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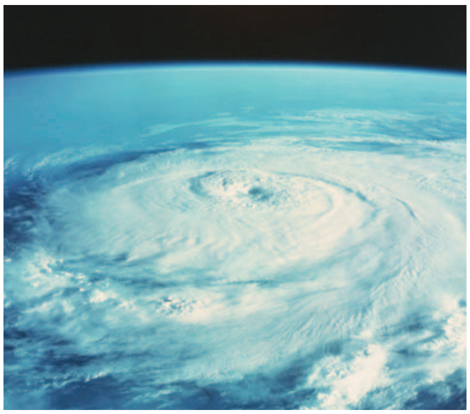
OCTOBER 2013



When the Wind Blows

Know how to stay safe

Hurricanes bring a deadly combination of high winds and floodwaters. And sometimes tornadoes and severe thunderstorms follow hurricanes. People who live in hurricane zones need to prepare for these dangerous storms and know what to do to survive the storm.

For example:

- Prepare for high winds and floodwaters at work and at home.
- Heed hurricane watches and warnings. Listen to weather updates and stay abreast of changing conditions.
- Evacuate the area if advised to by local officials.
- Shelter in place if advised to by going to a designated secure area at home or in the workplace in the center of the building away from windows and doors.

Also remember to be wary of the eye of a hurricane—it may seem that the storm is over and it's safe to leave your refuge, but in fact the winds might return, so you should stay put until the hurricane has completely passed.

Content provided by BLR®—Business & Legal Resources

5 Big 529 Plan Pitfalls to Avoid

With the new school year now in full swing, my clients are focusing on how to save for college and the best way to use their 529 plan dollars. In my conversations, it has become apparent that making any of these five mistakes could cost your clients money, create unnecessary tax bills, and just make you look bad.

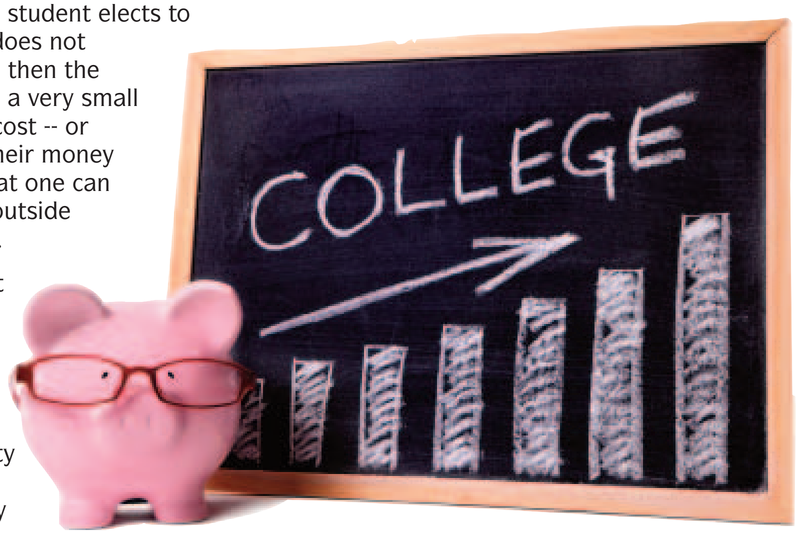
1. Overlooking Prepaid Tution Plans

There are two types of 529 plans, but the default recommendation for many advisors is just the saving trust, which allows dollars to be invested and grown tax-free, assuming distributions are used for qualified education expenses.

Advisors should take another look at prepaid plans, however. These enable tuition credits to be purchased for partial or full semesters and redeemed at participating colleges. Plans vary (a lot), but the premise remains the same: Tuition rates are locked in at today's cost. Most states have a prepaid plan, allowing credits to be applied to public state colleges and universities, but there is a plan for private institutions as well.

Given that tuition rates have increased about 6% annually over the last 10 years, and that is expected to continue, this could be a great option for reducing the overall cost of tuition. The down side is if the student elects to attend a college that does not participate in the plan, then the credits may only cover a very small portion of the tuition cost -- or participants just get their money back. Keep in mind that one can choose a plan that is outside their state of residency.

Prepaid plans are best for clients that have a strong sense of where the student may go to college and are willing to give up market returns for the certainty of locking in the cost today. A great strategy to maximize dollars for college is to pair a prepaid plan with a savings trust to cover tuition, fees, room, board, and other qualified expenses.



2. Getting it Wrong on Beneficiary Changes

Beware of the strict rules for changing beneficiaries, which could cause a client to incur taxes or penalties. The new beneficiary must be a member of the family as defined by the IRS, within the same generation or older than the original plan beneficiary, and in accordance with gift tax laws.

For example: If a client has money left over from her son's 529 plan, she may assume she can change the beneficiary to her granddaughter -- but this could trigger an estate tax issue, given that it could be viewed as a generation-skipping gift.

Continued on the next page.

Do the Drill

Participate in emergency exercises

October 6 to 12 is National Fire Prevention Week (http://www.nfpa.org/safetyinformation/fire-prevention-week). Even if your organization is not required to conduct periodic fire drills, as schools and healthcare facilities are, your employer probably still stages a drill a few times each year as an important part of your organization's emergency evacuation plan.

Drills give you opportunities to practice what you learned in training and help employers determine whether there are gaps in their plan (e.g., is there a worker trained in first aid available on all shifts?).

Participate in training on these elements before an emergency occurs:

- How to activate the appropriate alarm system in an emergency
- How and when to contact the fire department
- What to do before evacuating (e.g., initiating equipment shutdown)
- What your role will be in the evacuation (e.g., assisting disabled co-workers, bringing essential items such as visitor logs, providing first aid for injured coworkers)
- How to evacuate from your work area by at least two different routes
- Locations of stairwells (you should not use elevators to evacuate)
- Areas to avoid (e.g., hazardous materials storage areas)
- Location of assembly points outside the building

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5 Big 529 Plan Pitfalls to Avoid - continued from previous page.

3. Misunderstanding Scholarship Offsets

Even if the student does receive a scholarship for any reason, the dollars in a 529 plan are not wasted. Clients have the option to withdraw from the plan the dollar amount of the scholarship. Taxes will have to be paid on the earnings, but the 10% penalty on non-qualified distributions is waived.

4. Failing to Rebalance Correctly

The IRS allows 529 plans to be rebalanced only once per year, turning any further trades into taxable events that may incur penalties too. Trades to invest deposits or liquidate funds for distribution do not count -- but with such a stiff penalty, advisors must keep careful records and verify when the last trades were placed before taking action.

5. Ignoring Target-Date Funds

Investing and managing the dollars in a savings trust can be tricky because time horizon is short and the risk profile changes quickly over time. It could make sense to invest for growth initially and shift to preservation strategies as the college enrollment date gets closer, so the account value doesn't plummet before the first tuition check is cashed.

For advisors who prefer to focus on client service rather than investment management, however, target-date funds are an easy solution. They'll peg the investment allocation to the beneficiary's expected college enrollment date and automatically rebalance the account accordingly.

Content provided by Jessica Ness, CFP—Financial Planning

Healthful lunches aren't just for kids!

Pack good food for yourself as well

DO

- **Pack your own—or your child's lunches.** You'll save money and have more control over what you eat.
- **Use whole grain breads** for sandwiches. Check the "Ingredients" list for "whole wheat flour" or "whole oats."
- **Use tuna fish** or home-made chicken salad or egg salad. You'll generally use less fatty mayonnaise than store-bought salads will.
- **Pack veggie snacks,** e.g., carrot or celery sticks, cucumber slices, pepper wedges.
- **Pack whole fruit snacks,** e.g., apples, oranges, bananas, strawberries, blueberries, raisins.
- **Pack low-fat yogurt or cottage cheese.** Good sources of calcium and vitamin D.

DON'T

- **Buy lunch**—at least not regularly. Save money and control nutrition.
- **Use white bread.**
- **Use lunch meats with sodium nitrates or "smoked" or "cured" lunch meats.** They've all been linked with cancer.
- **Use pickles or pickled products**—at least not regularly. Too much salt.
- **Pack canned fruit in syrups.** Too much sugar.
- **Pack other sugary or salty snacks**—at least not regularly.

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