles and methodology. This includes familiarity with ethical standards and procedures.

The process of locating and hiring an appraiser is the same as locating and hiring any other service professional. Personal referrals from trusted attorneys and wealth management advisors can be a good place to start but you must do your own due diligence just as you would when hiring a doctor, lawyer or investment advisor.

Interview any prospective appraiser to determine whether he or she is qualified to assist you. Use the interview to determine whether the appraiser is familiar with the kind of property that you need to have valued and with professional standards including the Uniform Standards of Professional Appraisal Practice (USPAP). USPAP is the "gold standard" within the appraisal industry and you should hire appraisers who provide USPAP compliant appraisals. Assess how much experience the appraiser has had. Consider the personal and professional demeanor of the appraiser, including the use and provision of clearly written contracts with clearly defined terms and standards. Ask whether the appraiser has a professional affiliation and is accredited by one of the major appraisal organizations such as the American Society of Appraisers (ASA). Accreditation indicates a certain level of proficiency and is generally regarded as a reliable indicator of an appraiser's ability and professionalism. Bear in mind that the interview process is reciprocal and that the prospective appraiser will also assess your credibility and value as a client.

Hire an appraiser and not merely a valuer. The distinction is important. Do not make the mistake of thinking that anyone providing an opinion of what something is worth is providing an appraisal. The "appraisals" done on the Antiques Roadshow, for example, have greater entertainment value than professional validity. Many "appraisals" provided by dealers and auction galleries are not USPAP compliant. These informal "appraisals" have many significant limitations. For example, informal "appraisals" are usually casual, not well researched

and at times unethical (if provided by anyone with an interest - present or contemplated - in the property being valued, they are in violation of the ethics rules of USPAP). Most seriously, informal "appraisals" can - and often do - result in significant misunderstanding of property and its value. The standard appraisal process is simple. First, negotiate the terms of representation and scope of the project to be undertaken. This is usually done by meeting with the appraiser and, together, reviewing the property and purpose of the appraisal. Second, the property must be inspected in person and in detail. Third, the appraiser must undertake market research. Fourth, the appraiser must write and deliver the appraisal report including reasoned and clearly evidenced information to support his or her conclusions of value. This process takes time and costs money. You should expect to pay a professional appraiser on an hourly basis with fees ranging from \$90 to 150 per hour in the Milwaukee area. Those charging more than this, often dealers, might well be taking advantage of your ignorance of the market for appraisal services.

If you plan on selling your property, you should retain both an appraiser and a property broker. This team of professionals can help you to understand and obtain a wide range of services for property identification and valuation.

A property broker, just like a real estate broker, works with you to understand your property, its value and the markets in which it can and should be sold in order to realize the highest net value upon sale. Note that we use the term "markets" in the prior sentence; there is often more than one market for an item and the variation in price from one market to another can be considerable.

Brokerage services complement the services of appraisers and range from simple solutions to complex strategies for property sale and transfer. Brokerage services can, for example, include assessments of many markets and compare and contrast them including consideration and negotiation of sale terms with calculations of the probable net upon sale results. There is no credential, certification process or professional organization for personal property brokers (as there are, for example, for real estate brokers) and personal property brokers can be difficult to find. You should apply the same principles to your assessment of a personal property broker as you would to the assessment of an appraiser, attorney or doctor.

In conclusion, be aware that experienced counsel is available for the valuation and sale of art, antiques and other valuable personal property. Good counsel will help you to understand, value, market and sell your property for economically advantageous terms.

THE HOLIDAY SPIRIT

ideas from the EIG team

Compiled by Dawn Coonce
ELLENBECKER INVESTMENT GROUP, INC.



Family fun! Northpole.com is a traditional Christmas site for families to celebrate the holidays with entertaining activities—letters to and from Santa, stories, puzzles, an interactive coloring book, recipes, Good Deeds Calendar and more.

For fun ways to teach kids about money, check out prosperity4kids.com. Find books, a clever piggy bank, and other activities.

Books! Once again, we give you favorites new and old. Many have been guests on Karen's "Money Sense" radio show. Most of these can be found at amazon.com or on the author's website: "**Flash Foresight: How to See the Invisible and do the Impossible**" by Daniel Burrus (flashforesight.com)

"**The New Retirementality**" and "**The Cash in the Hat**" by Mitch Anthony (mitchanthony.com). "**The No-Cash Allowance**" by Lynne Finch (walnutrow.com). A practical guide for teaching your children how to manage money.

"**The Emotion Behind Money**" by Julie Murphy Casserly (juliemurphycasserly.com).

"**The Giving Book**" by Ellen Sabin (watering-canpress.com). Unique books for kids about special needs, healing and more.

"**Toad Cottages & Shooting Stars: Grandma's Bag of Tricks**" by Sharon Lovejoy (sharonlovejoy.com).

"**The Power of Pause**" by Nance Guilmartin. A time and relationship saving book to help in these busy times; for personal, family and work life.

"**Why Did I Marry You Anyway? Overcoming the Myths That Hinder a Happy Marriage,**" by Barbara Bartlein (thepeoplepro.com).

"**Thor and More**" by Jay Reed (lulu.com). Bonus: profits from sales benefit a scholarship fund. "**First Comes Love, Then Comes Money,**" by Scott & Bethany Palmer (themoneycouple.com).

Share memories. Create lively, memorable conversations at your family gatherings with Life Legacy Cards—see them at personalle-gacyadvisors.com. **Forget-Me-Not Memoirs®** is a unique service for those who would like to create a personal written keepsake for family and friends; ask us for a brochure or contact information. Lulu.com is the place to go to publish your own book or create a photo book, calendar, cds or dvds. Did you know you can have a cozy blanket made featuring a photo you provide? Order a kit at secondlove.com for a cotton throw or other personalized items from Woven Moments. "**The Book of Myself**" is a do-it-yourself autobiography by Carl Marshall and David Marshall available at amazon.com. You could even use it to create an audio record by answering the questions into a recorder. **Pass on a tradition and make new memories** by teaching a friend or relative your favorite craft, skill or sport. Create special times by getting a membership to the zoo/museum/your choice! and enjoying it with others.

For seniors and those with limited mobility. The Senior Planning Group, Inc. (senior-planninginc.com, 262-670-8888) offers the "Secure at Home" pendant, a personal emergency device available from them as well as other companies. They also suggest arranging for a Geriatric Care manager to visit your senior monthly. And, give the gift of time to a parent or other senior; too often grandparents don't get visited enough. Nice for those who don't get out much is a Gift-of-the-Month, either ordered commercially (wisconsinmade.com, jacksonand-perkins.com, harryanddavid.com, amazing-clubs.com), or done and delivered yourself for a personal touch. Find helpful items at light-ideas.com and goldviolin.com. Other ideas are house cleaning, maintenance, pedi/manicures, haircuts, audio books and tape player, large print items, basket of address labels, cards and stationery, calendars filled in with family events, holiday decorating, home-delivered meals, and trips to shopping/appointments/a show/the library...

Unique gifts that also benefit other causes can be found at your local fair trade shop (trailstobridges.com, goearthimports.com, fairtradeforall.net) or at organizations such as National Wildlife Federation (nwf.org). Honor a veteran in your life by buying a brick inscribed with their name for the **Veterans Bell Tower Memorial** near the Foundations Bank building in Pewaukee (veteransbelltower.com).

Refresh your holiday spirit by volunteering, any time of year. The United Way Volunteer Center (volunteerwaukesha.com) partners with more than 90 nonprofit organizations in Waukesha County. Its mission is to educate, promote, recruit and refer volunteers of all ages to meet the needs of the community.

Funeral Pre-Planning. Doesn't sound like much of a gift? Actually it's something you can do as a gift to your spouse and children. You can spare your loved ones from having to make difficult decisions at a very emotional time, also eliminate family disagreements over what you would have wanted.

Roth IRAs. If your children have earned income, they can open a Roth IRA; however they don't have to be the one to fund it. This is a retirement account that will grow tax-free and qualified distributions will be tax free as well. This is a great way to help your kids save for retirement. There are some rules around these accounts and other IRAs so please contact us with any questions or for more information.

Life Insurance. If you have younger adult children, it's likely life insurance is not high on their priority list. Term insurance is an inexpensive way for them to have coverage and something you could pay the premium for one year, a few years or for the entire term.

The annual gift tax exclusion for 2011 remains at \$13,000 per recipient. Gifts of direct payments to providers for certain medical expenses and direct payment of tuition do not count toward the annual gift tax limit. The major change for 2011 and 2012 is to the lifetime exemption. Due to the changes in estate tax law that are set to expire at the end of 2012 allowing an estate exemption of \$5,000,000, the gift lifetime exemption is no longer separate for those two years. Therefore, gifts can be made up to \$5,000,000. However, the estate exemption is reduced by the amount of the gifts applied to the \$5,000,000. As this area is more complex than in the past, it is even more important to contact a qualified financial or tax advisor to qualify for the largest benefit possible.

ESTATE PLANNING *in uncertain times*



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Congress has kept us on a rollercoaster with regard to estate and gift taxes and estate planning. In 25 short years, we have gone from an estate and gift tax exemption of \$600,000 in 1986 to a \$5 million estate and gift tax exemption in 2011 and 2012. We avoided the big ride down to a \$1 million exemption in 2010, but that lower exemption is on the horizon and is slated to take effect once more on January 1, 2013. The estate and gift tax rates have decreased from a high of 55% to the current rate of 35%. The top tax rate of 55% is slated to return on 2013, as well. It appears that our lawmakers in Washington cannot agree on anything, and we should not be surprised if a change in the slated plan is made as part of a compromise to one or more bills in the House and Senate.

Although we live in times of uncertainty, that does not mean we should take a “wait and see” attitude with regard to estate planning. Certain opportunities exist now that may be gone in the near future.

Gifts:

The increased gift tax exemption coupled with decreased gift tax rates make gifting to children and grandchildren more attractive in 2011 and 2012 than it has ever been. The \$5 Million gift tax exemption allows an individual to make substantial taxable gifts without having to pay any gift tax. Making gifts this year and next year that use up your gift tax exemption removes not only the gifted property from your estate, but it also removes any future income or appreciation related to the gifted property. If you feel that the beneficiaries of your gift are not ready to receive a large distribution, the gift can always be made in trust with terms that you create. If you make gifts that exceed your gift tax exemption and are required to pay gift tax, the amount of the gift tax paid will also be removed from your estate, if you survive for 3 years after making the gift.

Caution needs to be taken, however. First, the favorable gift and estate tax rates may be negatively affected by future tax legislation. Unfortunately, none of us has a crystal ball to know what Congress will do next. Second, consider the basis in the assets that the gift recipients will have (your basis) versus a new basis if the asset is received at your death. The potential capital gains tax (15%) needs to be balanced against the estate tax (35%-55%). Finally, care should be taken to ensure that you retain sufficient assets in order to support yourself during your lifetime. That being said, it is worth your while to consider taking advantage of this 2-year window of opportunity by making gifts in 2011 and 2012 and using some or all of your gift tax exemption and even paying gift tax now at the “low” 35% rate. This may result in your heirs receiving sig-

nificantly more assets than they would receive if all assets are transferred in future years or upon your death.

Review Your Estate Plan

For married couples who needed to take advantage of all estate tax exemptions in order to avoid or minimize estate tax to the greatest extent possible, you will want to review and revisit the terms of your estate plan, especially if your combined assets are less than \$5 Million. Although estate tax planning continues to be important, the method by which the estate tax savings is implemented may need to be changed in order to continue to be protected from estate tax while taking advantage of other favorable aspects of tax planning such as a basis adjustment (step-up in basis) when the second spouse dies. A review and change, if needed, would not require a full redrafting of your trust or other estate plan documents. This could be accomplished by a straight forward amendment to your current estate plan.

Speaking of amendments, keep in mind that it is always a good idea to review your estate plan with your advisor every 3 to 5 years, or sooner if you have a change in your life. Such changes include a change in marital status, death of a spouse, change in residence to a different state, and your desire to make a change in the terms of your plan.

In addition to estate plan documents, beneficiary designations for the life insurance and retirement plans and title to assets and other accounts should also be reviewed to ensure that they conform to your estate plan desires.



EIG Hats & Mittens Benefit

Hats & Mittens Day, our EIG Charitable Foundation event that benefits the students of Kagel Elementary in Milwaukee, will be here soon. Every December we give almost 400 children (K-3 through 5th grade) hats and mittens, books, school and other supplies, and hopefully fun items too. If you would like to help or know somebody who could, we are looking for: toothbrushes and individual toothpaste, socks, and any other items the kids could use, as well as monetary donations (*tax-deductible and 100% applied toward the kids!*). Call our office or email dawn@ellenbecker.com to learn more!

END OF LIFE PLANNING *when a loved one dies - Part II*

Diane Byrne, CFP®
ELLENBECKER INVESTMENT GROUP, INC.



Diane Byrne and her mother, Elly Gmoser

After I wrote the article about my dad's passing last year I never thought I'd be writing another one on this topic so soon. Sadly, my mom, Elly Gmoser, died on Memorial Day after being diagnosed with pancreatic cancer only 11 days before. It is extremely difficult losing both parents in such a short time but a great comfort knowing they are together again and it was in time for their 60th wedding anniversary.

My hope is to use the experiences I've had along with what I've learned to help others face (and embrace) the planning for the passing of a family member.

Shortly after my father died, my mom and I met with an attorney to have her estate planning documents updated. My brother and sister live in different states, so I was the primary person involved after both of my parents' deaths. At that time we decided to have me listed as the co-trustee with my mom, instead of listing me as the successor trustee. This allowed me to help my mom with financial transactions, sign checks and access account information while she was alive. After she died, it enabled me to easily continue with all of the financial items related to the estate. At my mom's funeral I found out how much she really appreciated my help when two friends mentioned it and then asked me for my business card.

It was easier making funeral arrangements this time. We knew the people at Becker Ritter Funeral Home and what decisions we had to make. It was comforting to follow the same format as my dad's service while customizing and adding special touches for my mom.

Here are a few of the things we did that we felt good about:

- Chose the same memorial for my mom as we did for my dad. Due to everyone's generosity we now have over \$9,000 to fund the Douglas and Eleanor Gmoser Jazz Scholarship. Each year one deserving young musician will receive \$1,000. What a tribute to my folks!

- Shared the funeral flowers. The large arrangements for the flowers included a variety of orchids. After the service we used them to make smaller arrangements for family members to enjoy for a few weeks after the funeral.

- Decided to travel next year with our extended family. At the funeral reception, good friends of my parents made a point of telling us how important my parents felt it was for the kids to spend time together. One of our cousins leads group trips to Paris and Munich so that's where we're going together next summer. We plan to make the trip a celebration of our parents' lives.

If you've been involved with settling an estate, it's likely you can relate to the items below.

Here are some of the things we learned:

- Even though you think things have been taken care of, there's still more to do. For example, a number of utility bills and credit cards were still in my deceased father's name so it was more of a process to close these accounts. Also, selling the car was more of a process because the car really wasn't registered in the Trust as the application showed it was. The buyer had to make two trips to the DMV, after getting conflicting information on what forms I had to sign as the heir/trustee.

- "Cleaned out" is a relative term. Since my dad's death, my mom had been sorting and purging the items in her basement, with the plan of moving to a retirement community. Even though it didn't look like there was very much to remove, I felt it was never ending!

- Someone has to pay the taxes. In my mom's situation it would have made sense for her to take distributions from her IRA even if she didn't need the money. The income taxes then would have been paid at her rate, which was lower than the rates of the beneficiaries.

- Pre-paying doesn't mean everything is pre-paid. My parents had purchased crypts some years ago. When my dad died, we learned there was an additional expense of about \$1,000 to open and

close the crypt. When my mom died, we expected this charge. What we didn't expect was the \$600 overtime charge we had to pay to have the service on a Saturday morning.

- Estate Sale companies are selective. Our plan was to turn over the condo to an estate sale company. They would run the estate sale, clean out the condo and get paid 33% of the sales. Unfortunately I did not know they had a minimum per estate, for which my mom's did not qualify. Plan B was to have a company purchase the entire estate. After they came and did an inventory, they decided it was too much work for the amount of sales they could get. Plan C became a series of donations, with us doing the sorting and packing. Thank goodness for friends who insisted on helping even when I didn't want to ask for help.

- Medical bills are confusing and are still showing up months afterwards. It makes it difficult to close the estate when I'm not sure what else may be coming.

Related Thoughts

It was nice to receive cards and notes a few weeks after the funeral. Things had settled a bit and I had more time to read these caring messages.

It was easier for me to accept help when someone said, "I'd like to ..." instead of "Let me know if I can do anything."

It makes me sad to think that I no longer will be buying a Mother's Day or Father's Day card.

It was different this time. When my dad died I still had my mom. My focus was on helping her with the transitions she was going through and spending time with her. Now I find myself missing her at all different times, including when I get four deuces in Video Poker at the casino! We thoroughly enjoyed our monthly outing for some five-cent machines and shrimp cocktails.

I lucked out when my sister decided my mom's wedding rings were too ornate for her. I now wear both parents' rings and will pass them on to my niece at some point. *(Continued next page)*

ECONOMIC OUTLOOK

from Capital Market Consultants

September 2011 Economic and Capital Market Update

cmarkc.com



If your family got dressed up in the '60s, it's likely the fashions looked like this.

Do you remember?

It was overwhelming to go through everything in my mom's condo, but I felt a real connection with my parents when I found something special.

If you ever went "up north," you may remember King's Gateway in Land O' Lakes. I found a plate from King's Gateway Hotel, which reminded me of our summer vacations. (Funny how I remember all of the restaurants, including The Tijuana Club and The White Stag.)

If you went out for live music in the '50s, you may remember Mamie's Grotto, which was in Milwaukee's Third Ward. My dad was a musician in the house band. We found a menu listing Martinis for 45 cents and Broiled Lobster Tail for \$2.25!



Prayer cards are a traditional item to give to funeral attendees. We chose to vary from the traditional and give everyone a live plant with a printed plant marker. This was the message.

One of Elly's favorite flowers was Lily of the Valley. Signifying humility and sweetness, in the Victorian era it also had a hidden message: "You've made my life complete." Please plant this in a shady spot in your garden and think of Elly each spring when these sweetly scented flowers are in bloom.

Overview: The economy is sputtering. At the same time, confidence has fallen over policymakers' ability to revive it. The U.S. debt ceiling debate showcased to the world that Washington has saturated its appetite for fiscal stimulus; any case for additional fiscal accommodation will be a tough sell politically. In an environment of private sector weakness, the U.S. government can no longer be counted on to pick up the slack. With a diminished capacity for a strong public policy response and lagging private sector, overall growth will continue to struggle. However, a double-dip recession remains an unlikely scenario.

Market panic in recent weeks overshadows the fact that some positives do remain. Importantly, signs of pent-up demand are evident. Corporate profits are sky-high and businesses are sitting on piles of cash. Consumers, too, have scope to increase spending. That oil prices have dropped more than 20% from their late April highs will help. In addition, the intent to purchase autos is at a record high, and has been so for months.

The force of pent-up demand is a potent one as it could provide the economy with some much needed thrust in the months ahead. A lack of confidence is the main challenge facing the markets today. Provided that consumer and business confidence isn't permanently undermined by the events of recent weeks, the U.S. economy should continue to bump along. However, it will be difficult to build strong economic momentum as long as deep-rooted structural problems persist, particularly in the struggling housing and labor markets.

Outlook: Market volatility, and it has escalated dramatically of late, continues to be driven over concerns about the possibility of recession in the United States and in Europe.

Real GDP in the United States grew by around 1% in the first half of the year, a rate just above stalling and one that contributes to worries about the state of the economy. Although we acknowledge the downside risks, we continue to believe that another U.S. recession is not in the cards.

One somewhat bright spot is that gross domestic income (GDI) in the United States grew faster than GDP over the first six months of 2011. GDI is an equally valid measure of the state of the overall economy, and this difference suggests the possibility that GDP data may yet be revised higher. In addition, if the US economy were about to fall into recession, we would likely be seeing weakness in unemployment claims, capital expenditures and corporate profits, none of which is occurring. As a result, we do not believe a recession will be forthcoming anytime soon.

However, we continue to forecast positive – albeit unspectacular – growth for the remainder of 2011. GDP in the major world economies have been growing at below-trend levels for the past several quarters, and growth rates are likely to remain sluggish. The world has not fully recovered from the effects of the credit crisis and tighter financial conditions in many parts have been holding back growth. The downside has also been exacerbated by doubts over the possibility of fiscal policy and/or monetary stimulus to break the circle between weakness in the global economies and markets.

The U.S. debt ceiling impasse and the escalation of the European sovereign debt crisis has exacerbated the perceived lack of political leadership, further curtailing business and consumer sentiment. The new election cycle in the U.S. is almost certain to constrain policy initiatives. This will continue to impact aggregate demand, thus hurting the manufacturing sector. Unless the service sector picks up the slack, which we do not expect, we can read current market behavior as adjusting in a very volatile way to the expectation of lower growth.

For the complete report and more from Capital Market Consultants, see the Investment Outlook pages of our website, ellenbecker.com.

2011 TAX PLANNING for investors

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The U.S. Budget was a driving force during the Debt Ceiling debate in Congress. Historically, Congress passes tax reform between October 1 and December 31 of any given year, as a result of or during Budget negotiations. We expect 2011 to be no exception. In the interim, however, tax planning should be viewed in light of current law. Remember that the Bush-era tax cuts and rates were extended by legislation last December, for 2010 and 2011 in most cases. Here we'll focus on proper tax planning for investors and investments.

Capital Gains

Although tax considerations should not be the primary driver of your investment decisions, you should consider the potential tax ramifications of your decisions and review alternative scenarios. Timing is critical to many investment decisions, and also gauges whether a gain is treated as long-term (held at least 12 months) or short-term. The highest capital gain and qualified dividend tax rate is 15%. The maximum capital gains rates are:

	2010-2012	2013*
Capital assets held 12 months or less	35%	39.6%
Capital assets held more than 12 months	15%	20%
Real property recapture of prior depreciation	25%	25%
Gain on qualified small business stock held at least 5 years – 50% excluded	14%	14%
Long term gain otherwise taxed at 15% or lower individual tax rate	0%	10%

*2013 rates are contingent on Congress taking no action to extend the lower pre-2013 rates.

Realized gains are netted against realized losses before applying the tax rates. Excess losses are deductible up to \$3,000 each year (\$1,500 married separate), and any excess over that is carried over to future years. Carryover losses should be used up as quickly as possible, based on the time value of the tax savings. Generating gains from your portfolio in 2011 can offset those loss carryovers or losses realized earlier this year. Generating losses can offset gains realized earlier this year and capital gain distributions from your mutual funds. Sound tax planning would have you use your losses to offset short-term gains, rather than offset long-term gains that would otherwise be taxed at the favorable maximum 15% rate. Tax planning should enhance your investment planning, not drive it. The non-tax reasons for selling a stock could outweigh the downside of generating large losses this year.

Investment Income

Qualified dividends are taxed at the reduced 15% maximum capital gains rate through 2012. Interest income is taxed at ordinary rates up to a maximum 35%. Dividend-paying stocks and some types of funds could be a better alternative to low-yield bonds and CD's. Some dividends are subject to ordinary rates, such as dividends from money market funds, real estate investment trusts (REITs), regulated investment companies (RICs) and certain foreign stocks.

Interest earned on certain bonds is not necessarily ordinary income. Interest earned on U.S. Government bonds is exempt from Wisconsin tax. Interest on state and municipal bonds is exempt from U.S. tax, and could be exempt from Wisconsin tax in certain cases. In this investment environment, it's not unusual for issuers to sell their bonds at a discount. The original issue discount (OID) in this case is income that is "earned" during the life of the bond, whether paid or not, but is subject to tax as earned.

Investment Interest

Interest expense incurred to purchase assets held for investment (e.g. margin interest) is deductible, but subject to special rules. The deduction is generally limited to your investment income, which includes taxable interest, non-qualified dividends and short term gains. That income is further reduced by other investment expenses (e.g. investment management fees and investment publications).

You can treat long-term capital gains and qualified dividends as investment income to deduct your investment interest. Doing so causes this income to be taxed at ordinary rates, rather than the favorable capital gains tax rates. Any disallowed investment interest may be carried forward and deducted in a later year if you have excess net investment income.

Wash Sales

No discussion of year end planning would be complete without the appropriate caution of avoiding the wash sales rules. A wash sale occurs when a person purchases a substantially identical security to the security sold for a loss within 30 days before such sale or after such sale. The resulting loss adjusts the basis of the replacement security, in effect deferring realization of the loss until the replacement is sold. Wash sales usually occur when people try to minimize tax losses while making portfolio asset allocation adjustments. Be aware of the rule, and avoid the wash sale rule to reap this year's tax losses.

Miscellaneous

As you do your investment planning with a view to year end, keep in mind that the trade date, and not the settlement date, may determine the year in which your sale occurred. Many individuals accumulate blocks of securities over a long period of time, either with subsequent purchases or possibly re-investment of dividends. Unless you sell the entire block, you will need to specifically identify the block of securities sold in order to use the highest basis shares as your cost. Failure to specifically identify the block sold will cause you to use average cost for the sale, and could muddle the long-term or short-term nature of the sale. The default holding period is based on a first-in, first-out concept, so that your earliest acquired shares are considered sold first, and the holding period follows those shares.

Sound investment planning is done with a good perspective of the tax ramifications of any investment. Your investment yields should be measured in after-tax dollars, and compared over time to achieve the best investment results. Your recognition of the rules and awareness of their effect can only enhance your investment planning. Work closely with your tax advisor and your investment advisor.

If you have questions about your particular situation, contact your EIG advisor for advice or referral to a tax professional. We are happy to help!

SII does not provide tax advice.

STRESS: ITS EFFECTS AND *techniques for coping*

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According to the media, Americans are stressed. Lost productivity and medical expenses in the United States are soaring. A November 2010 study published by the American Psychological Association found that over half of its survey participants said their stress is caused by concerns over money, work, the economy, family responsibilities, relationships, personal health and housing costs. Children, too, can be profoundly affected by stress.

What is stress? Stress is bodily or mental tension caused by a physical, chemical or emotional factor. It can play a part in many diseases. A stressor is something that knocks you off balance, either for a moment, or for a long period of time. And stress can negatively affect your health.

What happens when I am “stressed?” When you experience stress, your sympathetic nervous system quickly engages. This “fight or flight” response allows your body to “kick into high gear” and battle with or escape from your enemies. Your body often responds without thinking, since you might need to run from a tiger. In a few short moments, your heart beats faster, your blood pressure increases, your muscles tense, and your digestion almost stops. Unfortunately, even though we aren’t often chased by tigers anymore, any stressful event, such as being late for work, worrying about bills, starting or ending a relationship, losing a job, or other events can make us feel like a tiger is in the room.

What are the effects of stress? A certain amount of stress is important for your health. Stress wakes us up in the morning, and keeps our muscles from becoming weak. However, stress can be very harmful. If you are often “stressed,” you might gain or lose weight, have insomnia, get more colds, or notice a change in your libido. Stress plays a part in heart disease, strokes, lung health, immunity, cancer, injuries, liver disease, suicide and other conditions.

How can I reduce the effects of stress in my life? Dr. Lee Lipsenthal, a specialist in stress, says we often live under the illusion that we are in control. Stress occurs when we believe we have lost control. We can reduce stress by taking control in small ways. The first steps are awareness and action:

Be mindful. Pay attention to what is occurring and how it is affecting your body. Decide what you’d like to change. Do you feel angry, nervous or fearful? Are you suddenly overwhelmed with fatigue or have an upset stomach? Then, specifically identify the stressor, if possible.

Calm yourself. Slow your heart rate and breathing by using a simple breathing technique from Dr. Andrew Weil:

1. Close your mouth and inhale through your nose for 4 counts.
 2. Hold your breath for 7 counts.
 3. Exhale through your mouth, making a whoosh sound, for 8 counts.
- Do this up to 3 times; doing it more may cause you to be lightheaded.

Get physical. Go work out. Vacuum with enthusiasm. If you are at work, find a private spot and shake out your limbs. Stretch lightly while breathing deeply with your belly. Using your fingertips, tap your body lightly for 1-3 minutes at the area where you feel discomfort.

Get vocal. Get in your car and sing or yell. Talk it out with a trusted colleague, friend or family member. If you can find a private spot, say out loud why you are upset. Try doing this with your tongue sticking out between your teeth. Try laughing vigorously. It is difficult to remain angry or stressed when you are laughing, even if you have to make yourself laugh.

The next step is to make a conscious choice about the situation for the future. Try one or more of the following:

Avoid the situation. Accept fewer responsibilities by saying “no,” more often. If a task can be finished in a few minutes, complete it now rather than setting it aside for later. If traffic is a stressor, take a different route to work. Decide if a stressful relationship can or should be ended. Don’t discuss subjects that are likely to cause an argument. Shorten your “to-do” list — finish some tasks or remove them from the list, if possible.

Change, or alter, the situation. De-clutter your office or home by discarding unneeded papers and items. Organize your files. Find a professional to release anger or grief from prior experiences. Choose to forgive others for hurting you.

Find ways to adapt to the situation. Learn to compromise. Accept your strengths and do not dwell on your shortcomings. Ask yourself: Will this be important tomorrow, next month, next year, etc.? Try meditation or mind-body relaxation techniques.

Accept the situation. Acknowledge that you are making a decision to remain in the stressful situation. Recognize that there are things in your life that you cannot change today. Find the positives in the choice you’ve made.

Get help. Individual treatment or therapy is often needed to learn coping mechanisms or to break the cycle of stress. Medical conditions caused by stress may require treatment. In certain situations, medication may be needed temporarily until the stress can be brought under control or eliminated.

A word of caution: Resources are available if your stress is overwhelming you or affecting your health. Talk to your doctor or other professional before using harmful coping techniques such as self-medication, tobacco, alcohol, drugs, or mindless eating. If you have a desire to harm yourself, go to any Emergency Department immediately.

Helpful resources: The Ommani Program for Corporate Health/Stress Management, contact Rose Kumar MD (262) 695-5311.....Becoming Real, Rose Kumar, MD (Book).....Full Catastrophe Living, Jon Kabat-Zinn, PhD (Book).....Log On: Two Steps to Mindful Awareness, Amit Sood, MD (Book).....Meditation for Optimum Health, Andrew Weil, MD & Ann Marie Chaisson, MD (Audio CD)

*References: <http://www.drweil.com/drw/u/ART00694/Stress.html>
www.stress.org/Americas.htm; stress.about.com
<http://www.apa.org>*



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Helpful info seminars

- We are currently planning the following seminars—look for more information soon by email and on our website.
- **Refuse to be a Victim** helps you learn the personal safety tips and techniques you need to avoid dangerous situations and avoid becoming a victim. This 4-hour class will be offered December 10 and is geared toward women teen-aged and older. There will be a cost for training materials.
- **Have questions about Medicare?** Information on next year's Medicare plans becomes available the beginning of October and can be viewed at medicare.gov. From October 15 through December 7, 2011, anyone on Medicare can review their current coverage for medical and prescription drugs and make changes if they wish. We plan on offering a seminar later this year that gives an overview of the Medicare program, important dates and the steps you need to take.
- We are scheduling a seminar soon to provide an overview of the Medicare program and the steps you need to take.

Share this newsletter and your experience with friends and family. Don't keep us a secret. We always appreciate referrals.