

# THE WEALTH ADVISOR

Issue 2

Winter 2008

## 1st Global Honors The Prosperity Consulting Group, LLC



The Prosperity Consulting Group, LLC was recognized for its achievements in wealth management at 1st Global's Sixteenth Annual National Conference, held November 11 - 14, 2007, in Tucson, Arizona.

The conference titled, "Making Your Mark in Wealth Management," provided attendees with an opportunity to network with

fellow advisors and industry professionals, receive valuable education, and leave inspired with an array of new ideas and business-building resources.

Top professionals and firms were recognized for their accomplishments over the past year during an awards celebration gala held at the conclusion of the conference. The professionals at The Prosperity Consulting Group, LLC were honored for their achievements with the Trailblazer of the Year 2007 award and the Eagle award.

The celebration dinner presented an opportunity to honor firms and individuals for a wide range of accomplishments. Eagle awards were presented to top financial advisors and firms that have achieved specific goals set forth at the beginning of the year. All of these prestigious awards are highly coveted because they are given only to select individuals and firms who truly excel in offering quality wealth management services to their clients.

**We moved! The Prosperity Consulting Group, LLC is now located in the Red Brook Corporate Center.**

### 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.

### Contact Us

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# The Importance of Proper Planning

When you think about your financial future, the first thing that probably comes to mind is accumulating enough assets to be financially independent and to secure a comfortable retirement. Talking with your financial advisor about accumulating and growing your asset base is usually a happy conversation. But, what about protecting that wealth accumulation from tragedy? That is not a conversation that most people look forward to, because they must discuss all of the potential tragedies that can occur, including death, injury, illness, liability, etc. Therefore, many investors put off discussing this important part of the financial planning process.



by William C. Martin, Jr., CPA  
Senior Vice President

Just as it is important to plan for the accumulation of assets, it is equally important to protect that accumulation from tragedy. That is where insurance or risk management comes into play. Owning insurance can help you protect yourself and your entire family from the high costs associated with the following tragedies:

## **The loss of an income earner.**

It is imperative to protect your family from the potential loss of a wage earner who provides all or part of the income needed to support your family's current and future lifestyle. Proper life insurance can go a long way in providing this needed security.

## **Loss of income due to illness or injury.**

According to data from the Society of Actuaries, between the ages of 35 and 65, you have a 30 percent chance of becoming disabled and being unable to work for 90 days or longer. This statistic shows the importance of protecting your family's future with disability insurance. This type of insurance provides your family with an income source in the event that a wage earner becomes sick or injured and is unable to work any further.

## **Replacing assets damaged by tragedy such as homes, automobiles, boats, etc.**

You worked hard to buy a nice home and/or automobile for yourself and your family. Protect your possessions with property and casualty insurance from damage caused by natural disasters and other tragedies.

## **Lawsuits.**

Risk management involves protecting your assets against lawsuits associated with your home or auto. Homeowners insurance, auto insurance and umbrella liability protection can provide you with security from potential lawsuits.

## **The high cost of medical expenses.**

Major illness or injury can wipe out your entire family's savings due to the high costs of medical treatment. Proper major medical insurance and critical illness insurance can help cover those high bills and other expenses.

## **Rising costs of long-term care.**

Nursing home and home health care costs are on the rise. These expenses can wipe out asset accumulation in a couple of years, leaving nothing for your heirs. Proper long-term care insurance can help to offset these expenses allowing you to keep your money for the purposes you desire.

## **Outliving your assets.**

With increasing life expectancies, retirees now face a greater possibility of outliving their retirement nest egg. Traditional stocks, bonds and cash investments cannot guarantee an income stream for life. You can guarantee income for life through a fixed annuity contract. An annuity contract can help you protect against the risk of living too long. (Guarantee based on the claims-paying ability of the insurance company).

Shielding your assets from all the potential risks is a critical part of planning your financial future. Insurance and risk management are essential in accomplishing this goal. Fortunately, you do not need to be an expert in these matters. Talk to your Prosperity Consulting Group advisor to sort out what types of insurance are necessary for your financial plan. We will help you determine the right mix of money you should spend on accumulating assets and protecting those assets to keep you on track for accomplishing your financial goals. Together you can coordinate all aspects of both asset accumulation and asset protection.

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# Wealth Care & Disability: Income Protection

Nearly everyone is concerned about building wealth to meet his or her financial goals. We invest money in order to build a foundation upon which we can live a secure and comfortable life. Many of us purchase life insurance as a tool to protect our family in case of a tragic event.

But are you providing adequate protection for your family in the event of a potential loss of income? Losing even part of your income to disability would affect your retirement, college plans for your children, and your family's overall quality of life, both today and in the future.

Employer-issued disability insurance and Social Security are not sufficient. Nearly all employer-issued disability insurance covers only 60 percent of your salary, and the benefits you receive from a corporate disability plan are fully taxable. In a majority of cases you will receive less than 50 percent of your income.

In order to receive Social Security payments, you have to be completely disabled for at least one year. When your Social Security benefits begin, they may be far less than 50 percent of your current salary.

You may have thought about disability insurance before but dismissed it because disability is something that

would never happen to you. Industry studies have shown that workers are three to five times more likely to become disabled than to die early, yet disability insurance is often the most overlooked part of a financial plan. According to the Social Security Administration, a 20-year-old worker has a 30 percent chance of becoming disabled before reaching retirement.

What about business coverage? Many businesses have no formal plans for transferring ownership in the event that a business partner becomes disabled. A disability buy-out plan is one way to provide for the unexpected permanent loss of a partner.

Without a buy-out agreement, the disabled business owner may still be entitled to his or her share of business profits. The business may also have to hire a replacement to cover the duties normally performed by the disabled partner, while still paying the disabled person's salary.

A properly drawn up buyout agreement can provide for the disabled partner's business interest to be sold at an agreed upon price to the other business owners.

One major advantage of a disability buy-out agreement would be keeping family members of the disabled owner out of the business, assuring

that the future growth and management of the business will be handled by the active owners. You can also avoid potential cash flow problems associated with buying the disabled partner's business share by providing funding dollars received from the underlying insurance.

If you have not already discussed adding disability insurance to your personal or business financial plan, talk to your Prosperity Consulting Group advisor. Without an uninterrupted and adequate income, your financial goals may never be realized.

Keeping a consistent income stream is a critical component in your financial freedom, and disability insurance is a key component of your wealth care plan.

## Did You Know...

Intel and Microsoft were added to the Dow Jones Industrial Average in late 1999. They became the first non-NYSE stocks to be included.

In 1886 the NYSE had its first million share day. In 1984 the NYSE had its first 200 million share day. In 1997 the NYSE had its first billion share day.

According to a Government Accountability Office study, a 1% increase in fees in a retirement plan reduces the retirement benefit by 17%, given a normal working career.

Source:

<http://www.financeprofessor.com/trivial/FinanceProfessorcomtrivia.html>

**If you know of others who should regularly receive this newsletter, or should you like to be removed from this mailing list, please email [cpf@prosperityconsult.com](mailto:cpf@prosperityconsult.com).**

## Investing for the Long Term



When it comes to investing, patience can have its rewards. In fact, for the past 10 years ended December 31, 2006, a hypothetical \$10,000 investment in Standard & Poor's 500 Composite Index would have almost doubled to \$19,147.

However, if during this time frame, you missed the:

### **30 Best Market Days**

That \$10,000 investment would have lost more than 40% of its value and declined to \$5,902.

### **20 Best Market Days**

The investment would have decreased to \$8,224.

### **10 Best Market Days**

The investment would have grown to \$11,937 — \$7,210 less than if the investment was held all 2,516 market days during the 10-year period.

*Source: American Funds, Value of Patience Letter*