

**SPECIAL
POINTS OF
INTEREST:**

- How Useful is the CCI to individual investors?
- Estimate your life insurance needs
- Are you financially prepared to retire?

**INSIDE
THIS ISSUE:**

- Confident in Consumer Confidence? 1
- The Measure of a Life 2
- Playing Catch-Up with Contributions 3
- What's New at BFG (a must read!) 4

Confident in Consumer Confidence?

In September 2008, the subprime mortgage crisis reached a crescendo. Several banks asked for government bailouts and loans or filed for bankruptcy. Mortgage guarantors Fannie Mae and Freddie Mac were placed in conservatorship. The Federal Reserve and central banks around the world scrambled to pump liquidity into the credit markets. To top it all off, the world's stock markets drifted lower as the crisis unfolded.

At the time, it seemed as though the sky was falling. No surprise then that the consumer confidence index (CCI) fell to what was then the lowest point recorded to that point. The October reading was 38.8 points, more than two times lower than it was a year earlier.¹

You are no doubt familiar with the CCI because the news media faithfully reports it every month. But how useful is this economic indicator to individual investors?

Lag of Confidence

The CCI measures the public's confidence in the health of the U.S. economy, which can be useful in anticipating future spending patterns. To calculate the CCI, The Conference Board polls 5,000 households who rate current and expected business conditions for their regions. Their answers are used to create a numeric score, which rises when consumers are confident and falls when they are not confident.

One study of the CCI dating back to 1977 found that the index has some correlation to stock market performance, but it's not what you might expect. In general, large jumps in consumer confidence were followed, on average, by sub-par returns. Conversely, large drops usually preceded above-average returns.²

Another study found that con-



sumer confidence erodes when stock prices decline, but low CCI readings are more likely to be followed by high stock returns than low returns.³

The lesson here is that a low CCI is not always bad news, and a high CCI is not always good. The consumer confidence index can be a useful tool, but it should play only a minor role in your overall outlook.

- 1) Haver Analytics, 2009
- 2-3) MarketWatch, May 27, 2009

The information in this article is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. © 2009 Emerald.

HIGHS AND LOWS

The five highest and lowest CCI readings.

Jan. 2000	144.7	Oct. 2008	38.8
May 2000	144.7	Dec. 2008	38.6
Jul. 2000	143.0	Jan. 2009	37.4
Sep. 2000	142.5	Mar. 2009	26.9
Oct. 1968	142.3	Feb. 2009	25.3

Source: Haver Analytics, 2009 (as of May 2009)

The Measure of a Life

The appropriate way to appraise a person's entire life after he or she is gone is a topic that has been debated by philosophers throughout the ages. Certainly, there are as many factors as there are ways to approach them.

One measure of a life is the effect that the person's death has on those close to him or her. For those with dependents, this effect can be substantial.

One way to help mitigate the financial blow of the loss of a head of household is through life insurance. Yet in a recent survey, even though most people agreed that everyone should have some form of life insurance, only 20% felt that it should go beyond just covering bills and funeral costs and should replace the income of the deceased in order to support dependent family members.¹

However, if you have dependents, the loss of your income could put your family in the difficult position of trying to maintain its standard of living on a much smaller budget. Life insurance can be a tool to help replace the lost income. But how much insurance is enough?

No Rule of Thumb

Some people recommend that life insurance be high enough to replace an equivalent of seven or eight times the annual salary of the insured. Yet this old rule of thumb may not be the best guidepost for someone with no children.

factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable and to consult a tax professional.

Estimate Your Life Insurance Needs

Use this worksheet to help determine how much life insurance your family might need to maintain its current lifestyle over the long term.

	EXAMPLE	YOU
1. Calculate your dependents' total annual living costs. (Include all mortgage and loan payments)	\$ 70,000	\$ _____
2. How much annual income would be available to them?		
A. Spouse's income	\$ _____	\$ _____
B. Investment income	\$ _____	\$ _____
C. Social Security	\$ _____	\$ _____
D. Pension	\$ _____	\$ _____
E. Other income	\$ _____	\$ _____
F. Total income available	\$ 46,000	\$ _____
3. How much more income will your family need? (Subtract the total on line 2F from line 1)	\$ 24,000	\$ _____
4. What return could they expect on investments?	6 %	_____ %
5. Resulting life insurance benefit (Divide total on line 3 by the rate of return on line 4)	\$ 400,000	\$ _____

For example, if your family requires an additional \$24,000 per year (line 3), you would divide that amount by an expected annual return, such as 6% (line 4). In this case, \$24,000 divided by .06 equals \$400,000 in coverage. You may want additional coverage if you need funds for a child's college education.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

1) *U.S. News & World Report*, March 31, 2009

To determine how much life insurance coverage may be appropriate for your family, consider your dependents and their ages. How long would they be expected to need support? Would there be enough funds for college? Would you want the mortgage to be paid off?

Don't forget about other benefits that might be lost along with your salary. For example, if your health insurance is provided by your employer, your family may need replacement coverage.

Remember that the cost and availability of life insurance depend on

The information in this article is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. © 2009 Emerald.

Playing Catch-Up with Contributions

Most Americans are no longer convinced that they are financially prepared for retirement. In the 2009 Retirement Confidence Survey, only 13% of workers indicated they were “very confident” that they will have enough money for a comfortable retirement, the lowest level since the annual survey began in 1993.¹

Are you worried that you might have to choose between working longer or living with less than you had planned? Fortunately, if you are age 50 or older, you may have an opportunity to catch up to your retirement savings goals.

Make Up for Lost Time

The costs associated with raising a family and sending children to college can make it difficult to save for retirement. Congress recognized this when it carved out exceptions to the limits on contributions to employer-sponsored retirement plans and IRAs for

people who are approaching retirement age.

In 2009, workers 50 and older can contribute an extra \$5,500 to a 401(k) plan or a similar employer-sponsored retirement plan, on top of the \$16,500 workers of all ages are allowed to contribute. The catch-up limit for IRAs is \$1,000, on top of the standard \$5,000 annual contribution limit.

Contributions to employer plans and traditional IRAs are generally not included in taxable income. So in addition to socking away more money for retirement, workers 50 and older who are taking advantage of the catch-up limits might help reduce their current tax burdens. (However, there are limits on the deductibility of IRA contributions for active participants in employer-sponsored plans, so be sure you understand the rules.)

Distributions from traditional IRAs and employer-sponsored retirement plans are taxed as ordinary income and may be subject to an additional



10% federal income tax penalty if taken prior to reaching age 59½.

Funding a comfortable retirement requires a comprehensive approach and extensive preparation. However, something as simple as increasing your contributions to tax-advantaged retirement programs can go a long way toward helping you pursue your long-term financial goals.

1) Employee Benefit Research Institute, 2009

MORE NOW, MORE LATER

A 50-year-old who contributed \$5,500 per year to a tax-deferred account earning a 5% annual return would accumulate nearly \$200,000 by age 70. Assuming the account continued to earn 5% per year, the individual could withdraw \$9,822 per year beginning at age 71 and should not run out of money.



This hypothetical example is used for illustrative purposes only and does not represent any specific investment. Rates of return will vary over time, especially for long-term investments. Actual results will vary.

The information in this article is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. ©

What's New at Brandywine



From Raymond's Desk

As you know I am doing a little work on my bathrooms and my kitchen. Well last evening I started to rip out the counter top and sink in the kitchen. So of course, first I turned the shut-off valves to the "off" position before I disassembled the sink and pulled off the counter so the installers could put the new countertop in. Of course as a "pre-caution" I turned off the main water valve to the house. But to my dismay when I turned on the main water valve to the house the shut-off valves did not work! And it was too late to go to Loews or Home Depot to buy compression caps so long story short I didn't get to brush my teeth or take a shower that evening! I had to get up at 5:30 (which I normally do anyway to head to the gym for my morning work-out) to run over to Loews, which opens at 6:00 a.m., to buy compression caps to stop the valves from leaking so I could turn the water back on so I could shower. Little things like, *running water*, we take for granted every day you really begin to appreciate when you don't have it for 10 hours! I could not do my normal "pre-sleep" routine, shower, brush teeth, wash face, etc.

In the end, the plumber came, fixed the valves, installed the new garbage disposal (3/4 power of course) and the new counter top looks great! If you have any home projects planned take a look at our website for information on Natural Stone: www.stoneworkswholesaling.com.

~Raymond

From Jill's Desk

Last Friday my boyfriend took me to this fabulous Italian restaurant that I felt I just had to tell everyone about! It is called Osteria and its unbelievable! It is a quaint little restaurant with big Italian dishes that are beyond delicious. In addition to the great food, they have a great wine selection, which comes by the bottle or the glass and definitely enhances the whole dining experience. Osteria is located in Collegeville, Pa where the old Evansburg Inn used to exist. The entertainment is excellent as well. There is a blind man named Panama Jack who sings cover songs and plays the piano on Saturday nights in the bar, which is away from the dining area. I think its definitely worth checking out if you live in the area. Here's their website: www.osteriaevansburg.com. Bon Appetite!

Contest Announcement!!!

The first 5 people to refer a relative, friend, or colleague will get a gift certificate to their favorite restaurant!