



SHERPA INSIGHT

Detterbeck Wealth Management, Inc.



Season's Greetings from DWM



NOVEMBER 2007

DON'T FAIL TO PLAN

by Lester G. Detterbeck, CPA/PFS, MBA, CFP®, CFA, & Ed Slott's Elite IRA Advisor Group

As 2007 draws to a close, it's a great time to review some last minute planning ideas. Here are some for your consideration:

Charitable Giving

- Consider donations of long-term, appreciated stock. The charity gets the full value of the deduction. You generally will get a charitable deductible for the market value of the securities. And you won't pay capital gains taxes.

- If over 70 1/2, consider using the qualified charitable rollover rules to make gifts to charity directly from your IRA.

- Make sure you have documentation for all charitable contributions.
- Consider a charitable remainder trust to provide a gift to charity when the donor dies, a lifetime income stream for beneficiaries and a current income tax deduction.

Retirement Plans

- Check year-end Required Minimum Distributions ("RMD") for IRA owners and plan participants.
- For those reaching 70 1/2 in 2007, consider taking your first RMD in 2007 instead of April 1, 2008. This will avoid bunching of income in 2008.
- Consider Roth conversions. If you convert and then determine in 2008 that you don't qualify or you want a "do over", you can recharacterize by 10/15/08.
- Consider Roth IRAs for children. They must have earned income. See if they can be paid by the company for legitimate work before 12/31/07.
- Deadline to set up a new Keogh retirement plan for 2007 is December 31st.
- Make sure you have contributed all you possibly can to your 401k and other company plans.

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Why You Need Timberland In Your Portfolio

by Brett M. Detterbeck, CFA, CFP®

The time for **timberland** for the individual investor has come! Once only open to institutional investors, pension funds, and endowments, this alternative asset is now available to about anyone with a brokerage account. Several new vehicles have just been launched including a global timberland ETF and timber non-public REITs that allow relatively easy access to an investment class that has traditionally registered double-digits returns with little correlation to the stock and bond markets. Some key features of investment in timberland include:

- Timberland is a physically appreciating asset with generally predictable biological growth that contributes to its appreciation.
- Timberland is a huge part of your life. Did you know that timber is the backbone of more than 5000 products we use very day? Here are just a few: diapers, shampoo, sports drinks, egg cartons, glue, flooring, photographic film, and prescription drugs.
- Timber sales can be timed to maximize value by being accelerated or delayed to match market conditions (if demand is at a cyclical low, just let the trees grow more and let your asset appreciate).
- Timber prices function independently from stock and bond markets, hence the addition of timberland to a balanced portfolio should reduce the volatility of the overall portfolio and potentially enhance your returns.
- The last 5, 10, & 20 year returns* reflect the low correlation to both stock and commercial real estate (below).

	5 Years	10 Years	20 Years
U.S. Timberland	10.6%	8.6%	15.2%
Large Cap Stocks	6.2%	8.4%	11.8%
Small Cap Stocks	15.2%	13.5%	13.2%
Commercial Real Estate	13.3%	12.7%	8.4%
Treasury Bills	2.3%	3.6%	4.5%

*As of 12/31/06. Sources: NCREIF Timberland Index; S&P500 Index; Ibbotson Small Co. Index; NCREIF Property Index; Bureau of the Public Debt.

As we continually adjust to the "Winter Ahead" and allocate out of equities, we look toward non-correlated spaces like these for alternative exposure. We're currently reviewing our clients' portfolios on a one-by-one basis for suitability. If **you** would like to get involved with timberland, please give us a call.




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Estate Planning

- Check beneficiary forms of all retirement plans and life insurance policies.
- Review your estate planning documents and see if they need updating for major life events such as births, deaths, marriage, divorce, etc.
- Consider making use of your \$12,000 annual gift tax exclusion to make gifts to family members. This can be done through cash or may be leveraged by gifting interests in other assets.
- Consider funding 529 plans for family members. This may also provide a state income tax credit for you.
- Consider direct payment of tuition and medical expenses to qualified institutions for family or non family members. These are not counted towards the \$12,000 gift exclusion or the lifetime gift-tax exemption.

Income Taxes

- Review with your CPA the potential impact of the Alternative Minimum Tax on your 2007 and 2008 income tax returns. In particular, attention should be given to the timing of certain income and deductions between the two years.
- Make sure you have harvested all appropriate capital losses in your investment accounts.
- Consider full funding of your Health Savings Account ("HSA") of \$2,850 for an individual or \$5,650 for a family covered by high deductible health insurance.

Good luck. Of course, feel free to give us and/or your CPAs or attorneys a call or email with a question on the above. And remember: There is no extension for December 31st. January 1st starts a new year whether or not you finished your 2007 year-end planning. 

Rethinking Retirement


Food for Thought by Amy M. Venditti

At DWM, we believe that you can't help a client unless you take the whole picture into account. A financial plan is not comprised solely of numbers. We understand you have both financial and non-financial goals, which are affected by your income, family, lifestyle, and health among other things.

One of the biggest non-financial goals most people face is when to retire and how to spend those years. The average lifespan has increased dramatically over the past century, and a changing economy has allowed many people to retire comfortably at younger ages than ever before. But these advances leave us with a lot more time to fill; which is a good problem to have.

In 1900, workers retiring at age 65 could only expect to spend 1.2 years in retirement on average. By 1980 that number had increased to 13.6 years, and less than thirty years later, this number has increased to 20 - 25 years! (Source: "Your Power Years" by Dr. Ken Dychtwald)

The Baby Boomer generation, born from 1946-1964, is now reaching retirement age, and this generation is rethinking what retirement means. Many people feel younger than their age and still have the drive to change the world. They view retirement as the next chapter in their lives, which may include going back to school, taking up a new sport, extensive travel, or even continuing to work; possibly starting a new career or consulting part-time. Others focus on leaving a legacy through volunteering or mentoring younger generations. The linear path of "school, work, retire" is falling out of favor. Instead, it is becoming more common to alternate between periods of school, work, and leisure.

Investments are simply the means to fulfill your non-financial goals. Don't forget to ask yourself: "What am I saving for?" 

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