

THE WEALTH ADVISOR

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Roth IRA Conversion for 2010

Roth IRAs provide for tax free growth of your IRA. In 2010 there is a once in a lifetime opportunity to convert your existing IRA to a Roth IRA and have the tax free benefit of a Roth IRA.

The only retirement plan provision included in the Tax Relief Act of 2006 was the amendment to code section 408A(c) and 408A(d). Effective in 2010, the modified adjusted gross income (\$100,000) for conversions of Traditional IRA assets to a Roth IRA will be eliminated. Also, for two years only (similar to the four-year spread in 1998), an individual can spread income tax liability of these conversion assets over two years.

Currently, if an individual wants to convert assets from a traditional to a Roth IRA, the compensation limit cannot exceed \$100,000. If the modified adjusted gross income was less than \$100,000, an individual can convert assets from a Traditional IRA to a Roth IRA. This individual would have to pay income tax on the deductible portion for the year it was converted.

Effective in 2010, the modified adjusted gross income of \$100,000 will be eliminated. For two years only, individuals would be allowed a two-year spread of their tax liability. For example, in 2010 an individual has compensation of \$300,000, and files "married filing jointly." This individual would like to convert \$200,000 from his or her Traditional IRA to a Roth IRA in 2010. He or she would have the option to spread the tax liability of \$200,000 for two years, paying the tax liability on \$100,000 in 2011 and another \$100,000 in 2012.

Why Should You Convert Your Retirement Assets to a Roth?

1	The current market provides a low-cost conversion opportunity
2	Social Security planning
3	Gross up the value of retirement accounts
4	Tax diversification
5	Hedge against increasing income tax rates
6	Tax loss harvesting
7	Reduce taxable estate
8	Trust planning
9	Tax-free stretch

OUR MISSION STATEMENT

To provide comprehensive wealth management solutions tailored to meet the unique needs of our clients that emphasizes value added services aligned with our clients' best interests. We are committed to our clients' success.

Our Best Compliment is a Referral From You.

Contact Us

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Optimism

It has been one year since the U.S. economy and stock markets began to take their dramatic tumble. Amidst fears of another Great Depression, the Dow Jones Industrial Average hit bottom on March 9, 2009. It has been a time filled with dismay, and we have experienced the full gamut of emotions.

However, what happened following March 9 and in the past six months is truly remarkable. As of August 30, 2009, the Dow Jones Industrial Average rose 46 percent from its low in early March, and the NASDAQ Composite Index was up 60 percent¹. Those are exciting numbers. They show that opportunities do in fact lie in the times that follow market downturns, and that these ups and downs are a natural part of market cycles.

At The Prosperity Consulting Group, LLC, we have been sending you letters over the past several months to remind you that the dramatic market events of the preceding year are a part of a process we have seen before. While most of us have never experienced a bear market quite like this one, history shows that market performance is cyclical.

Similarly, our emotions cycle up and down. Historically, at some point after feeling defeated by market lows, investors begin to feel encouraged. After March 9, our confidence in the U.S. economy began to rise. Over the past several months, growth has started to show in different segments of the economy. It appears that a new hold is taking place and our country's confidence and optimism is gaining momentum.

While the markets may or may not test the lows we experienced in March, by "sitting on the sidelines" – meaning leaving

investable assets in cash or cash equivalents – investors are assured to miss market growth. By staying invested, you have participated in the growth that has occurred since March 9. When the markets closed on August 31, 2009, it marked the sixth consecutive month that the S&P 500 Index posted a positive return². This gives us even more reason to be optimistic about the future.

As we begin to look ahead, remember what's important to you. Despite all that

has happened over the last 12 months, has your reason for investing changed? You have unique goals and aspirations, and your financial portfolio should parallel those objectives. We've seen once again that staying invested can help you reach your financial goals over time.

The Prosperity Consulting Group, LLC is here to help you make and keep the important promises in your life. Thank you for allowing us to be your partner, and please call us at (410) 363-7211 to schedule a wealth management review.

¹ Past performance is no guarantee of future results. Zuckerman, Gregory. *Lessons of the Financial Crisis – One Year Later*. Wall Street Journal Online. 30 August 2009. <http://online.wsj.com/article/SB125158349559369687.html>. ² Standard & Poor's.



Don't Wait For Your Tax Bill to Increase!

The AMT exemption amount has dropped significantly, increasing the tax bill for millions and millions of Americans.

- Do you currently pay high state and local taxes?
- Do you have a large number of dependents?
- Are your investment choices exposing you to higher taxes?
- Do you claim a high level of itemized deductions (e.g., medical expenses, charitable contributions)?

Don't wait for your tax bill to increase. We would like to work with you to show you how tax-advantaged solutions can potentially reduce your tax bill.

Is your Retirement at Risk?

By Devin Reid, 1st Global

Throughout our lives, we dedicate ourselves to fulfilling the promises we have made to our family, friends and loved ones. After all of this, you are left with one more important promise that you must fulfill. The promise you made to yourself when you began accumulating your wealth - to have the financial freedom to make choices during retirement. You have earned the right to choose to travel, spoil the grandkids or start a new business. However, in order to have this power of choice in retirement, there are new challenges and risks that must be addressed.

Retirement means different things to everyone, but there is one universal truth – retirement income planning has changed. If you think about how previous generations spent their retirement, you might envision an elderly couple who retired at age 65 and spent their days relaxing on the porch watching the sun rise.

This same couple likely had the luxury of relying upon a pension plan, that when combined with their Social Security, met their income needs for the lifestyle they wanted in retirement. In previous years, retirement income planning was simple. Unfortunately, this is not the case anymore. Today, most retirees do not have the luxury of guaranteed income from a pension plan; they must rely on the wealth they have worked so hard to accumulate.

Retirees today are also faced with new risks that may cause us to outlive our retirement savings, if these risks are not properly identified and addressed. When creating your retirement income plan, there are four key risks to consider: longevity risk, market risk, inflation risk and confiscation risk.

Many individuals also want to have the choice to retire sooner than age 65, but not

only are we retiring sooner, we are also living longer due to medical advances and healthier lifestyles. This risk is known as longevity risk, and has a major impact on the sustainability of a retirement income plan.

Inflation risk had less of an impact on previous generations as these individuals typically only needed income from age 65 to 85. However, the longer you need income, the more you are subjected to inflation risk. Since we are living longer, inflation has more time to have an impact on how long our income lasts.

It is important to clarify that inflation is more than just a percentage; inflation is our everyday living expenses increasing 200 percent in just 25 years. Inflation is the timeliness and size of unexpected medical expenses that we will incur later in life. Therefore, the best way to address this risk is with the proper amount of equity exposure.

Market risk can be defined as being too conservative and allowing inflation to eat into your purchasing power. This has the potential to be riskier than not having proper equity exposure, but even with the right amount of equity exposure, you still run the risk of retiring at the wrong time and experiencing a series of negative returns that can cause you to outlive your income.

The last risk that must be addressed is confiscation risk. Like inflation, taxes erode wealth, so proper tax guidance must be considered within a retirement income plan. Retirement income planning has

changed and proper planning is necessary to mitigate the risks you face in retirement.



There is not one right answer to the retirement income conundrum, but there is a course of action that addresses your unique risks and provides tax-efficient sustainable income. Your wealth management advisor can help you identify these risks and provide a retirement distribution plan that will allow your

money to outlive your lifespan, and most importantly, allow you to keep the promises that you made to yourself.

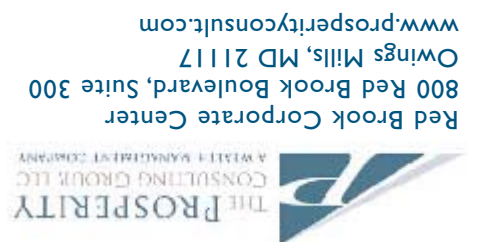
Did You Know...

In the 9 years following the invention of Eli Whitney's Cotton Gin, cotton production rose from 140,000 pounds to 35 million pounds!¹

Arnold Schwarzenegger was a finance major.

After the American Civil War volume and stock prices rose dramatically.

¹Source: The People's Chronicle: 1791 to 1800



Are Your Investments Truly Diversified?

Determine if your investments are truly diversified by asking yourself these questions:

- What is your investor profile: ultra-conservative, conservative, moderate, growth, aggressive growth?
- How do you determine your mix of investments?
- Are you concerned about how to best diversify your portfolio?
- Are your investments over concentrated in one asset class, industry or security?
- How do you maintain your target asset allocation?
- How often do you review your portfolio returns? With whom?

Call The Prosperity Consulting Group, LLC at (410) 363-7211 for a thorough analysis of your portfolio.

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