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# WSG Financial *focus*

ADDRESSING THE NEEDS OF OUR CLIENTS AND PLANTING THE SEEDS FOR A BRIGHTER FUTURE.

## \$26B Mortgage Settlement

*What does it mean for the average homeowner?*

The largest joint settlement between mortgage providers and the Justice Department was announced on February 9th.

A year in the making, this unprecedented, nationwide deal is expected to help up to two million underwater homeowners. In addition, it will compensate mortgage holders who lost their homes in the so-called “robo-signing” scandal - evidence that banks cut corners during foreclosures by forging documents, falsifying information and illegally accelerating foreclosure proceedings.

President Obama championed the mortgage settlement as “a testament to what happens when everyone is pulling in the

right direction.” This landmark settlement must be submitted to a federal judge for approval. That’s expected to happen within weeks, with payouts to struggling homeowners due in a few months.

Critics of the deal have complained that it’s too small to give meaningful help to distressed homeowners. With millions of qualified claimants, officials say it averages out to about \$1,800 to \$2,000 per home. However, if your mortgage is owned by Fannie Mae or Freddie Mac, those loans are not included in the settlement.

Under the proposed terms, mortgage debt would be cut for about 1 million homeowners, while another 300,000

would have their loans re-financed at lower interest rates. Approximately 750,000 people who were foreclosed on would be compensated for their loss with \$2,000 each. To qualify, you must have lost your home in the time between January 1, 2008 and December 31, 2011.

The bulk of the settlement will be set aside for consumer relief. This will include principal write-down's on over-priced homes, payment for forbearance on distressed mortgages and other direct aid for homeowners. The rest of the money will be distributed to the states for relief programs and refinancing for distressed borrowers who may be current on their mortgages but who owe more on their homes than they are worth.

**SATURDAY, MARCH 24, 2012 - 9:30 a.m.**

## **Estate Planning & Trust Education**

**Location: Mid-Atlantic Federal Credit Union Headquarters**

**12820 Wisteria Drive, Germantown MD**

*Co-sponsored by Mid-Atlantic Federal Credit Union*

Learn how to take advantage of the sunseting estate planning laws and learn strategies to help you avoid probate and save taxes. If you own titled assets and want your loved ones to avoid court interference at your death or incapacity, consider attending this informative seminar.

**Call 301-990-4395 or email [wsg@natplan.com](mailto:wsg@natplan.com) to reserve your seat!**

# Payroll Tax-Cut

## *The new payroll tax cut may be offset by rising gas prices*

A payroll tax cut, set to expire at the end of February 2012 has been extended through December under a bipartisan deal by U.S. congressional leaders. The accord also renews expiring jobless benefits for millions and prevents a pay cut for doctors of elderly Medicare patients.

Economists say the tax cut extension and the renewal of jobless benefits should provide a lift to the U.S. economy. The deal was very important to a lot of people. The deal allows 160 million Americans to maintain their payroll tax cuts. In addition, a lot of people who lost their jobs through no fault of their own are going to receive unemployment benefits. The new deal continues the 4.2 percent rate until the end of 2012 and is projected to put an additional \$1000 per year into the pockets of the average American working family. But, don't expect that extra money to be put back into the economy. Because the tax cut only extends cuts the worker's previously enjoyed, it isn't expected to generate much additional spending.

And, there is a dark cloud on the horizon that could erase any benefit from the payroll tax cut extension: rising gas prices. The latest inflation data shows rising gas prices could start pinching consumers and steal away any savings from the just-approved extension of the payroll tax cut. For now, the higher costs are somewhat offset by lower winter heating bills, thanks to our mild winter. However, as the spring driving season begins, we could see gas prices of \$4 per gallon and more.

## IRS Kicks Off 2012 Tax Season

Last year was the first year the IRS stopped sending those large tax booklets that would arrive in the mail in early January. If you need forms, they are available at your local IRS Taxpayer Assistance Center, some libraries and post offices. Here are some changes to the tax season that are worth reviewing.

### **When do we file this year?**

Taxpayers have until Tuesday, April 17 to file their 2011 tax returns. Taxpayers requesting an extension by that date will have until October 15 to file their 2011 tax returns.

### **If I file an extension, does that mean I have more time to pay any taxes owed?**

An extension does NOT give you more time to pay your tax liability. If you owe taxes but are not ready to file your return, you should file for an extension and pay at least 90% of your tax bill to avoid late payment penalties.

### **What is e-file?**

E-file is the term for electronic files or sending your income tax return via the Internet to the IRS or state tax authority. Taxpayers using e-file can get their refund in as few as 10 days, electronically deposited to their bank account. The IRS urges taxpayers to use e-file to get faster refunds and ensure accurate tax returns. You can also track the status of your refund by using the "Where's My Refund?" tool located on the front page of the IRS web site: [www.irs.gov](http://www.irs.gov). Taxpayers with questions can check the IRS web site or call the toll free number at 1.800.829.1040, Monday-Friday, 7 am to 7 pm.

*This article is an update of 2012 IRA tax information and is not intended as a guide for the preparation of tax returns.*



Patrick Carroll



David Shober



Tom Clements



John Salamone

### **Happy St. Patrick's Day!**

May you have the hindsight to know where you've been, the foresight to know where you're going and the insight to know when you're going too far.

*Irish Blessing*

The U.S. Economy should grow about 2.3% in 2012, a bit faster than the 1.7% pace in 2011. Unfortunately, growth isn't accelerating as it normally does in a recovery. However, it should pick up slightly by the end of the year.

Manufacturing is doing better in the U.S. than in the rest of the world. Automobiles have done particularly well. Business investment in equipment and software has been one of the bright lights of the economy. Spending is up 9.7 percent from a year ago.

Expect retail sales to grow by a healthy 6% or so in 2012, as job creation picks up and consumers gain confidence. One reason for this optimism was the rise in retail sales in January. This year, aided by the redemption of gift cards and the unseasonably warm weather across the country, core sales rose 0.7% in January. This increase will help boost consumer spending by 2.3% for the year. Growth is unlikely to get much stronger because consumers still need to pay off credit cards and rebuild savings.

We hope to see you at some of workshops this year. If there are topics you would like to see addressed, please send an email to [wsg@natplan.com](mailto:wsg@natplan.com) with your suggestions.

Your Wealth Strategies Group Team:

*Patrick Carroll  
Thomas Clements  
John Salamone  
David Shober*

# Why is Estate Planning So Important?

**What is a living trust?** A living trust is a legal document that contains your instructions for what you want to happen to your assets when you die. Unlike a will, a living trust avoids probate at death, can control all of your assets and prevents the court from controlling your assets if you become incapacitated.

**If your estate is small, should you still plan?** Even if you leave behind the \$10 bill in your wallet, who will inherit it?

Do you have a spouse and children? Who will inherit the \$10—should it go to just one of them, or be split between them? If you don't decide, you could potentially be leaving behind a legacy of legal headaches to your survivors. This is what estate planning is all about—deciding how your money and assets will be distributed after your lifetime.

**Do you have to create an estate plan?**

Everyone should do some type of estate planning. Your estate plan could include wills and trusts, life insurance, a living will, long-term care insurance, power of attorney and more. We will meet with you and help you determine what plan would best suit your needs. Our experienced staff and estate planning attorney can customize an estate plan that will accomplish your goals.

**Where do you begin?** Speak to a qualified legal or financial professional—one with experience in estate planning. WSG will work with you to create your estate plan, assist you in funding your trust and enroll you in the **DocuBank** program.

**DocuBank** is a unique program that provides you with emergency access to your advance directives at any time and any-

where in the world. **DocuBank** safely stores advance directives as well as health care power of attorney for you so that you have access to them whenever they are needed. With **DocuBank**, your information is accessible but also protected.

For more information on Estate Planning, wills, trusts and other critical documents, consider attending our *Estate Planning and Trust Education Workshop* on **Saturday, March 24 at 9:30 a.m.** Additional details are on page one of this newsletter.

*Representative is not an attorney, does not draft estate planning documents, and may only serve to coordinate an overall estate plan. Estate planning can involve a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning attorney or other professional before implementing any strategy.*

## Six Good Reasons for a Mortgage Refinance

*Does a new home loan make sense for you?*

Is now the right time for you to refinance your home? With mortgage rates at an all time low many people are considering their options. Here are six reasons why it might make sense for you to refinance a mortgage. The first one is the easiest...to get a **lower mortgage rate**. The average interest rate at the beginning of 2010 was 5.979 percent, according to the Bureau of Economic Analysis. As of January 12, 2012, interest rates on a 30-year fixed rate mortgage dropped to 3.89%. But low rates are not the only motive for refinancing a home loan.

Consider refinancing to **consolidate two mortgages**. Some homeowners want to combine their first mortgage with their home equity line of credit. When housing prices were rising by 10 percent or more a year, many borrowers got cash-out refinances to buy things. With the current economy, mortgage bankers are seeing people using the cash to pay down debt, lowering their debt service and trying to save money.

A third reason to refinance is to convert an adjustable-rate mortgage **into a fixed-rate loan**. With an adjustable loan, you tend to be frightened about inflation and the threat of your rate increasing in a short period of time.

The fourth reason isn't technically a refi, but it's close. Mortgage-free homeowners sometimes get mortgages on a paid-off house to put **cash** in their pockets. They may want to buy a second home with cash. They cash out their first home and take the cash to buy another home, which puts them in a better position to bargain. They may also take out money to start a business. Along the same lines, another trend is that people are taking money out to **purchase investment properties**. Refinancing to buy property can bring up unexpected tax and mortgage underwriting issues. A lot depends on how the refinanced house and the new property will be used. You may need your financial advisor or tax professional to untangle the issues.

A sixth reason to refinance is to **address family matters**. Divorces often lead to refinancing as a way to remove the former spouse from the note or to split assets.

Refinancing may be a good option for your situation. However, know the facts before making such an important financial decision. We are happy to discuss how refinancing could affect your future and also recommend qualified mortgage specialists to help you determine your options.

Securities and advisory services offered through NATIONAL PLANNING CORP. (NPC), Member FINRA/SIPC, a Registered Investment Adviser. WSG, and NPC are separate and unrelated companies.

Opinions voiced are for general information only. They are not intended to provide specific advice or recommendations for any individual. Please remember that investment decisions should be based on an individual's goals, time horizon, and tolerance for risk. Securities are not NCUA insured, have no financial institution guarantee and may lose value.

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## 2012 EDUCATIONAL SEMINARS

**March 24**                      **9:30 a.m.**  
**Estate Planning & Trusts**  
*Mid-Atlantic Federal Credit Union*  
*Germantown, MD*

**April date to be announced**  
**7:00 p.m.**  
**Fraud and Identity Theft**  
*Mid-Atlantic Federal Credit Union*  
*Germantown, MD*

To register, please call  
301-990-4395 or email  
[wsg@natplan.com](mailto:wsg@natplan.com).

Seminar locations and dates are subject to change, always check with our office for the most up-to-date information on dates and locations.

## WSG Staff Spotlight



### Pamela Flick Celebrates 15 Year Anniversary

Pam Flick, planning director for Wealth Strategies Group recently celebrated her 15 year anniversary with the company. Pam began her career with WSG working part-time in the marketing department, when her children were young. Over the years, she eventually moved from marketing to the planning department, working on client reviews and financial plans. Pam has been the department director for the past six years.



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