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Setting and Targeting Investment Goals

Go out into your yard and dig a big hole. Every month, throw \$50 into it, but don't take any money out until you're ready to buy a house, send your child to college, or retire.

It sounds a little crazy, doesn't it? But that's what investing without setting clear-cut goals is like. If you're lucky, you may end up with enough money to meet your needs, but you have no way to know for sure.

How do you set investment goals?

Setting investment goals means defining your dreams for the future. When you're setting goals, it's best to be as specific as possible. For instance, you know you want to retire, but when? You know you want to send your child to college, but to an Ivy League school or to the community college down the street? Writing down and prioritizing your investment goals is an important first step toward developing an investment plan.

What is your time horizon?

Your investment time horizon is the number of years you have to invest toward a specific goal. Each investment goal you set will have a different time horizon. For example, some of your investment goals will be long term (e.g., you have more than 15 years to plan), some will be short term (e.g., you have 5 years or less to plan), and some will be intermediate (e.g., you have between 5 and 15 years to plan). Establishing time horizons will help you determine how aggressively you will need to invest to accumulate the amount needed to meet your goals.

How much will you need to invest?

Although you can invest a lump sum of cash, many people find that regular, systematic investing is also a great way to build wealth over time.

Start by determining how much you'll need to set aside monthly or annually to meet each goal. Although you'll want to invest as much as possible, choose a realistic amount that takes into account your other financial obligations, so that you can easily stick with your plan. But always be on the lookout for opportunities to increase the amount you're investing, such as participating in an automatic investment program that boosts your contribution by a certain percentage each year, or by dedicating a portion of every raise, bonus, cash gift, or tax refund you receive to your investment objectives.

Which investments should you choose?

No matter what your financial goals, you'll need to decide how to best allocate your investment dollars. One important consideration is your tolerance for risk. All investments carry some risk, but some carry more than others. How well can you handle market ups and downs? Are you willing to accept a higher degree of risk in exchange for the opportunity to earn a higher rate of return?



Whether you're investing for retirement, college, or another financial goal, your overall objective is to maximize returns without taking on more risk than you can bear. But no matter what level of risk you're comfortable with, make sure to choose investments that are consistent with your goals and time horizon.

A financial professional can help you construct a diversified investment portfolio that takes these factors into account.

About New Wealth Advisors.

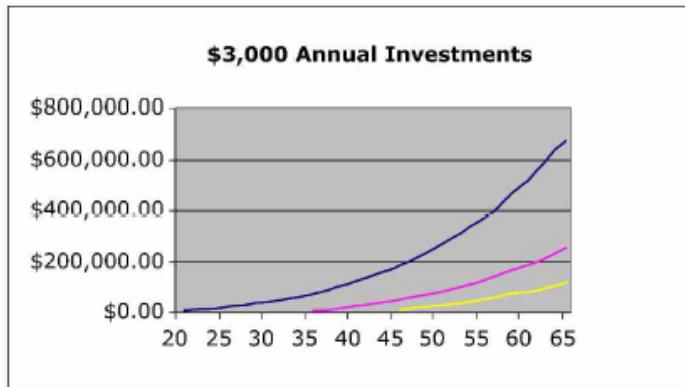
New Wealth Advisors is an independent, fee-only, SEC-registered investment advisor, operating as a multi-family investment office. We work with newly wealthy individuals and families to protect, grow and manage assets.

Investing for retirement

After a hard day at the office, do you ask, “Is it time to retire yet?” Retirement may seem a long way off, but it’s never too early to start planning—especially if you want retirement to be the good life you imagine.

For example, let’s say that your goal is to retire at age 65. At age 20 you begin contributing \$3,000 per year to your tax deferred 401(k) account. If your investment earns 6 percent per year, compounded annually, you’ll have approximately \$679,000 in your investment account when you retire.

But what would happen if you left things to chance instead? Let’s say that you’re not really worried about retirement, so you wait until you’re 35 to begin investing. Assuming you contributed the same amount to your 401(k) and the rate of return on your investment dollars was the same, you would end up with approximately \$254,400. And, as this chart illustrates, if you were to wait until age 45 to begin investing for retirement, you would end up with only about \$120,000 by the time you retire.



(This is a hypothetical example and is not intended to reflect the actual performance of any investment.)

Investing for college

Perhaps you faced the truth the day your child was born. Or maybe it hit you when your child started first grade: You only have so much time to save for college. In fact, for many people, saving for college is an intermediate-term goal—if you start saving when your child is in elementary school, you’ll have 10 to 15 years to build your college fund. Of course, the earlier you start the better. The more time you have before you need the money, the greater chance you have to build a substantial college fund due to compounding. With a longer investment time frame and a tolerance for some risk, you might also be willing to put some of your money into investments that offer the potential for growth.

Investing for a major purchase

At some point, you’ll probably want to buy a home, a car, or the yacht that you’ve always wanted. Although they’re hardly impulse items, large purchases are usually not something for which you plan far in advance—one to five years is a common time frame.

Because you don’t have much time to invest, you’ll have to budget your investment dollars wisely. Rather than choosing growth investments, you may want to put your money into less volatile, highly liquid investments that have some potential for growth, but that offer you quick and easy access to your money should you need it.

Review and revise

Over time, you may need to update your investment plan. No matter what your investment goal, get in the habit of checking up on your portfolio at least once a year, more frequently if the market is particularly volatile or when there have been significant changes in your life. You may need to rebalance your portfolio to bring it back in line with your investment goals and risk tolerance. If you need help, a financial professional can help you decide which investment options are right for you.

Federal Protection for Bank Deposits

In the wake of turbulence in the financial markets and recent legislation, it’s worth reviewing the legal protections available for assets held by banks.

What’s protected?

Bank deposits are protected by the Federal Deposit Insurance Corporation (FDIC), an independent agency backed by the full faith and credit of the U.S. government. FDIC insurance covers both demand deposits, such as checking, NOW, savings, and money market deposit accounts, and time deposits, such as certificates of deposit (CDs). It covers both principal and any interest accrued as of the date that an insured bank closes.

FDIC coverage does not include mutual funds, stocks, bonds, life insurance policies, annuities, or other securities, even if they were bought through an FDIC-insured bank. It also does not cover U.S. Treasury securities, though these are backed separately by the full faith

and credit of the U.S. Treasury. Finally, the FDIC does not insure safe-deposit boxes, though if a bank were to fail, the FDIC would typically either arrange for transfer to another bank or notify you to retrieve the contents.

How safe is it?

According to the FDIC, no depositor has ever lost a penny of funds that were covered by FDIC insurance.

How much is insured?

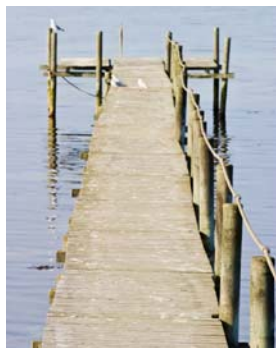
The Emergency Economic Stabilization Act of 2008 temporarily increased the amounts that are FDIC insured at an individual bank or savings and loan. The legislation states that the increase in standard coverage is effective through December 31, 2009, though there has been widespread discussion of making the increased limits permanent.



The previous limit of \$100,000 per individual per bank was increased to \$250,000. The \$250,000 limit applies to single-owner accounts, such as those held in one person's name, those established for another individual (e.g., an UTMA or escrow account), sole proprietor ("DBA") accounts, and accounts established for the estate of a deceased person.

You can't increase your protection just by opening multiple accounts in your name at the same bank (for example, splitting money between a checking and a savings account, or opening accounts at more than one branch).

What if I have more than \$250,000?



The simplest approach is to have accounts at more than one bank. However, your coverage at an individual bank depends on how accounts are owned; different types of accounts are insured separately. You can exceed the \$250,000 limit as long as the deposits represent different categories of ownership. For example, a joint account qualifies for up to \$250,000 of coverage for each person named as a joint owner. That coverage is in addition

to the \$250,000 maximum coverage for each person's aggregated single-owner accounts at that bank. For example, a married couple with three accounts at one bank—they each have \$250,000 in an individual account, and they also have \$200,000 in a joint account—would qualify for insurance on the entire \$700,000.

The limit on the amount protected in one or more retirement accounts at one bank also is \$250,000; this is separate from the \$250,000 coverage of individual accounts. (Remember, however, that FDIC

insurance applies only to deposit accounts, not to any securities held in an IRA or other retirement account.) An online calculator at the FDIC website, www.fdic.gov, can help you estimate the total coverage on your deposit accounts.

Additional safety nets

In some states, a state-chartered savings bank is required to have additional insurance to cover any losses beyond the FDIC limits. Some banks also may participate in the Certificate of Deposit Account Registry Service (CDARS), which enables a bank to spread large CD deposits among multiple banks while keeping the amount at each individual bank within FDIC limits. Paying attention to your bank balances and account ownership can help protect you in a worst case scenario.

Business coverage

The \$250,000 limit does not necessarily apply to non-interest bearing deposit accounts, such as payroll processing accounts used by businesses. The FDIC's Temporary Liquidity Guarantee Program, scheduled to expire at the end of 2009, gives banks the option of offering unlimited protection for such accounts. Check with your bank to find out what it provides

Credit Union Coverage

The National Credit Union Share Insurance Fund (NCUSIF) offers protection, backed by the full faith and credit of the U.S. Treasury, for credit union accounts. The limits are similar to those of the FDIC: \$250,000 per individual account per institution.

ASK THE EXPERTS

Is my brokerage account protected?

Most brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC). Unlike the Federal Deposit Insurance Corporation (FDIC), which protects bank deposit accounts, the SIPC is not a government agency. Though created by Congress, it is a nonprofit corporation funded by its membership of broker-dealers registered with the Securities and Exchange Commission (SEC).

The SIPC helps return customer property, including securities and cash in brokerage accounts, should a broker-dealer or clearing firm experience bankruptcy, insolvency, or unauthorized trading in a customer's account. Should a SIPC member become insolvent, SIPC would ask a court to appoint a trustee to oversee transfer of customer securities to another firm, or act as the trustee itself.

SEC regulations also apply

The SEC also has provisions that can help protect investor assets. For example, the SEC requires brokerage and clearing firms to segregate

money and securities in customer accounts from their own proprietary assets and funds. This helps protect customers from being harmed by a firm's own trading activity. Also, firms are required to maintain a certain level of capital reserves to enable the firm to return customers' securities and cash in case of a financial failure. Finally, the SEC specifies that customer claims take precedence over other claims on a firm's assets.

What if a firm is liquidated instead of sold?

Securities registered in a customer's name (as opposed to being held in "street name," the most common method today) are returned to customers first. Assets held in street name make up what's known as the "fund of customer property." That fund is divided on a pro rata basis; assets are shared in proportion to the size of claims. Only if securities are still missing after the pro rata distribution would SIPC coverage be applied to make up the difference, up to the statutory coverage limit.



How much coverage does SIPC provide?

SIPC covers a maximum of \$500,000 per “separate customer,” including up to \$100,000 in cash, at a given institution. As with banks, total coverage can be higher for multiple accounts at one firm. As long as accounts are held by what the SIPC considers “separate customers,” each account qualifies for separate coverage. For example, a married couple could have two individual accounts with \$500,000 of coverage each, plus a joint account that would bring their aggregated potential coverage for that firm to \$1.5 million.

Categories of separate customers include:

- Individual accounts held by someone in his or her own name, or by an agent for another individual
- Accounts held jointly by two individuals with equal authority over the account
- Accounts held by executors, administrators, and guardians in the name of a decedent, an estate, or someone else (for example, a guardian for an UGMA account)
- Accounts held by a corporation, partnership, or unincorporated association
- Accounts held on behalf of a valid trust created by a written instrument (trust accounts are considered separately from those of an individual trustee)

Each of your retirement accounts at a given firm also generally is eligible for up to an additional \$500,000 SIPC coverage (including as much as \$100,000 in cash) if securities are lost or stolen.

In general, SIPC covers notes, stocks, bonds, mutual funds, and other shares in investment companies. It does not cover investments that are not registered with the SEC, such as certain investment contracts, unregistered limited partnerships, fixed annuity contracts, currency, gold, silver, commodity futures contracts, or commodities options. Remember also that SIPC does not protect against market risk or price fluctuations in securities.

Additional information and a brochure titled “How SIPC Protects You” is available at www.sipc.org.

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