Asset Management Resources, LLC
One Sentry Plaza
1185 Falmouth Rd, Ste 101A
Centerville, MA 02632
508-771-8900
Toll 866-771-8901
info@amrfinancial.com
www.AMRfinancial.com

Happy Spring!
What amazing weather we have been enjoying. It makes tax season much more bearable. Hopefully, you are almost done with your tax return. Now is a great time to review your portfolio and do some financial planning since all those facts and figures are fresh in your mind. Together we can work to ensure you are on track to reach your goals.

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eResources Review

Asset Management Resources' E-mail Newsletter

Four Money Mistakes You Might Be Making

Three years after the economic crisis led many Americans to re-evaluate their financial picture, economic uncertainty is still the norm. While there's little you can do about the shaky economy, you can help stabilize your own finances over the long term by evaluating what you're doing right ... and wrong. There's no guarantee, but avoiding these four money mistakes may help you survive and ultimately thrive in any turbulent economy.

Mistake 1: Jumping on the bandwagon

Are you letting economic news--good or bad--control your financial decisions? For example, are you selling gold because you've heard that prices are at record highs or buying real estate because you've heard that prices are at record lows? Have you decided to pull most of your money out of the stock market because you've seen headlines warning of a possible financial crisis?

Unless you're basing your decisions on your own needs and circumstances rather than on the opinions or actions of others, you can't be sure you're doing what's right for you. Instead of jumping on the bandwagon, take a proactive, rather than reactive, approach to your finances, no matter what economic news you're hearing or what other investors are doing. Revisit your tolerance for risk and your own financial goals, and try to prepare yourself for a variety of scenarios. Avoid basing money decisions on emotion, or you may find yourself facing unanticipated consequences down the road.

Mistake 2: Only saving what's left over

Do you continue to worry that you're not saving enough? Do you routinely rely on credit rather than cash to pay for the things you want or need? Rather than blame your financial inertia on your income, look a bit deeper, because the real culprit may be the lack of financial priorities. If you don't know exactly how you're spending your money and you haven't set financial goals, it's unlikely that you'll see much financial progress.

Go back to basics by preparing (or reviewing) your budget. If you tend to save only what you have left over every month, you can put yourself on a more disciplined course by having a fixed amount taken out of your paycheck automatically for retirement. Or, you can set up automatic transfers from your checking account to a savings or investment account.

Mistake 3: Not having an emergency fund

One lesson that you may have learned over the past few years is that the job market isn't stable. That's a major reason why one of your savings priorities should be an emergency fund. While it isn't glamorous, this underappreciated workhorse really pulls its weight during hard times. Having cash on hand that you can use for an unexpected expense, or to pay bills if you lose your job, is vital because it can help you avoid having to rely on credit or tap your retirement savings. If you don't have emergency savings to fall back on, a minor money shortfall can quickly turn into a major cash crisis.

Mistake 4: Not asking for help

Even if your finances are in good shape right now, you may be overdue for a checkup. Reviewing your finances is especially important during periods of volatility because it can help reveal potential strengths and weaknesses, and identify changes you might need to make to adjust to the current economic climate. And if you're already in financial trouble, don't let fear or shame prevent you from asking for help. Facing financial problems early may help you make a full recovery. Many creditors are willing to work with you, but this may be much easier while your credit is still good, and while you still have time to turn things around.

See disclaimer on final page

Business Owner Succession Planning

What will happen to your business when you become disabled, retire, or die? You will generally need to identify someone to transfer your ownership interest to family members, co-owners, key employees, or an outside party. There are many options for you to consider.

Every successful business owner must eventually face the question: What will happen to my business when I become disabled, retire, or die? Sooner or later, you will generally need to identify someone to transfer your ownership interest to family members, co-owners, key employees, or an outside party. Without a succession plan, the business may need to be liquidated.

Successor management

One of the first questions that should probably be addressed is: Do you have successor management readily available to run your business? Without it, the business may fail. You might look among co-owners, family members, and key employees for candidates. It may be necessary to train successor management, helping others develop their skills or even bringing in new talent. Of course, if you sell to an outside party, that party may provide their own management. It should be noted that successor management can, but need not, be the same as the successor owners.

Co-owners

If you have co-owners, you and your co-owners may wish to keep ownership limited to a select group. One way to do this, while providing a market for your interest in the business, is for you and the other owners or the business entity to enter into a buy-sell agreement. A buy-sell agreement is a legally binding contract in which the owners of a business set forth the terms and conditions of a future sale or buyback of a departing owner's share of the business. Specifically, buy-sells control when owners can sell their interests, who can buy an owner's interest, and at what price.

Family members

Keeping the business in the family can present many issues that may contribute to the success or failure of the business as it is transferred to the successor generation. Do you wish to sell the business to family members, make gifts or bequests of interests, or perhaps use some combination of these? Do you need income for retirement, for your surviving spouse, or for the payment of final expenses? You may need to provide compensation to family members working in the business and profits to family members retaining an ownership interest, while cashing out some family members or otherwise providing for them.

Gifts you make are generally subject to federal gift tax. But you can make gifts of up to $13,000 per recipient per year free from gift tax using the annual exclusion. You can effectively double that amount by splitting gifts with your spouse. You can often obtain significant valuation discounts by making gifts of interests in a family limited partnership or a family limited liability company.

In 2012, you can also make gifts or bequests of up to $5,120,000 that are sheltered from federal gift tax and estate tax by the basic exclusion amount. This limit applies to all gifts you make during life and to your estate at your death. Under some circumstances, spouses may be able to effectively double the limit by splitting gifts with a spouse or by using the unused exclusion of a deceased spouse (portability). Note, though, that unless Congress acts, in 2013 the exclusion will be reduced to $1 million and portability expires. Similar exclusions or exemptions apply for generation-skipping transfer (GST) tax purposes, an additional tax imposed when the transfer is to someone two or more generations younger than you. There may also be state gift, estate, or GST tax to consider.

Sales to family members can utilize buy-sell agreements and installment sales. Installment sales allow the family member to make payments over time.

Key employees

You may have some key employees working for you, who provide some unique skills and value to your business, and who have an interest in owning the business. You may be able to sell the business to them utilizing buy-sell agreements and installment sales. A business can also be sold to an employee stock ownership plan (ESOP), a tax-favored retirement plan for employees.

Outside party

In some cases, succession is not practical using transfers to co-owners, family members, and key employees. Or it may be that you need to obtain the highest possible price for the sale. In that case, selling to an outside party may be the answer.

Income tax consequences

Generally, the sale of your interest in a business will result in capital gain or loss tax treatment. You generally receive a tax basis stepped up (or stepped down) to fair market value for property you own at your death. Therefore, there will generally be no capital gain if your estate sells your interest shortly after your death. Also, if you sell your interest in an installment sale, capital gains (if any) are generally not taxed until installment payments are received.

Non-Equity Alternatives to Rock-Bottom Yields

As interest rates have fallen to record lows and stayed there in recent years, the yield on your savings may be stuck in neutral. If you've focused on capital preservation and kept your assets in U.S. Treasuries, a money market account, or certificates of deposit, you may have minimized the chance of the financial equivalent of a car crash. However, you also may not be happy letting your portfolio's engine idle forever.

Dividend-paying stocks are one solution, but last year's volatility has made many investors wary of committing more money to equities. Though past performance is no guarantee of future results, for those who need something more than 2% 10-year Treasury yields and who can handle the additional risks involved, there are other alternatives that could potentially boost overall yield.

Corporate bonds

Many corporations have taken the opportunity presented by low rates to refinance their corporate debt and lower borrowing costs. Though any company could still default on its obligations, of course, and all bonds face market risk, stronger balance sheets have helped lower the overall risk of corporates as a whole. The spread between the yield on Moody's Aaa-rated industrial bonds and 10-year Treasuries at the end of 2011 was roughly 2 percentage points. For a Baa bond (one notch above noninvestment-grade), the difference was over 3 percentage points. Yields on noninvestment-grade bonds (so-called high-yield or "junk" bonds) were higher still, roughly 5% above 10-year Treasuries.

Bank loans

Floating-rate bank loans (also known as senior loans, leveraged loans, or senior secured loans) are a form of short-term financing for companies that usually do not rate an investment-grade credit rating. The rate is typically tied to the London Interbank Offered Rate (LIBOR) and adjusts with it, generally quarterly. As with high-yield bonds, the lack of an investment-grade credit rating means bank loans must offer a higher yield.

As with all debt, investors still run the risk of default. However, bank loans also have benefitted from the favorable corporate finance picture noted above. And because bank loans typically are a company's most senior debt obligation and are secured by some form of collateral, investors have typically recovered a higher percentage of their investment in the event of default than with high-yield bonds secured only by a company's promise to pay.

Finally, as with all bonds, as bond yields rise, the price falls, which could cut overall return enough to offset any yield advantage. For the majority of investors, the most accessible way to invest in floating-rate bank loans is through a mutual fund or exchange-traded fund.

Master limited partnerships

Master limited partnerships (MLPs) can not only offer an income stream in the form of quarterly cash distributions; they also may offer tax benefits. An MLP that receives 90% of its income from qualified passive sources such as oil, natural gas, real estate, or commodities may qualify for tax treatment as a partnership rather than a corporation. If it does so, the MLP is not taxed at the partnership level, and may pass on a greater share of its earnings to the limited partners (i.e., individual investors), who also receive a proportionate share of any depreciation, depletion allowances, tax credits, and other tax deductions.

Many MLPs are managed so as to ensure that those tax benefits offset or eliminate any current tax liability on the cash distributions, which are considered a return of capital and used to adjust the individual partner's cost basis upon sale of the MLP units. An MLP that pursues this strategy successfully can in effect provide a tax-deferred ongoing income stream, which can be particularly appealing to investors in a high income tax bracket. Yields on MLPs vary greatly, depending on the particular MLP's assets and the way in which the general partner manages the business.

MLPs have risks. Because they can be relatively illiquid, an investor should plan to stay invested for a number of years, and individual investors' collective share of cash distributions may decrease over time. Also, the tax issues involved can be complex; for example, MLPs can create problems if held in a tax-deferred retirement account. Finally, commissions and other front-end costs can reduce the amount available for investment.

Data sources: *Corporate bond spreads: Federal Reserve System report on selected interest rates (H.15) as of December 29, 2011. Rates quoted are for Moody's Aaa- and Baa-rated bonds. High-yield bond spread: calculated based on Merrill Lynch High-Yield 100 as quoted on Wall Street Journal Market Data Center as of December 29, 2011.*

Foreign bonds

Yields overseas can be attractive, and they don't necessarily involve investing in countries whose economies or governments are in flux. For example, as of late December, AAA-rated Australian sovereign bonds were paying 3.7%. However, remember that in addition to the risks involved with all bonds, such as interest rate risk, inflation risk, and credit risk, investing overseas involves currency risk; a change in the value of the U.S. dollar relative to its Australian counterpart could eliminate any yield advantage. Also, just as government-sponsored enterprise bonds are not necessarily backed by the full faith and credit of the U.S. Treasury, all foreign bonds are not necessarily backed by their sovereign governments.

Before investing in an MLP or mutual fund, make sure to carefully consider the objectives, risks, charges, and expenses contained in its prospectus, which is available from the fund or partnership. Read it carefully before investing.

Asset Management Resources, LLC
One Sentry Plaza
1185 Falmouth Rd, Ste 101A
Centerville, MA 02632
508-771-8900
Toll 866-771-8901
info@amrfinancial.com
www.AMRfinancial.com

What is an e-closing?

An "e-closing" refers to a real estate closing process where the parties to the transaction (e.g., sellers, buyers, brokers, and attorneys) can access closing documents online so that they can be reviewed and electronically signed prior to the actual closing date. And, instead of receiving a huge stack of papers, the parties get copies of pertinent documents on a CD or other media. Electronic closings can make the process easier, faster, and greener.

E-closings (as well as other paperless transactions) are possible for two reasons. First is the acceptance by federal law (under the Electronic Signatures in Global and National Commerce Act, or E-SIGN) of electronic signatures in lieu of pen and ink (or wet) signatures. Second, new technology is being offered by several companies that allows for a safe, secure, and password-protected process that prepares, transmits, and stores legally binding documents, such as disclosures, loan instruments, and settlement statements. For example, members of the mortgage finance industry (including Freddie Mac) are implementing this technology because it can save time, money, and trees.

E-closings allow the parties to review documents beforehand, facilitating communication among the parties, and reducing the chance of mistakes or other problems on closing day. Once all of the documents have been approved, the parties affix their signatures through a digital pad or stamp, or other device that automatically encrypts it so that it can't be altered. Each party signs once, and the captured signature is automatically applied to all the signature blocks (so, no more hand cramps or scribbled signatures). Documents that require a witness and/or notary can also be signed electronically.

If all goes well, the parties may not even need to actually meet on closing day. Deeds and mortgages can be sent electronically to the proper registry for recording. Any disbursements can also be made electronically. And finally, the documents can be digitally archived for future use.

My office has gone paperless. How do I go paperless at home?

Since the start of the computer age, business offices have been going paperless because it saves time, space, and money; it's easier to stay organized; and there's less impact on the environment. So, how can you go paperless at home? Here are some tips.

First, though it may seem overwhelming, start slowly making easy changes that will move you towards less and less paper.

First arrange to get your bills electronically, and pay them online. Set up automatic payments with your bank for recurring payments, or consider a bill-paying service. Otherwise, you may need to create a system reminding yourself to pay bills on time so that you don't incur past due fees or interest charges.

Sort through your existing paper. Scan all documents you need to keep and save to PDF. Make sure to name your e-files so they're easily identifiable and accessible, and keep them well-organized. Shred (and recycle) documents you do not need to keep, especially if they show personal information, such as account numbers or your Social Security number. Invest in a good scanner and shredder.

Keep your e-files safe and secure by adding a firewall and using software that provides adequate security. Back up your computer at least once a month using a CD, external hard drive, or an online remote back-up service (i.e., in the "cloud"). Use logins and passwords that are secure, and try to suppress the urge to repeat them. There are online tools that store this type of information.

Keep things like calendars, address books, recipes, and photos digitally. Toss things you tend to keep for sentimental reasons, like holiday cards and ticket stubs. Purge magazines, newspapers, journals, and books from time to time, and get them online if possible.

Contact senders of junk mail and catalogs you don't want and ask them to remove your name from their mailing list. They may not do it, but you can try.

Remember, though, there are paper files you should keep, such as medical records, Social Security cards, warranties and manuals, and tax, legal, and insurance documents. Keep these vital records in one safe location.