UPCOMING SEMINARS

SEPTEMBER 22—9:00 A.M.
ESTATE PLANNING AND TRUSTS
MID-ATLANTIC FEDERAL CREDIT UNION
12820 WISTERIA DR., GERMANTOWN, MD

OCTOBER 25—7:00 P.M.
FINDING WAYS TO FINANCE YOUR CHILD'S COLLEGE EDUCATION
MID-ATLANTIC FEDERAL CREDIT UNION
12820 WISTERIA DR., GERMANTOWN, MD

NOVEMBER 15—7:00 P.M.
TAX STRATEGIES
MID-ATLANTIC FEDERAL CREDIT UNION
12820 WISTERIA DR., GERMANTOWN, MD

DECEMBER 4—STATE OF THE ECONOMY

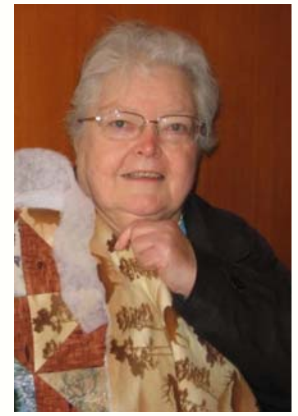
TO REGISTER, CALL 301-990-4395 OR EMAIL WSG@NATPLAN.COM.
Seminar locations and dates are subject to change, always check with our office for the most up-to-date information.

WEALTH STRATEGIES GROUP

2099 GAITHER ROAD, SUITE 110
ROCKVILLE, MD 20850
PH. 301-990-4395 | WSGMD.COM

CLIENT SPOTLIGHT

Carla Messina



As a lifetime member of the Montgomery Count Fair, Carla Messina has been entering her amazing creations into the competitions for over 30 years.

Carla started as a young mother sewing clothing and costumes for her children. She now sews for her grandchildren, creating remarkable costumes and apparel, in addition to lovely blankets and quilts.

Each year at the Montgomery County Fair, Carla enters several items in a variety of categories. She estimates she has won over 100 prizes over the past 30 years.

Carla was a scientist at the Bureau of Standards, (NIST) for 30 years. She started working at the "Bureau" when she was just 17 years old. Carla has two children and 4 grandchildren. In addition to sewing and quilting, Carla enjoys being with her grandchildren.

She is a graduate of the University of Maryland and did her graduate studies at George Washington University.

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WEALTH STRATEGIES GROUP

FINANCIAL FOCUS

ROTH VS. TRADITIONAL IRA

TAXES NOW OR TAXES LATER

By Stephen Zelcer

I was teaching a class the other day about the new ROTH IRA vs. the original Traditional IRA. I asked the audience if anyone intends to participate in the new ROTH and ***ALL*** hands went up! I realized that all the people who came to the class had already made up their minds. They knew the ROTH was *THE* way to go. Oh boy, were they in for a surprise.

The fundamental difference between the Traditional IRA and the Roth IRA is when you pay taxes. With a traditional IRA you don't pay any tax when you make your contributions. Instead, you pay taxes later when they're withdrawn. With a Roth, it's just the opposite; you pay taxes in the year you make your ROTH contributions but you don't pay taxes later when withdrawn.

Which option is better? It all depends on when your tax rate is going to be lower. Is your tax rate going to be lower this year when you make the contributions, or in retirement when you withdraw the funds? If you're in a rising tax environment, meaning your tax rate is now lower than it will be when you withdraw the funds then ROTH will suit you better. If you're in a falling tax environment, meaning your tax rate now is higher than it will be when you withdraw the funds then Traditional will suit you better. So what will your tax rate be when YOU withdraw your funds?

The answer doesn't have to be so mysterious, especially for those people nearing retirement. Remember, most people don't touch their IRA (Roth or Traditional) until they retire. When they retire, they typically have less income than when they were working, which means they'll probably be in a lower tax bracket. This is a falling tax environment and in a falling tax environment Traditional IRA beats ROTH.

The guesswork creeps in for people who are far from retirement. Because the political, economic and global environments can change dramatically over many years, it's hard to say when they're better off. For those who aren't sure which path works better for them, you can always diversify your investments between the ROTH and Traditional.

But don't forget that ROTH and Traditional are not your only retirement planning options. Don't forget the good old-fashioned ***non-qualified investment.*** With a non-qualified investment you'll pay taxes on the contributions at the current tax rate (like a Roth) and later pay taxes on the gains at the future tax rate (like a traditional). A non-qualified investment's tax-sheltering doesn't completely function like any IRA or TSP, but they certainly do provide tax-benefits. In fact in some regards the tax treatment may be more favorable than ROTH and Traditional IRAs or TSPs. For example:· in a

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Saturday, September 22, 2012—9:00 a.m.

ESTATE PLANNING AND TRUSTS

Location: Mid-Atlantic Federal Credit Union, 12820 Wisteria Dr., Germantown, MD

SPEAKERS: Patrick Carroll, CFP® and Francis Kreysa, Esq.

Learn strategies to help you avoid probate, save taxes and more. If you own titled assets and want your loved ones to avoid court interference at your death or incapacity, consider attending this informative seminar. Are you a trustee on a trust? This is a great opportunity to learn more about your responsibilities.

Call 301-990-4395 or email wsg@natplan.com to reserve your seat!

Roth vs. Traditional IRA

Continued from page 1

non-qualified investment the taxes you pay when you withdraw your funds may be on long term capital gains which have a much more favorable tax rate than your ordinary income tax rate. This would never happen in a Traditional IRA. In a Traditional IRA, all funds withdrawn get taxed at your ordinary income tax rate.

Another tax benefit of a non-qualified investment is the ability to offset investment gains with investment losses - a privilege you don't have with any IRA or TSP.

And for the cherry on top, should you pass and leave your non-qualified investment as an inheritance to your family, they won't need to pay taxes on ***any*** of the gains experienced while you were alive (a.k.a. step-up in basis).

So to sum it up, if you chose to use an IRA to save for retirement, the appropriate IRA should be determined by considering your current tax rate relative to your future tax rate. If your current is higher than your future, then Traditional IRAs are for you. If future is higher than current, then Roth is for you.

The final point is that saving for retirement doesn't always have to be done inside an IRA (Traditional or Roth). A non-qualified investment has its pro and cons to consider too. So, if you made a mistake and are in the wrong vehicle, it's not the end of the world - you'll just end up paying more taxes than necessary. But if overpaying the IRS by hundreds or thousands of dollars doesn't appeal to you, you should speak to your financial advisor as soon as possible to make sure you're not in the wrong vehicle.

Welcome Stephen Zelcer

WSG welcomes our newest financial planner, Stephen Zelcer. Stephen specializes in financial services for federal employees. He is also an accomplished writer and lecturer, presenting financial seminars.

Long Term Care

How to Avoid a Financial "Sick Bed" in Retirement

Retirees and current workers may need to plan to pay much more out of pocket for medical care during retirement than they realize. What can you do about this? For current retirees, options are limited. Workers still saving for retirement or nearing retirement have more options, if they start planning now.

How do you start? Assess your future need for healthcare. While most of us can't know our future need for healthcare, we often can make a reasonable guess. What is your health history? Are you overweight? Do you smoke? What is your family health history? Study your options thoroughly before retiring. Beyond any plan your employer may offer, what is available on an individual basis?

Long Term Care (LTC) insurance may be your best solution for preserving your retirement savings and income. According to a study conducted by Northwestern Mutual , the average hourly rate for Home Health Aides is $20.65. The U.S. state annual average cost for a room in an Assisted Living Facility is $40,469. The average annual cost of a private room in a nursing home is $89,812 per year. Can you imagine spending this amount of money out of your retirement savings each year? What if you had to do it for more than one year? The only thing more frightening than the idea of needing nursing home or home health care is the prospect of paying for it.

According to AARP, approximately 60% of people over the age of 65 will require some type of long term care during their lifetime. So what should you do? Considering what is at stake, it is important to weigh your future risks against the cost of buying a Long Term Care policy. The earlier you purchase LTC coverage, the less expensive the premiums, but the longer you will pay them. Many people purchase coverage before they retire. Those in poor health or over the age of 80 are frequently ineligible for coverage.

Long Term Care coverage can pay for a variety of nursing, social and rehabilitative services at home or away from home for people with a chronic illness, a disability or who just need assistance bathing, eating or dressing. One drawback is that Long Term Care insurance can be costly. However, they can be quite reasonable compared to real-world costs for long term care. Considering what is at stake, it is important to weigh your future risks against the cost of buying a policy.

Please feel free to contact us to discuss your situation and what options will work best for you.

Is Your Wealth Safe Under The New Estate Tax Laws?

The waning days of 2010 brought some significant changes to the estate tax laws. For 2011 and 2012, the individual exemption became $5 million and the tax rate 35%. If someone dies during that time period and their taxable estate is less than $5 million, no estate taxes will be due. If the taxable estate is more than $5 million, the excess over $5 million will be taxed at 35%. Those who are married and have planned ahead can use both exemptions.

It is important to remember two things: these changes are only effective until December 31, 2012. On January 1, 2013, the estate tax exemption will drop to $1 million with a top tax rate of 55%.

Now is the time to carefully review your estate planning strategy in light of the sun-setting estate planning laws. The window of opportunity may soon close and you want to ensure that your estate plan is set up correctly. Please contact us to discuss your best options.

Congratulations and Farewell to Uri Nurko

Congratulations are in order for Uri Nurko, from our planning department. Uri has accepted a position as an analyst with a local REIT company. We wish him all the best in his future endeavors. Please direct any of your email or phone inquiries that would normally go to Uri to Pam Flick or Sean McCarron.

Patrick Carroll

David Shober

Tom Clements

Stephen Zelcer

Quarterly Commentary

Americans are feeling better about their finances now than they were a year ago. According to new data from the Country Financial Security Index, this was the first August increase since 2008. The Index is a bi-monthly measure of Americans' sentiments toward their overall financial security.

One in five people feel their level of financial security is improving and 52% were able to save—up 10 points from a year ago.

This good news is still over shadowed by the unemployment numbers, which continue to hover around 8.2%. One positive note: the ranks of the long-term unemployed fell to 5.4 million, down from 6.3 million a year ago.

Mortgage rates are at an all time low. Now is the time to buy a home or refinance your existing mortgage . Give us a call and we can help you decide if a refinance makes sense for you.

Have you reviewed your estate plan lately? Take advantage of the sun-setting estate planning laws while you have time.
We have several workshops coming up this fall—take a look at our schedule on the back cover. If there are topics you would like to see address in upcoming workshops, send an email to wsg@natplan.com with your suggestions.

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