NOVEMBER 2014

To End All Wars

November 11, 1918. The final shots were fired in a war that claimed millions of lives, maimed millions more, and destroyed what had been the 'status quo' in not only Europe, but the middle east as well.

With the signing of the Armistice in Compiegne, another type of conflict was unleashed. Europe 'balkanized' and the Ottoman Empire collapsed into a series of countries, some invented out of whole cloth.

With the return of American soldiers from the battlefield, they brought with them the 'flu'. The 'flu' epidemic eventually killed over 600,000 Americans. Americas retreat behind its oceans was capped off by the defeat of the "League of Nations" treaty by the US Senate.

Events large and small set the stage for massive economic troubles in Europe, prosperity in the US and Canada, unrest in Mexico, a great stock market crash, Depression, and a more far reaching and deadly conflict called WWII.

'To end all Wars (contd)'

Some people might ask me 'what does this have to do with insurance and financial planning? This is a good question. My response is simply this: during this time period how many fortunes were lost in the stock market and other speculation? The follow up question I would ask is: how many fortunes and estates were ***PROTECTED*** from calamity by using insurance products?

History teaches us about calamity, war, dissention and strife. So does the Old Testament. Uncertainty; like prosperity are always just around the corner. What world events also teach us is that if we are able to become 'ego-less' about our plans and wealth, we can see the need for prudence and commitment; taking action to safeguard what we have accumulated.

Personal Prosperity is the Armistice between risk and prudence. In order to **'End all Wars'** a person needs to take action to defend their lives against the unknowns of our current economy.

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"Because you have disheartened the upright man with lies when I did not wish him grieved, you have encouraged the wicked man not to turn from Evil conduct and save his life; I will rescue my people from your power. Thus you shall know that I am the Lord."
Ezekiel, 13, 22-23

NEW ADDRESS!

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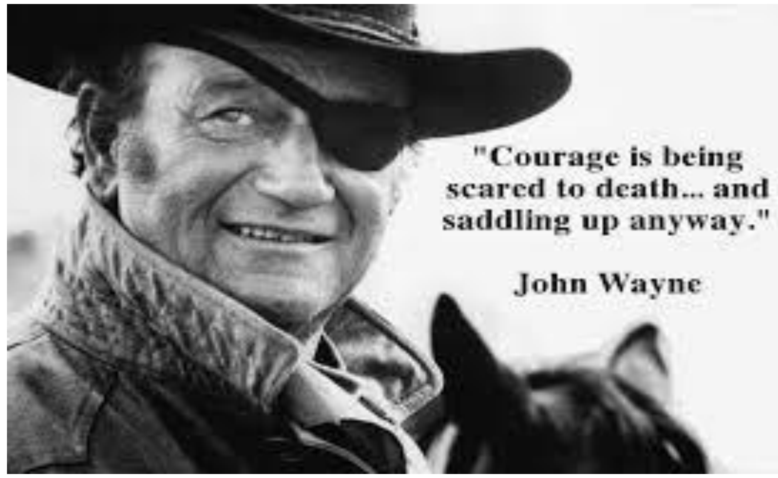
What Is a Power of Attorney?
A power of attorney is a written document in which one person -- the principal --authorizes another person -- the attorney-in-fact -- to act on the principal's behalf.

What Authority Is Granted by a Power of Attorney?
The authority granted by a power of attorney depends on the type:
General Power of Attorney: The authority granted is very broad...the attorney-in-fact is granted essentially the same legal authority held by the principal. This means that the attorney-in-fact can exercise such powers as making gifts, buying and selling assets and filing tax returns on behalf of the principal.
Special Power of Attorney: The authority granted to the attorney-in-fact is limited to those powers specifically defined in the document. The authority granted by both a general and a special power of attorney is typically limited to acts performed on behalf of the principal while the principal is competent, which brings us to a third type of power of attorney:
Durable Power of Attorney: The attorney-in-fact is authorized to act on behalf of the principal even if the principal becomes incapacitated. In fact, a durable power of attorney can become effective immediately, or it can become effective only if the principal later becomes incapacitated.

Why Should You Consider a Durable Power of Attorney?
In the event of future incapacitation, a durable power of attorney can be particularly useful in:

- **Estate Planning/Management:** The attorney-in-fact acquires the authority to implement an estate plan and manage the principal's estate during a period of incompetence.
- **Daily Living:** A durable power of attorney can give the attorney-in-fact the authority to manage such practical issues as making living arrangements for a disabled person and paying the bills.



What Are the Obstacles to Successful Retirement Planning?
There are a number of obstacles that you may face in planning for your retirement:

Many people find it difficult to form the habit of “paying themselves first,” by making regular deposits to a savings plan.

Money is saved for retirement purposes, but then is spent to make purchases.

Income taxes can erode the growth of your retirement savings.

Longer life expectancies increase the risk of retirees outliving at least a portion of their retirement income.

Longer life expectancies also increase the risk of inflation eroding the purchasing power of retirement income. For example, if inflation increases at 3.5% a year, it would require over $1,400 in 10 years in order to maintain the original purchasing power of $1,000.

Failure to manage Risk. Funds meant for retirement income are left in the stock market for too long, ending up in funds lost to bad advice and over reliance on mutual funds to generate income,

Since Social Security and your company pension plan probably will not provide the income you need for a financially-secure retirement, how can you overcome the obstacles you face in planning for retirement?

At Scheiber and Associates, this is our expertise.

TAKING THE RIGHT TURN

by Dr. John C. Maxwell

As president of Ford Motor Co., Robert McNamara once briefly pondered a decision made by one of his executives and then asked him, "What did you decide not to do?" It wasn't that McNamara thought the executive had made a poor decision –but how could he know for sure if he didn't know what options had been rejected? McNamara wanted to be satisfied that multiple options had been considered. He didn't settle for the obvious decision, even if it looked good on the surface. He wanted the best decision. Why is it important to consider multiple options during the decision making process? Here are three reasons:

1. With options come possibilities.

Driving in Atlanta traffic has trained me to become a student of the routes and time because they help define my options. If we don't have options or if we don't know our options, we're stuck. We have little choice but to stay in the traffic jam. In decision making, if we do not have options, we only have one decision. And that decision may be the wrong decision, or it may not be the best decision.

2. With options come insights.

The more options we have, the more we can see what is not obvious to others. And people who are successful see what is not obvious to others. they just see what others don't seem to see. Successful people engage that creative part of their minds and ask, "Well, I wonder how else I can look at this problem? I wonder how else I could deal with this decision? I wonder what other possibilities I have there?"

3. With options come options.

Options are a result of thinking early, often and differently. And when we think early, often and differently, we begin to create more options within our life. And very often they take us down roads we never would have traveled, to places we never would have seen, where we find new options we never would have considered. Give me all the options. All I want are options. And once I have all the options before me, then Icomfortably and confidently make my decision.

UPCOMING EVENTS:

1. RETHINKING RETIREMENT DINNER WORKSHOP. ELKS LODGE, RED WING MN. NOVEM BER 18TH AND 20TH, 6PM.
2. RETHINKING RETIREMENT DINNER WORKSHOP, DAHLGREN GOLF COURSE JANUARY 6TH AND 8TH, 6PM.
3. OFFICE IN RED WING OPENING DECEMBER 1, 2014. 2000 WEST MAIN ST, SUITE 301. THE POTTERY BUILDNG.

Views from the Field

❖ *There is an old adage that states 'confused people don't buy'. In over 21 years in this business, I'll accept that as a fundamental truth. Yet, often at the end of the day I will put my feet up, review how the previous hours have gone, and ask myself 'did I add to a persons' confusion or did I help them sort something out?*

*Recently my belief is that some financial professionals want us confused. A financial professional might say '**look at this Ibbotsen Chart, it will show you the gains in the stock market since 1929. As you can see it always goes up over time'**.*

This confuses the person who has experienced deep losses in the market; only recovering after a 5 year low point. Their natural instincts tell them something different from what they are being told.

The key to ending confusion is to encourage people to talk. There is something about saying what you want or imagine that is different about thinking, reading, or daydreaming, It isn't my job to tell a client 'what's good for them'. It is my job to get them to tell me what they want. Then I can end confusion by showing them how to get where they want to go. Ending confusion is a team sport.

Sometimes it's better to have a therapist than a coach. And I AM a 'Financial Therapist'

Another Role for Life Insurance… The Wealth Replacement Trust

The Problem:

There can be significant tax advantages in giving appreciated assets to a charity. Examples include real estate and securities. If you were to sell an appreciated asset, the gain would be subject to capital gains tax. By donating the appreciated asset to a charity, however, you can receive an income tax deduction equal to the fair market value of the asset and pay no capital gains tax on the increased value. *For example, Donor A purchased $25,000 of publicly-traded stock several years ago. That stock is now worth $100,000. If she sells the stock, Donor A must pay capital gains tax on the $75,000 gain. Alternatively, Donor A can donate the stock to a qualified charity and, in turn, receive a $100,000 charitable income tax deduction. When the charity then sells the stock, no capital gains tax is due on the appreciation.* When a donor makes substantial gifts to charity, however, the donor's family is deprived of those assets that they might otherwise have received.

A Potential Life Insurance Solution:

In order to replace the value of the assets transferred to a charity, the donor establishes a second trust - an irrevocable life insurance trust - and the trustee acquires life insurance on the donor's life in an amount equal to the value of the charitable gift. Using the charitable deduction income tax savings and any annual cash flow from a charitable trust or charitable gift annuity, the donor makes gifts to the irrevocable life insurance trust that are then used to pay the life insurance policy premiums. At the donor's death, the life insurance proceeds generally pass to the donor's heirs free of income tax and estate tax, replacing the value of the assets that were given to the charity.

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