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Special points of interest:

- Markets closed—Good Friday (April 10) and Memorial Day (May 25)
- Getting a tax rebate? Use it to fund a Roth IRA for 2009
- We are taking a long weekend after tax season—our office will be closed April 23 & 24.

Sign of the Times

I was just thinking about how to describe the first quarter of 2009 or maybe the last few quarters when I remembered my last brush with a municipal zoning board.

My goal was pretty straight forward—to hang a sign on the pre-existing sign post in front of an office. The proposed sign was roughly the same size as the one that had been there previously, well below the allowable size, and of good taste in keeping with the neighborhood. It seemed as though I could dispatch this chore with speed and ease and move on to more important things. (I can see those of you who have grappled with municipal zoning smiling at me already.) To make a long story short, I was wrong. In the end, it took two public committees of 6 or so people, several applications, two administrators, fee payments, and two evening meetings to achieve my goal. About one hour into the process I began to whine (Pat can verify this!) about how complex and costly the process of obtaining a sign permit had become. Several hours later I realized (I know, I was a little slow on this one) that while the approval was a foregone conclusion, it was the process itself which was important; that while I could clearly see the eventual positive conclusion, jumping through the hoops was a necessary part of the process and I just had to grin and bear it.

Like my sign, we all have a clear goal in mind—to get through the worldwide de-leveraging of the financial and personal balance sheets and achieve some for-



“Roy’s Sign”

ward progress in our portfolios and our lives. Also like my sign, we are somewhere in the process of achieving that, but it seems too slow, too costly, and too frustrating. It should be quicker but it’s not. It could be easier, but it isn’t. It makes me want to whine again, but then I remember that a process is taking place whether I like it or not—that excesses are being worked off, that political regimes have changed in reaction, that the pendulum can swing too far in either direction before it finds center again. The process is part of the solution; as we process through each week and quarter we come nearer to the end. (I did get that sign by the way—exactly as I submitted it!)

Q1, 2009 was an interesting one. While the S&P 500 closed down nearly 12% for the quarter the final result masks a more complicated and I think ultimately more positive story.

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First Quarter 2009 Market Wrap

Market Indexes	% Change in Q1
S&P 500	-11.7%
DJIA	-13.3%
NASDAQ Comp	-3.1%
MSCI EAFE	-14.6%
Russell 2000	-15.4%

Mutual Fund Yardsticks	% Change in Q1
Equity Income	-10.6
Large Cap Growth	-2.6%
Balanced	-4.3%
Gen US Taxable	+0.3%
Intermediate Corp Bond	-0.1%



Asset Allocation and your Goals

Studies show that over **90%** of the return on your investments is based on the asset allocation of your accounts. As we age and get closer to retirement most investors become more conservative – shifting a percentage of their assets from equities to fixed income. Furthermore, the current state of the economy has made some formerly “aggressive” investors question their strategy. We recently developed a questionnaire to help us identify an asset allocation mix that is appropriate for you

to attain your goals. By analyzing your investment objectives, time horizon and risk tolerance, we can determine if our *current* asset allocation is a good fit, or if we need to make some adjustments.

When we started our relationship I set down our mutual understanding of your goals and objectives in an Investment Policy Statement (“IPS”). If your risk tolerance, goals and/or asset allocation has changed then we may need to modify your Investment Policy State-

ment.

Please contact us if you would like us to re-evaluate your asset allocation or if you have any substantive changes to your objectives and time horizon. We will be happy to send you a short 8 question Investment Profile Questionnaire and update your IPS free of charge. Otherwise, I will continue to manage your accounts in accordance with our previously designated investment objectives.



New Website Launched

We are very pleased to announce that we have finally launched our website. After years of thinking about it we now have a presence on the world wide web.

It has all the basic information that you would find in our introductory brochures—how we do business, our background and philosophy, the type of services

that we provide and our fee structure. There are also copies of our past newsletters and a convenient link to the Schwab website. Please check it out and let us know what you think. We would welcome your comments and criticism.

The website should provide an easy way for prospective clients

to learn a bit more about us before an initial meeting. If you have any friends, family or co-workers that you think could use our help and you feel it is appropriate, please refer them to our website:

www.siawealthadvisors.com

Thanks!



Sign of the Times (cont.)

After a brief late December/early January rally, the equity markets went into negative mode, tested some support around S&P 800 in mid-January, broke through that in mid-February then broke through the November bottom of around 750 in late February. Finally it plunged to a new bear market low at around 675 by early March down 25% for the year. Things looked glum indeed until a very substantial rally began that lifted the S&P over 20%+ in a few days. Despite a 3 day late quarter pull back, a last day rally lifted the markets to the aforementioned -12% level.

My read of the short-term action is this: the markets reacted negatively to the early political headlines of the quarter (stimulus plan, budget, AIG House debate) and positively late in the quarter to some encouraging signs from real estate, financials, and the Geithner toxic asset plan (PPIP). Net of it all, I believe we are trying to find a bottom and are bouncing along in the trough of this recession.

I think we are nearer the end than the beginning as far as the bear market in stocks is concerned. I think we are one more quarter down a difficult road and as we march along through the process we get nearer the goal. The personal and financial balance sheets in this country became extensively bloated as we spent more than we had for the last 20 years; it will take some time to de-lever ourselves and arrive at a more stable place. The stock markets are doing what they always do by discounting the future to present value. I am absolutely convinced that there is a brighter future out there for us and that the markets will, in the not too distant future, begin to discount the upside of healthier personal and corporate balance sheets. I am also positive that the stock markets will recover long before real estate, employment and Main Street.

As I learned with my sign the process is a necessary part of the cure.

MARKET TALK

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We are pleased to have guest columnist, estate attorney Adam Bartsch provide this article on the benefits of ILIT's.

Adam is a fellow professional working in Shelburne and the founder of NorthEast Estates and Trusts, PLLC (NEET), a law firm focusing solely on estate planning for residents of Vermont, New York and Massachusetts since 2004.

NEET is located in the Shelburne Creamery Building, and Adam can be reached at 802-985-8811.

Doubling Life Insurance Proceeds with an ILIT *by Adam Bartsch*

Many clients own life insurance with the mistaken impression that the death benefits are tax free. That's not entirely true. Policy benefits are income tax free, but remain subject to federal and state estate taxes. The reason is that the policy benefits are considered part of the decedent's estate, even though the death benefit proceeds pass directly to the beneficiaries.

Estate inclusion can have some unintended consequences. For instance, if the death benefits from the policy elevate the decedent's estate value above the federal estate tax exclusion limit, currently \$3.5 million per person but scheduled to return to \$1 million per person in 2011, those proceeds can be cut in half by the enormous federal estate tax bite. Federal estate tax rates currently top out at 45 percent, but under current law will rise to 55 percent in 2011.

Factoring in estate taxes means that for your beneficiaries to receive the face value of your policy, you have to purchase nearly double the amount of coverage. For example, suppose you are paying \$2,500 annually for a \$1 million policy, with the expectation that your beneficiaries will receive the full \$1 million in death benefit proceeds. Because the death benefit could be cut in half by estate taxes, you really should be purchasing \$2 million of coverage, at double the premium cost, to achieve a death benefit payout of approximately \$1 million.

What's worse, if your estate plan does not properly take account of your life insurance, the life insurance beneficiaries could receive the entire death benefit before taxes are removed, and leave your estate's residuary beneficiaries with the estate tax liability for the insurance proceeds. If your insurance beneficiaries are the same as the residuary estate beneficiaries, this is not an issue, but if the beneficiaries are different, this situation is virtually certain to cause contention among the beneficiaries.

One way to avoid this tax trap is to keep the insurance policy and the insurance proceeds out of your estate. This can be accomplished through an irrevocable life insurance trust (ILIT). An ILIT is simply a trust designed

specifically to hold life insurance policies with the intent of keeping the policies and the proceeds out of your taxable estate.

With an ILIT, the insured must not have any "incidents of ownership" of the policy in the trust. Incidents of ownership include any rights to the economic benefits of the policy, including being able to change the beneficiary, surrender or cancel the policy, and the power to pledge the policy for a loan, among others. By holding the policy in a properly structured trust, the death benefit remains entirely tax free. As illustrated above, this allows your beneficiaries to receive 100 percent of the policy death benefits. Another way to view this is that an ILIT effectively cuts your premium payments in half to accomplish the same policy payout.

Furthermore, the trust provides an added level of creditor protection. Generally, creditors can pursue only what a debtor owns, and because the debtor has no incidents of ownership of policies in an ILIT, a creditor cannot make any claim on the policy in the ILIT or the policy's death benefits.

ILITs must be carefully drafted to avoid including any incidents of ownership by the insured. Additionally, if you are moving an existing insurance policy to an ILIT, the transfer rules can be complex. But ILITs are more flexible than you might expect. For example, there is no prohibition against the insured continuing to pay the insurance premiums. Provided premium payments are within the gift tax exclusion of \$13,000 annually, these too remain tax free.

There are few financial investments that are as reliable in generating a big return as an ILIT. By avoiding the federal estate tax, you are effectively doubling the death benefit proceeds of your life insurance. Additionally, you get enhanced creditor protection. These combined benefits demonstrate that learning about what you own, and how it is viewed from the estate planning perspective, is worth the extra effort.