



 **SVA** | **Certified Public Accountants**
Tax, Audit and Business Strategy

 **SVA** | **Plumb Wealth Management, LLC**
Registered Investment Adviser


Measurable Results.





Preparing for Retirement

Objective tax and planning advice to create a secure retirement and estate plan

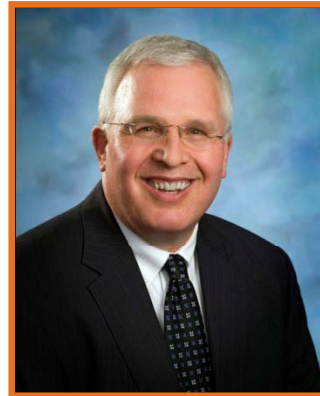


March 3, 2011

Today's Presenters



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Why SVA Plumb Financial?

Value to Our Clients

Why are SVA Wealth Management and Plumb merging into SVA Plumb Financial Services?

To better serve our client needs, locally

- Access to Individual Security Selection
- Offer Globally Diversified Portfolio Strategies
- Growth Opportunities
- Broader Expertise and Depth of Resources

SVA + Plumb = More Ways to Help You

- **Stronger Investment & Trust Team**
 - Greater experience
 - Complementary skills
 - Shared client driven vision
- **Broader Product Offering**
 - Trust services, financial planning, market analysis
 - Asset allocation models, mutual funds, separately managed accounts
- **Bigger Market Opportunity**
 - Better service multi-generational clients
 - Institutional and retail markets



2011 Estate, Gift and GST Tax Changes – A Window of Opportunity

*“The hardest thing in the world
to understand is taxes.”*

- Albert Einstein

2010 Tax Relief Act (December 17, 2010)

- Higher exemption amounts
- Lower tax rates
- Portability of estate tax exemption

Summary of New and Old Gift and Estate Tax Rates and Exemptions

Year	Lifetime Gift Tax Exemption	Total Gift and Estate Tax Exemption*	GST Tax Exemption	Gift, Estate and GST Taxes Top Rate
2009	\$1,000,000	\$3,500,000	\$3,500,000	45%
2010	\$1,000,000	\$5,000,000	\$5,000,000	35%
2011	\$5,000,000**	\$5,000,000**	\$5,000,000**	35%

* Estate tax exemption amount is reduced by lifetime taxable gifts

** Indexed for inflation after 2011

Wisconsin

- No Wisconsin estate tax in 2011 and 2012

2013

- Total gift and estate tax exemption returns to \$1,000,000
- Gift, estate and GST tax top rate is 55%
- Window of opportunity

Portability

- Estate of the surviving spouse can utilize the unused portion of the decedent's gift and estate tax exemption
- Can be used while the surviving spouse is alive for gift tax purposes
- GST exemption is not portable

Disadvantages of Portability

- Relying solely on the portability rule is risky because it is dependent upon the personal representative of the first deceased spouse making an election
- Future income and appreciation in assets included in surviving spouse's estate

Advantages of Funding a Trust at First Spouse's Death

- Asset protection from creditors and divorcing spouses
- Management and control over the assets
- Protecting assets from remarriage of the surviving spouse
- Protect against spendthrift family members

Tax Planning Opportunities in 2011 and 2012

Taxable gifts in 2011

- \$5,000,000 lifetime gift tax exemption (with a 35% tax rate on taxable gifts over \$5,000,000)
- Utilize the additional \$4,000,000 of gift tax exemption to shelter future growth from estate tax
- Clawback provision

Tax Planning Opportunities in 2011 and 2012

Take advantage of:

- Annual exclusion
- Low Interest rates
- Discounts
- Low values due to economic conditions

Annual Exclusions

- \$13,000 (\$26,000 if married and elect gift splitting)
- Indexed for inflation
- Use it or lose it
- Direct payments of tuition and medical expenses do not reduce annual exclusion but are in addition to

Techniques

- Grantor Retained Annuity Trust (“GRAT”)
- Intentionally Detective Grantor Trust (“IDGT”)
- Family Limited Partnerships (“FLP”)
- Family Loans
- Section 529 Plans

Charitable IRA Rollover

- 2011
- At least age 70½ at time of rollover
- Up to \$100,000
- IRA custodian directly transfers to a public charity
 - Not to a donor advised fund
 - Not to a private foundation
- Applies to IRA/Roth IRA
 - Not SEPS
 - Not SIMPLE IRAs
 - Not 401(k)s, 403(b)s
- Wisconsin does not follow

Charitable IRA Rollover Results

- Distributions not reported as taxable income
- Satisfies minimum distribution requirements
- No charitable contribution deduction

It's Not Just About Taxes

- PIT Approach
- Do you have all the necessary estate planning documents?
- Documents that use formulas to take advantage of various tax benefits should be looked at to make sure they still accomplish the desired planning goals
- Are retirement plan and life insurance beneficiary designation forms properly completed?

A Two-Year Window of Opportunity

- PIT Approach
 - Personal objectives
 - Income needs during lifetime and for survivors
 - Taxes



Retirement Investment Strategy

So Much to Consider...

- Longevity
- Inflation
- Market volatility
- Investment management
- Portfolio withdrawals
- Other income sources
- Living expenses
- Health and long-term care costs

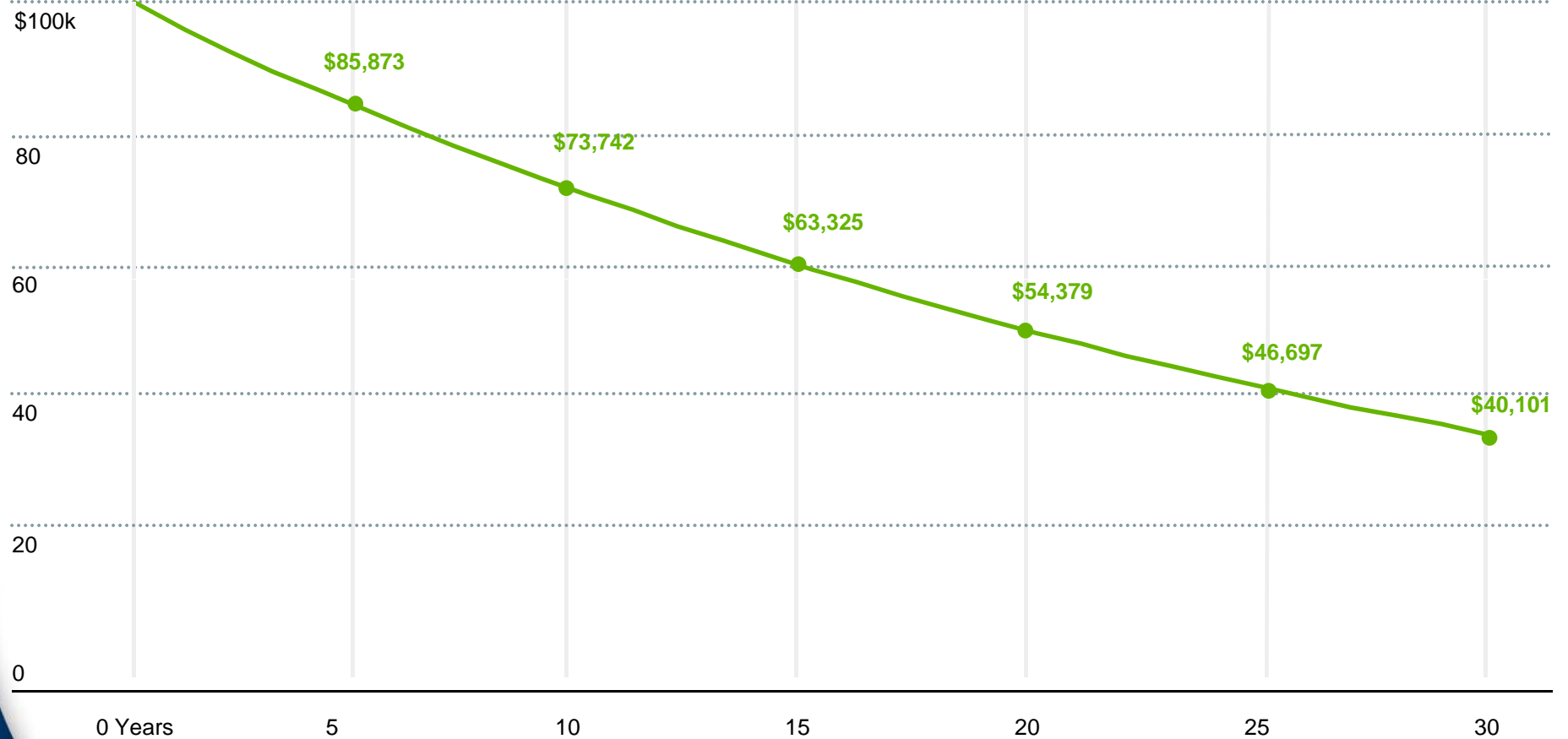
A Few Key Risks

- Longevity
 - Current age 65, 50% chance:
Male lives to 85, female to 88, joint to 92 (!)
- Inflation
 - \$100K after:
 - 10 yrs = \$74,409
 - 20 yrs = \$55,368
 - 30 yrs = \$41,199

Longevity source: Society of Actuaries, Annuity 2000 Mortality Tables.
Inflation assumption: 3% annually.



Inflation Erodes Purchasing Power



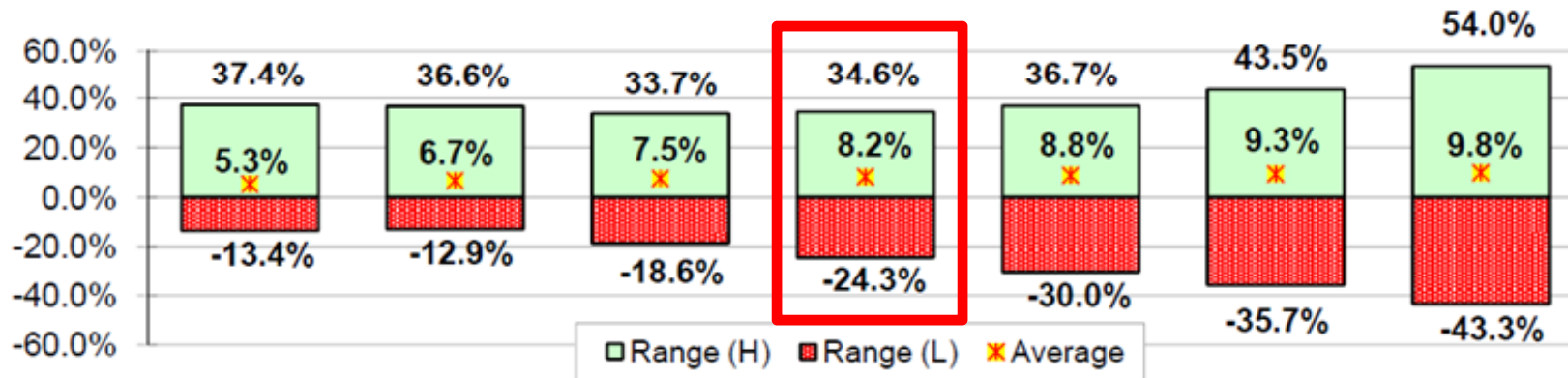
This chart shows 3% inflation (the average from 1926-2010). **Past performance is no guarantee of future results.** This is for illustrative purposes only and not indicative of any investment. © 2011 Morningstar, Inc. All rights reserved. 3/1/2011



Range of Annual Investment Performance

Stock Funds	0%	20%	35%	50%	65%	80%	100%
Bond Funds	90%	80%	65%	50%	35%	20%	0%
Money Market	10%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%

**Historical Range of Annual Investment Performance
(1926 - 2009)**



Source: *Stocks, Bonds, Bills, and Inflation Yearbook*, by Ibbotson Associates. Time period is 1/1/1926 through 12/31/2009. Past performance is not a guarantee of future results. Stock funds are represented by the total return on the S&P 500 Index (1957-present) and the S&P 90 (1926-1956), which includes reinvestment of dividends. The S&P 500 is an unmanaged index comprised of 500 widely held securities considered to be representative of the U.S. stock market in general. Bond funds are represented by long-term government bonds with a maturity near 20 years. Money market funds are represented by U.S. Treasury bills with approximately 30 days to maturity. Calculation of average annual return was calculated using the geometric mean of the returns for each investment objective from 1926-2009.

Diversification

Annual Returns for Key Market Sectors

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
8.4%	10.3%	47.3%	20.3%	13.5%	26.3%	11.2%	5.2%	31.8%	26.9%
2.5%	-15.9%	38.6%	18.3%	4.9%	18.4%	7.1%	-33.8%	27.2%	15.1%
-11.9%	-20.5%	28.7%	10.9%	4.6%	15.8%	5.5%	-37.0%	26.5%	7.8%
-21.4%	-22.1%	4.1%	4.3%	2.4%	4.3%	-1.6%	-43.4%	5.9%	6.5%

LEGEND			
Large U.S. Stocks (S&P 500)	Small U.S. Stocks (Russell 2000)	International Stocks (MSCI EAFE)	U.S. Bonds (Barclays Aggregate)

Source: Callan Associates Inc.

Disclosure: Past performance is not indicative of future results.



Thinking About Your Portfolio

Stocks

Bonds

My balance went
down this month.

OR

Stocks

More volatile.
Money I need later.
I can handle the risk.

Bonds

More stable.
Money I need soon.
I can sleep at night.

Trying to Predict the Market?

- Hypothetical \$1,000 investment in S&P 500 Index.
- 15-year period 12/31/1984 – 12/31/2009.

	Stayed Invested	Missed Top 5 Days	Missed Top 15 Days	Missed Top 25 Days
Ending Value	\$12,003	\$7,769	\$4,484	\$2,865
Annual Return	10.4%	8.5%	6.2%	4.3%

Source: Ned Davis Research, 12/31/09, cited by Oppenheimer Funds. The chart shows the results of a \$1,000 hypothetical investment in the S&P 500 Index on 12/31/84 held through 12/31/09 compared to similar hypothetical investments in stocks that were not invested on the days that were the market highs during the period. The S&P 500 Index is a broad-based measure of domestic stock market performance that includes the reinvestment of dividends. The index is unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance does not guarantee future results.



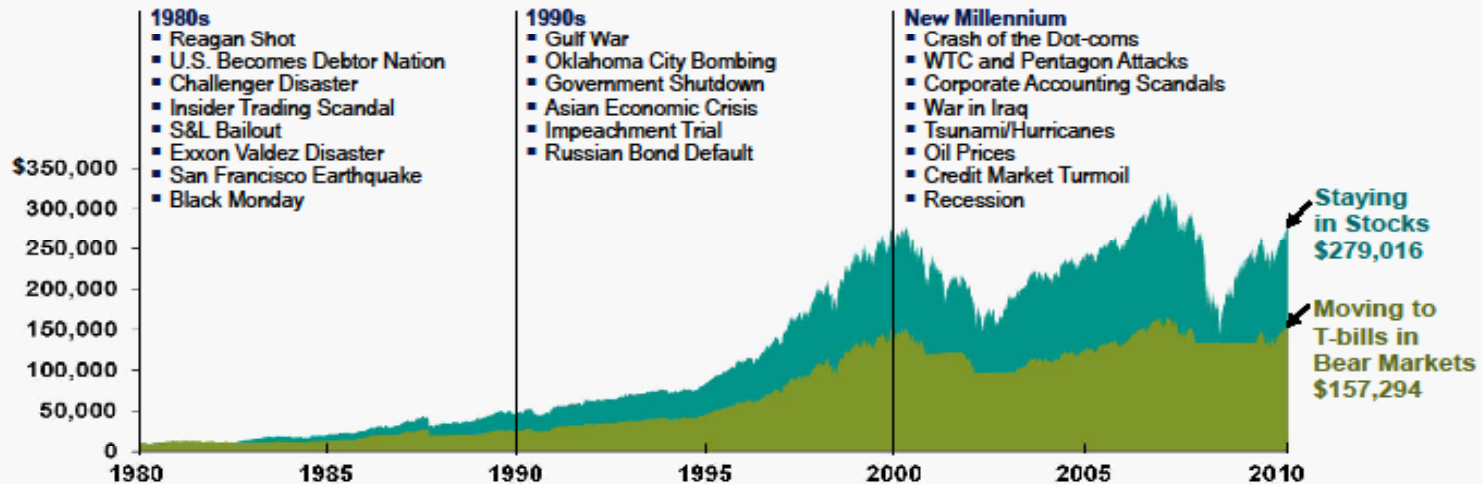
Move to T-bills – Not a Valid Strategy

OPPENHEIMERFUNDS PULSE OF THE MARKET

Stay the Course

Staying in Stocks vs. Moving to T-bills in Bear Markets

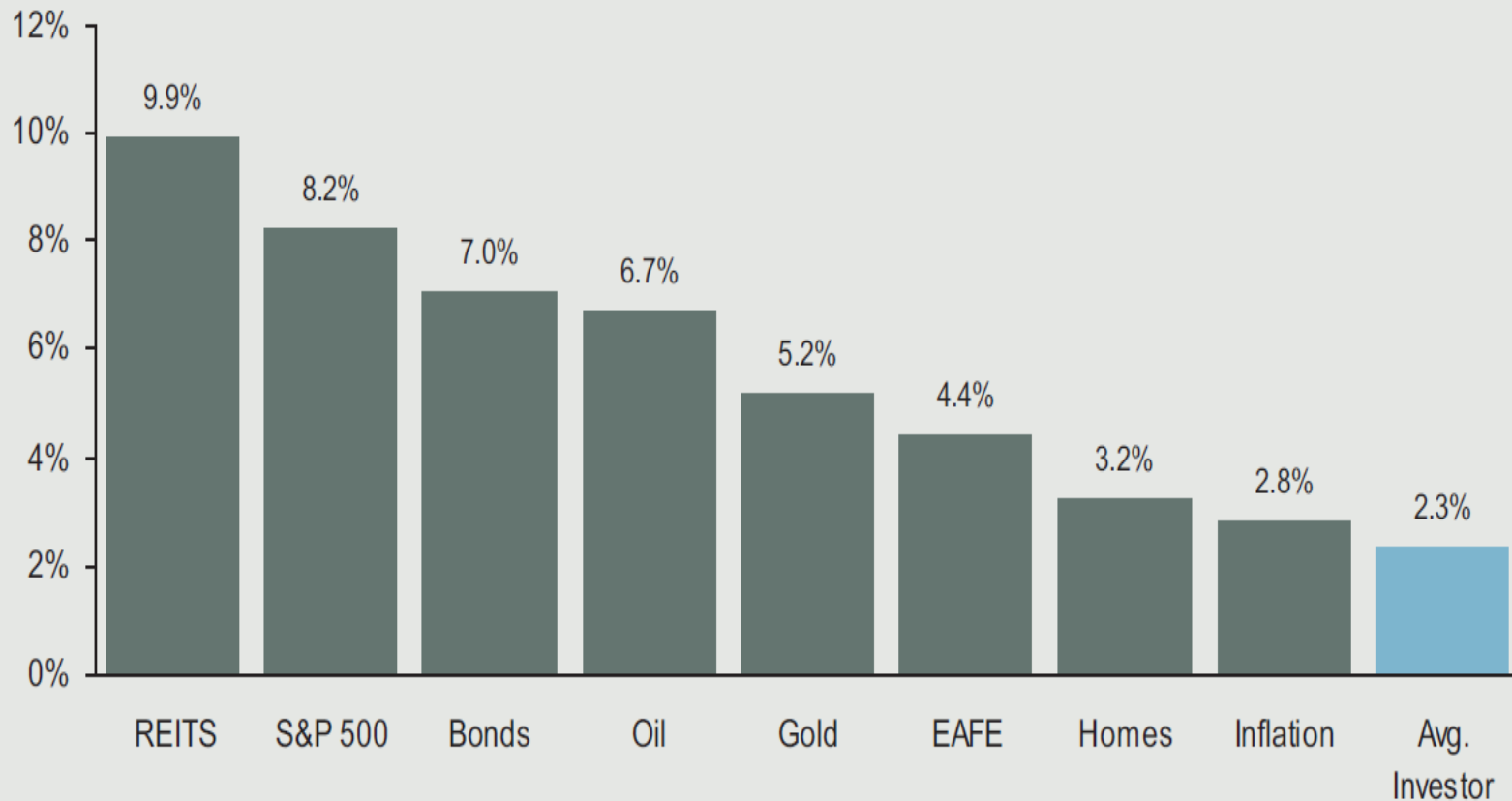
Growth of \$10,000 (1980–2010)¹



1. Source of chart data: Ned Davis Research, 12/31/10. The chart depicts the growth of a \$10,000 hypothetical investment in the stocks in the S&P 500 Index on 1/2/80 held to 12/31/10. The chart also depicts the growth if an investor had cashed out of the market following each 20% decline in the market, invested in a 90-day Treasury Bill for one year and then re-entered the market. The S&P 500 Index is a broad-based measure of domestic stock market performance that includes the reinvestment of dividends. The index is unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance does not guarantee future results. Due to ongoing market volatility, current performance may be more or less than the results shown in this presentation. The performance information does not show the effects of income taxes on an individual's investment. Taxes may reduce your actual investment returns or any gains you may realize if you sell your investment. An investor's shares, when redeemed, may be worth more or less than the original cost.

The Investor Behavior Penalty

20-year Annualized Returns by Asset Class (1990 – 2009)



Source: J.P. Morgan Asset Management, Q3 2010 Guide to the Markets, p. 51. Chart for illustrative purposes only. Past returns are no guarantee of future results. The indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sales price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc. which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. All returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/09 to match Dalbar's most recent analysis.



Importance of Rebalancing

- Static portfolio: risk can increase over time.

Stocks	50%	51%	73%	62%	57%
Bonds	50%	49%	27%	38%	43%
Year	1989	1994	1999	2004	2009

SOURCE DATA: Stocks, Bonds, Bills, and Inflation Yearbook, by Ibbotson Associates. Stocks are represented by compound annual total returns of the S&P 500 index. Bonds are represented by compound annual total returns of Intermediate-Term Government Bonds with maturities near 5 years.

Asset Location

- Taxable: capital gain assets
 - Brokerage account
 - Stocks
- Tax-deferred: ordinary income assets
 - Traditional IRA, Traditional 401(k)
 - Bonds, money market, real estate
- Tax-free: highest expected growth
 - Roth IRA, Roth 401(k)
 - Small-cap and international stocks

Investing: Final Wisdom

To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.

-Warren E. Buffett, Preface to The Intelligent Investor by Benjamin Graham

And Time. And Discipline. And Desire.



Financial Planning: The Broader Picture

Investment Withdrawals: How Much? When? From Where?

- Generally: taxable & tax-deferred before tax-free
- Based on tax planning each year
 - Take advantage of lower-income years
- Supplement other sources of income
- Be realistic: 4% per year for 30-year period
 - With annual inflation increase
 - \$1M portfolio = \$40,000 per year

Social Security Basics

- Can start at 62 = reduced benefits
- Full Retirement Age (FRA) = full benefits
- Adjusted for inflation (COLA increases)
- About 8% more per year for waiting (until age 70)
- Before FRA: \$14,160 earned income limit (2011)
- Any age: Up to 85% of social security is taxed
- Married couples can do some planning

Social Security: Actual Client Example

- 66-year-old couple; Soc Sec income not needed
- Husband's benefit @ 66 = \$2,300 / month
- Wife's options @ 66:
 - Hers (\$300/mo) or ½ husband's (\$1,150/mo)
 - Key: husband files for benefits, then suspends
- Results:
 - Wife gets \$850 more/mo until age 70 (\$1,150 - \$300)
 - Husband waits to collect - \$3,000/mo at age 70 (30% more than at age 66)
 - Wife gets \$700 more/mo for rest of her life after husband dies (\$3,000 - \$2,300)

Health Insurance

- Before age 65
 - COBRA
 - Part-time job
 - Professional association
 - Buy in individual market
 - Insurability, cost
 - Use a knowledgeable agent
 - Consider high-deductible health plan
 - Wisconsin Health Insurance Risk-Sharing Plan

Health Insurance

- After age 65
 - Medicare Part A = hospital
 - Medicare Part B = outpatient
 - \$96.40 per month for joint income below \$170K (2011)
 - Medicare Part D = drugs
 - Cost varies: typically \$40-80/person/month
 - “Medigap” policy = fills gaps in Medicare
 - Cost varies: typically \$125-250/person/month

Long-Term Care Insurance

- Madison cost averages (2009, private room)
 - Nursing home \$86K/year, assisted living \$45K/year, home health \$29/hour
- Reasons to buy insurance:
 - Ensure access to quality care
 - Avoid burdening spouse or other relatives
 - Protect inheritance for family
 - Peace of mind

Source for costs: MetLife Mature Market Institute. 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs. October 2009.



Long-Term Care Insurance (cont.)

- Reasons not to buy insurance:
 - Cost
 - Family history
 - Health status
 - Risk of future premium increases
- Other notes:
 - Doesn't hurt to get quotes
 - Use a knowledgeable agent
 - Use a top-rated company with experience in the LTC marketplace

Step 1: Identify Financial Goals

Needs

10 Retirement – Living Expenses



\$110,000 from 2013 through 2040 (Both retired)
\$90,000 from 2041 through 2044 (Margaret alone – retired)

John retires in 2013 at age 63
Planning age is 90 in 2040
Margaret retires in 2013 at age 61
Planning age is 92 in 2044
Retirement period is 31 years
Base Inflation Rate (3.00%)

Wants

7 Annual Travel



\$12,000 at John's retirement

Recurring every year for a total of 15 times
Base Inflation Rate (3.00%)

6 Anne's Wedding



\$30,000 in 2013

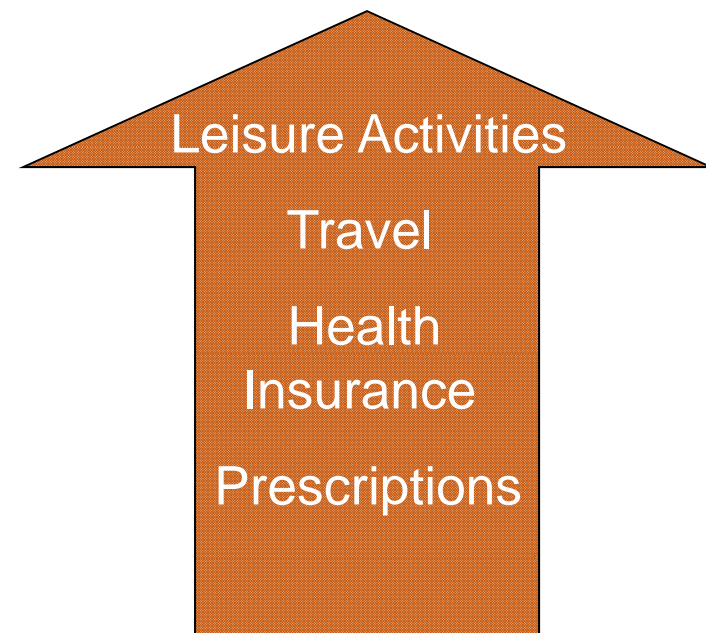
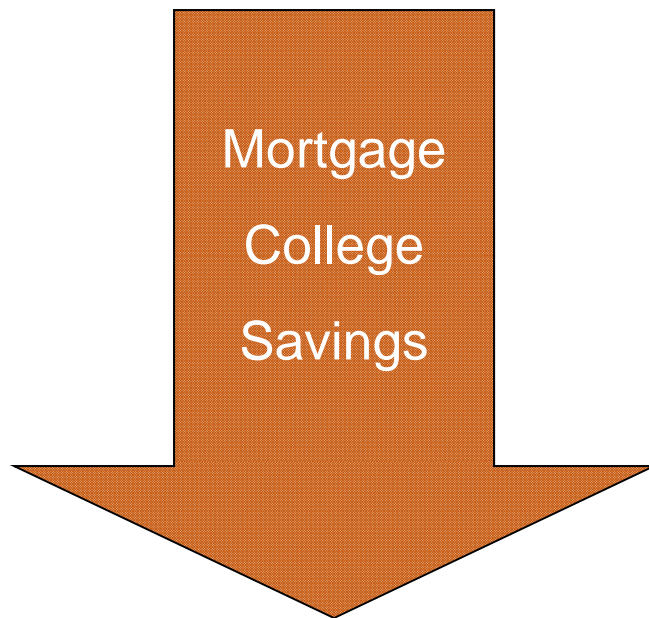
One time only
Base Inflation Rate (3.00%)

Step 2: Determine Current Spending

- Track every penny for 30 days
- Spreadsheet, Quicken, www.mint.com
- Remember infrequent expenses
- Necessary vs. discretionary

Step 3: Estimate Retirement Spending

Decreased Expenses



Increased Expenses

Step 4: Inventory Resources

- Earned income
- Retirement investments
 - 401(k), Deferred comp, IRAs, etc.
- After-tax investments
 - Brokerage accounts, savings, CDs
- Social Security
- Pension
- Sale of business or practice
- Real estate
- Stock options
- Inheritance

Step 5: Put It All Together

- Do you project to fund all your goals?
 - Using average investment returns
 - Using variable investment returns
- If Yes, what can you do to stay on track?
- If No, what can you change?

Thank You!

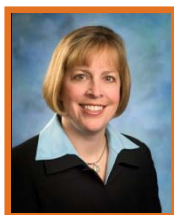
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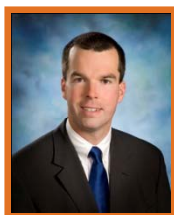
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