



Making Room For Personal Financial Management

Are the demands of a successful career cutting heavily into the time you have available for non-work-related tasks like managing your personal finances? If you are unable to give your investments, taxes, and other financial affairs the attention they require, the result can be missed opportunities — for growth, for tax savings, and for planning your financial future. The following suggestions may help you simplify your financial life and, at the same time, capitalize on the potential that your earning power provides.

Take Advantage of Professional Help

As in business, investing decisions require that you analyze needs and resources, make reasonable choices, track results, and make adjustments as market and economic conditions require. Performing all of those tasks well demands considerable time and specialized knowledge — and more commitment than you may be able to give. Putting your portfolio in the hands of an investment professional may be a prudent move.

While no financial professional can guarantee investment success, some “comparison shopping” will help you identify firms that have built a record of reliable performance under varying market conditions. Our organization, for example, has the professional

skill and knowledge necessary to act effectively on your behalf. We match our clients’ risk preferences with custom-designed portfolios. We keep our clients well informed and involved in decisions — to the extent that each client wishes. And, we minimize the time our clients need to spend on their investments. Because investment and tax decisions are intertwined, we take each client’s individual tax situation into consideration whenever we make an investment decision or recommendation.

Create a Backup

Your financial plans should anticipate and minimize potential future problems. For example: The risks of aging include various disabilities, such as a stroke or Alzheimer’s disease. A well-structured trust established in advance can assure that your assets are consistently managed if you become disabled.

A trust is a flexible, legal arrangement used to separate the ownership of assets from their benefits in an advantageous way. The trustee owns and manages the trust’s assets according to guidelines you have set and has a strict obligation to use the assets for the benefit of the trust’s beneficiary — in this case, yourself.

The trustee can begin managing the trust assets as soon as you create and fund the trust — a

living trust. Or, the trustee can take over full-time management only when you no longer want, or are unable, to control the trust’s assets — a standby trust. Either way, you are always in control because you are free to revoke the trust at any time, for any reason.

Plan for the Future

Your financial plans should also address the eventuality that your family will have to continue their lives without you. Regardless of your age, you need to have an estate plan in place that fits your family’s needs and your financial situation. For example, would your spouse be able to handle your financial assets without you? You can reliably protect your spouse by setting up a trust in your will. A testamentary trust can assure prudent professional management of your investments and any retirement assets you leave behind — for as long as needed. Many trusts pay a life income to the surviving spouse and, afterwards, transfer the remaining trust assets to children or other heirs. The specifics are up to you. Through a trust, you will be able to more closely determine the future of your financial assets.

Please call us if you want to discuss how we can simplify your financial management and free more of your valuable time. We would be happy to help.

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HOW TO CHOOSE AN INVESTMENT FUND

Any experienced investor knows the recent past performance of a mutual fund doesn't predict the fund's future performance. Many investors make investment decisions by looking for funds with high short-term returns. That leads to disappointment when most of those high-performing funds don't record similar gains over the next year or so.

You will have a better chance of avoiding disappointing results if you use other information to evaluate funds.

Compare Investment

Objectives - A fund may be a star performer, but the type of investments it holds has to fit your needs before it can be a star for you. Buying a growth stock fund makes no sense if your objective is income. And you don't want a money market fund if you need long-term growth. Yet, a bond or money market fund could be a good choice if you want to add diversification to a portfolio whose overall objective is long-term growth. Numbers alone are never a reason to choose a fund. Your specific need is always the reason that counts most.

Consider the Risk - Market risk is part of any stock fund. Funds have different degrees of risk. The stocks some funds buy are much less volatile than the

stocks other funds buy. You can judge a fund's overall risk by the fund's record during periods of falling prices. A fund that has done well in rising markets may be more risky than you want if its value declined more than other funds in a year when the market dropped.

Look at Investment Style

Your diversified portfolio of stocks may include a large company fund, a small company fund, and an international fund. How would you affect your portfolio if you add a fund in the same market sector as a fund or funds you already own? If the new fund shifts too much of your portfolio into one sector, you could take on more or less overall portfolio risk than you want. Consider the effect on your portfolio before you buy a fund that overlaps your present investments.

Aim for Consistent

Performance - You can learn a lot by looking at the year-by-year results within a fund's long-term performance. Quality management achieves consistently good returns. A fund could have outstanding ten-year results that are the result of just one or two excellent years or even of spectacular gains from a few stocks. Don't expect those great years to come back, but a fund that

has performed consistently may continue to perform well.

Compare Funds with Similar Investment Style

- A fund's performance numbers mean much more when you compare them to the performance of funds with similar investments. The average return of a high-technology sector fund may have been higher than the return of diversified funds over a particular multi-year period. Yet, if the high technology fund's return was less than the average return of other high technology funds, its actual performance was poor. You always need to compare like to like.

Check For Management\ Continuity

- Do you think a fund may continue doing well because of its good record? Check whether the managers who were responsible for that record are continuing to manage the fund. Although a new manager could be a fine performer, the lack of a performance history may mean you don't want to take a chance on the fund.

Target Reasonable Fees and Expenses

- Expenses can vary greatly among funds. So can any sales commissions. An average fund can disappoint because of high costs, and a high performing fund can become average. Fund expenses affect your returns. You can't afford to ignore them.

2008 Pension Plan Contribution Limits

401(k) Elective Deferrals
\$15,500

Catch-up Contributions
(*must be age 50 or over by 12/31*)
\$5,000

Defined Contribution Plans
\$46,000

Annual Compensation Limit
\$230,000

Highly Compensated Employee ("HCEs")
\$105,000

Retirement Plan Update



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HEFFERNAN FINANCIAL SERVICES
A DIVISION OF HEFFERNAN INSURANCE BROKERS

Dollar-cost Averaging – **Taking the Guesswork out of Investing**

What will the stock market do today? Soar to new heights, plunge to new lows, or settle somewhere in between? Ever since the beginning of stock trading, investors have looked for signs to indicate when stock prices will rise or fall. But, so far, no one has come up with a foolproof method for consistently predicting market upswings or downturns.

Timing Is Tricky - Some investors use a “market timing” strategy by buying shares when they think stock prices are at their lowest and selling their investments when they believe the market has reached its peak. Although they may be successful some of the time, few investors can repeatedly time their buy-sell decisions to correspond with market movements. If you sell your investments when values start dropping and don't get back in the market soon enough when prices start to rise again, you could miss out on significant gains.

Same Time, Same Amount - Instead of trying to guess what the securities markets are going to do, you may want to consider using an investment strategy known as “dollar-cost averaging.” *With dollar-cost averaging, you invest a fixed amount of money in the same investment or investment type at regular intervals. Your money buys more shares when prices are low and fewer shares when prices are high. Although there are no guarantees, your average cost per share may be less than the average share price for the same period with this method. Dollar-cost averaging won't completely protect your portfolio from a loss if the market takes a plunge. But it may help reduce any losses and leave you in a good position to benefit from a recovery, since you'll still be fully invested.

**Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee a profit or protect you from a loss in declining markets. Effectiveness requires continuous investment, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.*

Year-end Planning – **Where Are You Going? Where Have You Been?**

You wouldn't take a vacation abroad without first deciding which countries to visit, would you? Or plan a party and forget to buy the food? So, why let 2008 come to an end without doing a little planning to lower your tax bill? Now that it's almost the end of the year, you should be able to project the amount of income tax you'll owe for 2008 while you still have time to reduce that amount before December 31. Here are a few suggestions

Hold On Just a Little Bit Longer - If possible, hold on to investments for longer than one year to qualify for favorable long-term capital gains rates. Capital gains on most long-term investments are taxed at a 15% tax rate (0% if you're in the 10% or 15% tax bracket), while gains on short-term investments (those you've held for a year or less) are taxed at your regular income-tax rate. But taxes aren't the only thing to think about when it comes to holding or selling an investment, so weigh all factors before you decide whether to dump it or keep it.

Change Losers into Winners - Check your investment portfolio for any securities that have lost value since you bought them. If you don't think the investment is going to rebound, consider selling and taking the loss since losses are fully deductible against capital gains. You can also deduct excess losses against up to \$3,000 of ordinary income a year. Any losses that you can't deduct for 2008 may be carried over to future tax years.

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