



## **We're Growing**

**W**e are very excited to announce three new additions to the Wislar Wealth Management team. These additions help us to significantly deepen our bench and enhance our client offering.

K. Philip Dresdner joins us as a 'Senior Managing Director.' Phil founded Dresdner and Company Inc. in 1971, a full service Registered Investment Advisory firm in Princeton, New Jersey. Prior thereto, he was a partner of Faulkner Dawkins & Sullivan, a member of the New York Stock Exchange.

Phil spent nearly four decades assisting successful families and institutions with their financial needs. Phil shares our philosophy of making a significant positive difference for clients, ensuring their wealth supports their best possible life.

Roxanne List joins us as an 'Associate.' Roxanne also comes to us from Dresdner and Company. She spent the last several years assisting Phil and his clients. At Wislar Wealth Roxanne will continue to work with Phil and work closely with Nyda to ensure top service for all of our clients.

Ash Bhatgar has joined us as 'Chief Operating Officer.' Some of you already know Ash, as a consultant to Wislar Wealth Management for the last year. Ash has spent the last two decades building and coordinating top technology and practice management techniques for some of the industry's big names, such as JP Morgan Chase, The Bank of New York/Pershing and Bear Sterns.

Ash will ensure we are using the top tools to better serve our clients, including best execution trading, top tier performance reporting, regulatory compliance and oversight and access to top industry platforms for our clients.

## **Market Turmoil**

**W**hen I wrote our "2008 Outlook" and suggested we might see as many as three 10% corrections in the equity markets this year. I wasn't imagining we would suffer one in the first couple of weeks of trading. Let's have a closer look at what is going on.

Early last year we discussed the risk of the aggressive lending techniques over leveraging the U.S. housing market and the potential fallout to the financial companies making the loans, the consumer taking the loans and eventually to the economy. I recently watched a Wall Street Banker on CNBC say "I don't know why we had to invent a new way to lose money; the old ones were working just fine". At this point the party is well over and the hangover is a big one.

Today, the housing market is in decline, many of the financials are giving back everything they earned over the last several years and the consumer is retreating. This all adds up to Recession, but it's not the end of the world. We will all probably see between 8 to 10 Recessions in our lifetimes. They can start for many different reasons, such as the last by an act of terrorism, by a credit crisis such as the S&L crisis 20 years ago or by a housing decline such as today. Recessions aren't all bad; they clean out speculation, bring back sanity where it's needed and lower inflation.

What does this mean to us? The "Bubble Bursting" is not one of stock valuations; it's one of real-

estate prices. So, why the stock market turmoil? As real-estate declines it is taking the aggressive lenders and speculators down with it. The Financials make up about 30% of the S&P's earnings (or used to) and about 25% of the Market Capitalization. As a group the Financials have been taking a beating so you can see the significant effect on the market, but recently the fear has crossed the line and is moving into other areas. At this point it's too early to call how extensive the contagion will be, but we do have history as a guide.

The Federal Reserve has begun cutting interest rates and will continue to do so. Now the hard part, even though steps are being taken to revive a faltering economy the headlines remain grim and continue to get worse. Historically, it takes at least six months for interest rate changes to affect the economy, so now we wait. The media will continue to bombard us with scary news, and the presidential candidates will be focused on the gloom and doom, how they would have prevented this from happening and how they are your savior.

Employment numbers will start to make the cover pages and top stories on the news. Employment has historically been the last thing to decline in a slow down and the last to recover once the economy has turned. We recently suffered our first big jump in unemployment claims and should see this continue even after the economy has bottomed.

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# Shaping Your Legacy With Trusts

**L**ike many affluent baby boomers, Paul Schervish and his wife worry about the impact of their wealth on their children. So, instead of leaving the three kids a lump-sum inheritance, they've structured a trust that will distribute its holdings "like a good parent," providing support for home buying, education, and health care.

As director of Boston College's Center on Wealth and Philanthropy, Schervish knows he's hardly alone in his concerns. As families participate in the biggest wealth transfer in history, estimated at more than \$45 trillion, "they're trying to figure out how to make inheritances productive, not destructive," Schervish says.

That often means employing one or more trusts. Though frequently touted for their tax benefits, trusts can also help preserve and protect wealth and enable parents to exert control over children's lifestyles. The irrevocable nature of most trusts can provide substantial protection from divorcing spouses, medical malpractice judgments, and other claims by creditors.

Trusts are almost infinitely flexible. "You can write just about any trust provision you want, and

some people set very specific requirements that have to be met before payouts are made—that a child attend a particular college, say, and receive a set grade point average," says Jeffrey Condon, co-author with his father Gerald Condon of *Beyond the Grave: The Right Way and the Wrong Way of Leaving Money to Your Children (and Others)*.

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**Trusts can protect assets from creditors and ensure that your wishes are carried out**

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Getting that specific is usually a mistake, says Condon, though he does encourage clients to consider establishing solid criteria for how beneficiaries—a spouse, children, grandchildren, or even those in succeeding generations—gain access to trust assets. Condon believes such restrictions are preferable to the common practice of simply staggering payouts—for

example, giving beneficiaries a third of their share at age 30, another at 35, and the rest at 40. "Heirs can blow those installments just like any other windfall," he says.

To help protect a "problem" child, who may have a drug or alcohol habit, a trust could put a great deal of control in the hands of a professional trustee, such as a bank or trust company, that will not only oversee trust investments but also cut the checks for all beneficiary expenses. Sometimes, trust provisions also call for a third party, a family friend or relative, to help assess an heir's needs and keep the professional trustee informed.

But Condon warns against a "carrot and stick" approach that imposes too many conditions. "No matter how well such trusts are drafted, everyone may wind up in court, with the kid saying he or she has met the conditions and the trustee saying the heir hasn't." A better solution, in such cases, Condon says, is simply to limit the payout. "That way, the heir knows this is all that's coming. Sometimes, the best you can do is hope your children's lives will be happy. Trusts can do many things, but they can't force your children to live the way you want when you're no longer around." ●

## When Your Financial Advisor Accepts The Role Of Fiduciary,

**I**n the world of financial advisors there are myriad labels, certifications, registrations, and other terms that tend to be meaningful only to industry insiders. But one distinction could be crucial: An advisor bound by contract or law to serve as a "fiduciary" is obligated to act solely in your best interest. That's different from others who may seem to work for you but in fact owe primary allegiance to the companies that pay them.

With other professionals, such as lawyers and CPAs, there's typically a fiduciary responsibility that requires them to act in clients' best interests.

But for financial advisors, fiduciary status is not yet standardized or guaranteed. So while you may think your stockbroker offers unbiased advice, he or she is probably receiving a commission for selling you products. To complicate matters, even a fee-based advisor who charges for advice may not be acting solely in your interest.

Not surprisingly, there's widespread confusion among consumers on this point. According to a recent survey by a major financial services firm:

- More than half of the investors interviewed believed both stockbrokers and Registered Investment Advisors

(RIAs) have an obligation to act in the client's best interests.

- Three out of four investors didn't realize that only independent RIAs have a fiduciary duty to their clients.

RIAs must inform clients of potential conflicts of interest, and they're legally obligated to act as a fiduciary. They have a fiduciary duty to act in their clients' interest at all times. Stockbrokers don't have the same obligation. Brokers must make recommendations that are suitable but are not required to adhere to the higher standard of care—to always do what's in your best interest—as a fiduciary.

# Smart Moves Five Years From Retirement

The notion of outliving your retirement income is not a happy one, and now, with tens of millions of baby boomers about to embark on decades of life after work, anxiety is running high. But with some wise preparation, you can create a retirement strategy that keeps you comfortable and financially secure.

Here are five critical moves to consider five years in advance of your retirement deadline.

**1. Visualize your retirement.** Steven Covey, author of *The Seven Habits of Highly Effective People*, famously

suggested: “Begin with the end in mind.” So before you crunch the first number, dig deep and imagine what you want from retirement. You might begin by making sure you want to retire at all. These days, more and more people are deciding to continue working, at least part time. And if you will leave work behind, how will you spend your time? Pursuing adventure travel? Kicking back at your lake cottage? Downsizing and moving to a new community?

If you’re married, talk to your spouse about what she or he envisions. It’s important that you get on the same page about your plans and goals. Once

you’ve identified your objectives, determine what they’ll cost and consider where your income will come from—Social Security, a company pension, distributions from your 401(k), rental property income, interest and dividends on other savings, or perhaps an inheritance.

**2. Examine your footprint.** Most people underestimate what retirement

will cost, but a simple cash-flow planning exercise can help set the record straight. Start with your core living expenses, and project those out for the next five years, adding in other goals that will require funding: helping a child with wedding expenses, for example, or a house renovation.

Next, consider what your expenses will be in retirement. It’s likely the early years will be more active—and more expensive. A big cost that many pre-retirees don’t see coming is health insurance, which can easily run \$16,000 a year for a married couple until age 65, when Medicare kicks in.

Thanks to health care costs and other rapidly increasing expenses, many financial experts now suggest retirees have as much income during retirement as when they were working.

**3. Address your liabilities.**

There’s good debt and bad debt. As you approach retirement, it’s critical to get rid of anything on which you’re paying double-digit interest rates.

That likely includes credit cards and possibly even car loans.

For longer-term obligations, if you’re paying between 5% and 7%, that’s probably all right, particularly if it’s on a mortgage or home equity loan for which some of the interest may be tax deductible.

**4. Max out your savings.** You’re in your peak earning years, and now is the time to push hard to save all that you can. Many experts recommend saving 20% of your income as a rule of thumb. At the very least, make the maximum allowable contributions to your retirement plan and, if eligible, to an IRA as well. This is your last, best chance to increase the size of your nest egg and your income during retirement.

**5. Fine-tune your investment portfolio.** One factor to consider during this crucial period is whether stock options, restricted stock, or company stock you own outright in taxable or tax-deferred accounts leaves you dangerously overexposed to the fortunes of your company. You may do well to diversify, to the extent you can, even if it generates taxable capital gains. But now is also the time to revisit your overall asset allocation. The risk of major losses on the eve of retirement argues for a more conservative approach, yet it’s important for your portfolio to continue growing, now and during retirement.

We would be happy to review with you your current retirement plan and asset allocation in view of your goals for your years after work. Please give us a call.●



## You Have A Foundation For Trust

The distinction between an advisor who is a fiduciary and one who is not could be critical when weighing an advisor’s recommendations. There may be a hidden agenda—for example, if an advisor is receiving better commissions for selling you one mutual fund instead of another.

Rules recently clarified by the Securities & Exchange Commission permit brokers to give you investment advice on a fee basis and not act as a fiduciary. In these instances, a broker can only give you advice about one or two issues—such as your retirement plan or investing. If a broker wishes to give you comprehensive financial

advice that spans insurance, taxation, college planning and estate planning as well as investing and retirement planning, the broker must accept his or her role as a fiduciary to you. He must disclose that he will begin giving you advice as a fiduciary and then tell you when he has stopped acting as a fiduciary and reverted back to his role as your stockbroker.

Working with someone who is a fiduciary, or will sign an agreement to act as a fiduciary, doesn’t guarantee you’ll profit from the advisor’s recommendations. But it does give you a greater assurance that you’re both sitting on the same side of the table.●

# The Six Keys to Happiness

**A** recent study suggests that for every negative experience you need to experience three positive to have a happy life. In an intimate relationship you need to have five positives for every negative. It's the emotions we experience moment by moment that determine our happiness and overall quality of life. Benjamin Franklin was quoted "The constitution only gives you the right to pursue happiness." So let's take a look at the Six Keys to obtaining it.

**Safety** - Your need to have a safe non-threatening environment. Many of us take this one for granted, we are the lucky ones. But some are not as fortunate; among them are the abused, homeless or just living in an unsafe neighborhood or city. Chances are all of us have this one nailed, but if you don't it's a great place to start.

**Connection** - You need a deep connection to others. We are all familiar with studies that have shown married people or people with a significant other live longer.

But, further studies have shown that not only do we get benefit from a significant other, we get just as much or more from an extended close family and deep friendships. For some reason men are more dependent on their significant other and women extended family and friendships. Life can be extremely busy, but you need to make time for others if you want to have your happiest possible life. So make time for a movie with a friend, your grandchild's sporting event, the book club or a Giants game with a friend.

**Competence** - This is your driving purpose. This can be very different looking across our clients. Most often it is a loved career, but we also see it as volunteer work, raising your children or other interests or hobbies. While coaching our clients I have to say the majority of you have found your "competence" while we have helped better define it.

**Autonomy** - Being in charge of your own destiny. Luckily we live in a country and in a time where we

are free to choose our own destiny. But with that we must make sure we actually do it. We all have responsibilities, but we always need to keep a focus on our own destiny.

**Contribution** - To the greater good. For each of us we need to make a positive contribution, be it in guiding a child, giving either money or time to a charity or just making a friend laugh. We all know through our own experiences how rewarding this can be. At Wislar Wealth Management we are changing the world for a limited number of successful families and with that hopefully elevating the investment advisory industry.

**Interest** - Your need to explore and grow. This is what has brought mankind so far. Think about it, if we didn't explore and grow, we would still probably be sitting in a cave. No one had to tell early man to follow their interest. We do it because it's so rewarding. So always make time for your interests.

Ok, now you have your homework assignment so get on it. ●

## Market Turmoil

*(Continued from page 1)*

Once the economy starts to recover you will hear it called a "jobless recovery", because as always, jobs are slow to come back but they always will.

Taking a step back from the scary headline let's look at stock valuations and where the market is. A Bear Market has never begun with stock valuations at their cheapest in years. The Price Earnings (PE) ratio on the S&P is now at its lowest point since the market lows of 1995 and 1990, both of which turned out to be great buying opportunities. Historically, when experiencing a slowdown or recession stocks bottom before the

economy and earnings. Looking all the way back to the early 70's, by the time analysts have finished cutting their forecast of economic growth and earnings the market has on average rallied 22%.

Historically, the Earnings Yield (earnings divided by the share price) on stocks has averaged about a full percentage point below the 30 year Treasury Bond. Today the S&P 500's Earnings Yield is more than three percentage points higher than the Treasury Bond. To reach fair value, stocks would need to rally by 40% plus, bond yields would need to jump from the 4's to 7.5% plus, or earnings need to tumble. So which is it? My view is that earnings will decline, but by maybe 10%, with a weak economy bond yields will

remain low, so stock prices will eventually rally.

We will probably continue our underweight Financials for upwards of another two years as real-estate continues south, my best guess is a real-estate turn in 2012 with a top-to-bottom decline of 20-30%. The blood bath in the Financials will subside, but their ability to make big profits will be slow to return.

Remember, none of this changes our long-term goals and our pursuit of happiness; it's just short-term noise along the journey. ●