



Brandywine  
Financial  
Group, Inc.  
An SEC Registered Investment Advisor

# Brandywine's Daily Plan-It

MARCH 2010

## SPECIAL POINTS OF INTEREST:

- What is disability income insurance? Is it for you?
- Learn how working in retirement affects your social security benefits.
- Learn some of the key differences between Growth & Value stocks!

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## Don't Let a Disability Cripple Your Family's Finances

**You probably understand the important role that life insurance can play in helping provide for your family in the event of an untimely death. But did you know that a 40-year-old man is three times more likely to suffer a disability than to die? The risk of disability for a 40-year-old woman is six times greater than the risk of death.<sup>1</sup>**

A disability can send expenses sky-high while drastically reducing income, placing a newly disabled breadwinner's family in a difficult position. One way to help protect against the financial ruin that a disability can bring is through disability income insurance.

### Insuring Your Income

A disability income insurance policy can replace some of your salary, up to the policy limit, if you should suffer an illness or injury that makes it impossible for you to continue working. The benefits of an

individual policy can last for a set number of years or until you reach retirement age, and they usually are not taxable if you paid the premiums yourself.

sible with an individual policy. Furthermore, benefits from an employer-provided disability policy are generally taxable.



### Falling Behind

Consider what would happen if you lost your income and were unable to work. How long would it be before your family encountered financial difficulties? Without a paycheck, 70% of Americans would run into trouble within one month, and roughly 25% wouldn't make it one week.



Source: LIFE Foundation, 2009

Most people insure their cars, homes, and expensive jewelry. Consider insuring what may be your most valuable possession: your ability to earn a living.

1) *2009 Field Guide*, National Underwriter

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Some disability insurance policies pay a benefit if you are unable to perform your current occupation, whereas others pay out only if you are unable to perform any type of job. Although many employers offer group disability plans, the benefits from these plans may replace a smaller portion of income than is pos-

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# Working for Social Security

An incredible 72% of workers expect to work for pay in retirement, according to a 2009 survey. Although fewer retirees *actually* work in retirement (34% in 2009, 25% in 2008), most say they do it for enjoyment. Still, a large majority of those who work also do it to earn extra money for basic expenses or to afford luxuries.<sup>1</sup>

There's nothing wrong with wanting to work in retirement, regardless of the reason. But if you decide to earn some extra income, make sure you understand how it will affect your Social Security benefits.

## Working Before Full Retirement Age

If you begin collecting benefits anytime between age 62 and the beginning of the year in which you reach your *full retirement age* for Social Security, any wages you earn from a job or self-employment are subject to the *earnings test*, in which \$1 of your benefits will be withheld for every \$2 you earn in excess of the annual earnings limit (\$14,160 in 2010; see example below). In the year in which you reach full retirement age, any income earned prior to your birthday will reduce your benefits by \$1 for every \$3 you earn over the annual limit (\$37,680 in 2010). Once you reach full retirement age, your benefits are no

### JOE MEETS THE EARNINGS TEST

Joe retired from his job and applied for Social Security benefits on his 62nd birthday in June 2009. He qualified for an annual benefit of \$12,000. He decided he was ready to go back to work in January 2010 and informed Social Security he expected to earn about \$30,000 for the year. Here's how the earnings test would apply to Joe's benefits in 2010.



\$30,000	Joe's income
- \$14,160	Social Security 2010 earnings limit
\$15,840	Amount that Joe is over limit
\$ 7,920	Amount of Joe's benefit that will be withheld (half of \$15,840)
\$ 4,080	Joe's net 2010 benefit (\$12,000 - \$7,920)

Because Social Security will withhold all benefits until Joe's \$7,920 reduction has been fully applied, he won't get a full benefit check until September. His first seven benefit checks will be withheld (\$1,000 x 7 = \$7,000), and in August he will receive a partial check for \$80 (\$1,000 - \$920). For the rest of the year, he will receive his normal monthly benefit of \$1,000.

longer affected if you continue working.

### They Withhold Benefits, But You Get Them Back

When your income exceeds the earnings limit, it's your responsibility to inform Social Security. Social Security will not adjust your monthly benefit amount but will withhold all benefits until the reduction has been fully applied (see example).

If it seems unfair to withhold benefits just because you are working, consider this bright spot: When you reach full retirement age, the benefits you lost to the earnings test will be credited to you in the form of a higher monthly benefit.

If you expect to work in retirement, let that influence your decision about when to begin collect-

ing benefits. You may eventually recover the lost benefits, but be prepared to go several months at a time without a benefit check.

1) Employee Benefit Research Institute, 2009

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# Pursuing Both Growth and Value

**Growth and value stocks have taken their lumps along with the rest of the market, but over the past 20 years these two asset types have experienced similar gains (see chart).**

However, the returns from growth and value investments in any given year are not always closely correlated. Maintaining a balance of growth and value investments may help you add a new dimension of diversification to your portfolio. A good first step is to understand the key differences between these investing approaches.

## Going for Growth

Growth stocks are associated with companies that tend to have a strong historic growth rate as well as strong growth potential. These companies usually don't offer dividends because profits are typically reinvested in the company.

A growth company might have an advantage in a rapidly growing new industry or be on the verge of a major breakthrough. Because growth stocks can offer high potential rates of return, they may carry significant risk, which should be considered carefully before investing.

## Vetting Value

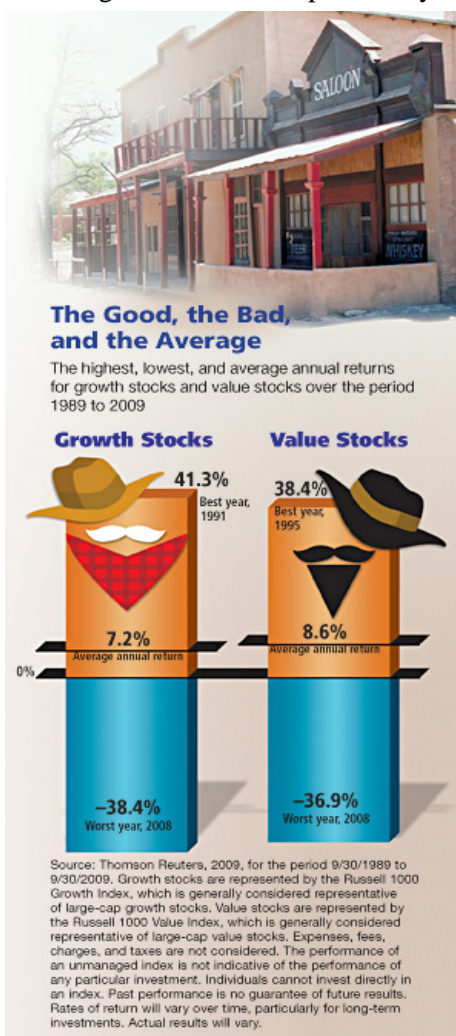
Value stocks are typically believed to be undervalued by the market. Good candidates are often firmly established companies with solid earnings, but the market has not yet recognized their potential. A value stock investor strives to buy shares of these companies at a bargain price with the expectation that the broader market will eventually realize the companies are a good investment, potentially

causing the share price to rise. Value stocks may or may not be a good source of dividends.

The return and the principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk. Diversification does not eliminate the risk of investment losses; it is a method used to help manage investment risk.

Some investors swear by growth or value investing. But by picking the best opportunities from both types of investments, you may be able to broaden your return potential while spreading risk over a more diversified portfolio.

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# What's New at Brandywine



## From Raymond's Desk

Spring is here...finally! Last weekend was absolutely beautiful here in PA and I was happy to get out on my bike and do a little riding. Spring is my favorite season of the year. The days are longer and I seem to be more active than in the winter when all I want to do is hibernate. Fall is a close second and in my opinion is the most beautiful when the leaves start to turn colors.

Hopefully the ground will dry quickly so I can get out and start hitting the golf ball. Last year I didn't get an opportunity to play as often as I would have liked to, so this year I would like to try to get out a little more.

Does anyone like the Blue Collar Comedy guys?? Larry the Cable Guy, Jeff Foxworthy, Bill Engvall and Ron White?? I find them very amusing and got tickets to go see them in Baltimore in April. I will let you know how the show was next month!

~Raymond

## From Jill's Desk

Spring has officially arrived at 1:32p.m. Saturday, March 20, 2010 and I could not feel any happier that I do right now! I have been hibernating the whole winter and my only friend during these dreadful and gloomy days has been my ultra comfy pillow top bed, but my Sealy and I are starting to bore each other a bit!

I love this time of the year for two reasons! The first reason is because the days stay brighter longer, the sun makes me happy, and all the bare trees, bushes and flower beds begin to casually add more color to the dreary winter palette which has been the only picture we have seen outside for months. Every day that passes brings us one day closer to spring, but more importantly, one day closer to the NHL playoffs!

Yes, Ice Hockey is the other reason I love this time of year because we are getting closer to the playoffs. This year I have been really lucky because I have already seen two games at the Wachovia Center and I have tickets for two more games coming up! Tonight my boyfriend Jeffrey and I are going to see the Flyers play the Minnesota Wild and then on April 4 we will see them play the Red Wings with seats in the 8th row! So I guess you can understand why I said I felt so happy. Who wouldn't be happy with this beautiful weather? What more could a girl ask for?