The Darnell Financial Planning Team

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Quarterly Insight

INSIDE THIS ISSUE:

Thank You!

We would like to take this opportunity and take a moment to thank you for being a client. A smile shows up on my face as I go in to work every day, and thanks to my clients it remains on my face as I leave work at the end of the each day. A good friend of mine once told me that a job is something you are "instructed" to do and a career is something you "choose" to do. Shortly after entering this profession several years ago I quickly realized that I had chosen my career.

Some of you have known me for quite some time, while others have come to know me more recently, but regardless of the time spent with me as a client, I hope that you continue to feel that you are receiving the best possible service from us. I really cherish the fact that each day we have the opportunity to help our clients tackle financial decisions that, in the end, move them one step closer towards reaching their goals. It is my belief that a financial planner can only be as good as their clients let them be. By this I mean, the sharing of information with me about you, openly and regularly allows me to formulate recommendations in the best possible manner. Please do not hesitate to share with us your expectations of us, and we are always open to hear suggestions or comments you may want to share. Thank you again for allowing me to serve as your financial planner.

Reminder about our new location

We had our Open House in September and it was a HUGE success! We want to thank those of you who were able to stop by. For those who haven't been able to come in we just want to have a quick reminder that our new address is ***1101 Marsh Street.*** We are located at the corner of Marsh and Santa Rosa Streets. Next time you are in San Luis Obispo make sure and stop by to say hello!

New Roth IRA Conversion Opportunity

"Money in a Roth IRA can grow tax-free and can be withdrawn tax-free at retirement."

One important change that will take effect soon concerns the Roth IRA. Starting in 2010, you will be allowed to convert all or a portion of a Traditional IRA to a Roth IRA, which would allow you to withdraw your earnings tax-free at retirement. Prior to 2010, if your modified adjusted gross income (MAGI) was more than $100,000, the tax rules prevented you from converting your Traditional IRA to a Roth IRA. Effective January 1, 2010, there is no earnings limit.

Money in a Roth IRA can grow tax-free and can be withdrawn tax-free at retirement. You also don't have to worry about taking Required Minimum Distributions (RMDs) when you reach age 70½, as you do with a Traditional IRA. On a similar note, your beneficiaries will receive the money from your Roth IRA income tax-free, but must begin taking RMDs after your death.

Although converting a Traditional IRA to a Roth IRA may not be right for all investors, it may be worth considering if you: 1) Can leave the money in the account for five years or more *and* you are at least age 59½, 2) Expect tax rates to rise in the future and, as a result, would rather pay taxes now, 3) Can pay the resulting income taxes from a source other than the IRA so that the full amount of the Traditional IRA goes into the Roth IRA to have the opportunity to grow until withdrawal.

Yes, you may have to pay income tax on some or all of the converted amount since most contributions and growth in a Traditional IRA has not yet been taxed. Plus, if you have more than one Traditional IRA, you'll have to factor all of them (including employer-sponsored SEP and SIMPLE IRAs, but not including your spouse's IRAs) in the calculation to determine how much of the conversion amount will be taxable — ***even if you are not converting all of them***.

However, to help ease the tax pain, Congress has approved a special rule for conversions that are completed in 2010 only — you can pay half of the taxes when you file your 2011 tax return and the other half when you file your 2012 tax return. This special rule for 2010 may also appeal to you if paying the taxes was your main obstacle to converting.

IRA conversion rules and tax calculations can be complicated. A misstep could result in unforeseen income taxes or penalties. We encourage you to discuss the conversion options not only with us but your tax advisor as well.

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Remember to "pay yourself first, because nobody else will."

Concerned about your financial security?

During the past year, I have heard my clients express their concerns about job safety, stock market performance, and the overall direction of the economy. My team continues to dedicate its time to addressing our client's concerns with prudent financial advice and recommendations. It is immensely satisfying to see my clients reach their financial goals; whether it is putting a down payment on their first home, affording a child's college education, or transitioning into retirement with assets sufficient to maintain their lifestyle.

Times may be tough right now, but it should not deter you from developing a plan that focuses on financial security. Financial planning does not only focus on investments and retirement planning; it also focuses on insurance and estate planning. Consider evaluating your current financial plan by asking yourself the following questions:

- Do I have enough money set aside to cover my living expenses for 3-6 months should I lose my job?
- Do I have adequate life insurance in place to protect my loved ones should something happen to me?
- Do I have the appropriate estate planning documents in place to protect my family should something happen to me?
- Am I adequately saving enough money into a retirement account on a monthly basis to live comfortably when I decide to retire?

All-in-all I spend a good amount of my time reading and gaining an understanding of a variety of subjects that may have an impact on my clients, so you don't have to. These are important questions we all need to ask ourselves regularly and if something changes we need to make adjustments accordingly.

The importance of a regular review

You have most likely heard me express to you the importance of regular meetings. This is why I do not charge an hourly rate or fee to my clients for meeting with me. Traditionally, I have encouraged a review at least once a year, but as a result of the current climate I am recommending a review at least every six to eight months. The review can occur in person or over the phone if you are unable to come in. Coming in for a review will also give you the opportunity to see our new location. Lastly, I want you to feel comfortable knowing that you are welcome to contact us whenever you feel the need, we are always available by phone or email and am quick to return your calls. In light of the new Roth IRA conversion opportunities as well as the overall market climate, we hope to hear from you soon to set up an appointment

*****Investors should carefully consider their investment objectives, risks, charges and expenses when considering a change of investment strategy. We encourage you to come in and discuss your portfolio with us.***