

## Be Prepared In Case You Are Suddenly Single

While it's something we hope would never happen, losing a spouse becomes an unfortunate reality many people must face. While the emotional trauma is the first and hardest blow, an important next step is looking towards the future and assessing your financial situation. As a single person for the first time in years, there are several steps you should take in order to help you effectively manage your financial and household needs going forward. Please keep in mind that your portfolio manager can assist you with many of these tasks.

**Locate important documents:** Determine the location of key documents such as your will, trust documents, insurance policies, deeds, stock and bond certificates and bank and brokerage statements. By locating these documents, you will be able to identify where re-titling is required.

**Re-title your property and financial accounts:** Regardless of how you lose your spouse, you should contact your bank and brokerage firm to re-title your accounts and change beneficiaries if necessary. In the event of a death, you will need certified copies of the death certificate in order to change account and asset titles.

**Update your beneficiary designations and estate plan:** A simple review and update of beneficiary designations on your IRAs, retirement plans, employee benefits, annuity contracts and life insurance policies is as important as re-titling assets. In addition, have your attorney review your will carefully and make any necessary changes to ensure your current intentions are accurately reflected.

If you haven't already done so, you may want to consider establishing a trust, which can be created in addition to a will to allow for further instruction for the management and disbursement of your assets. Guardians and trustees for minor children will also need to be determined. If you already have a trust, check the titling of assets and make revisions as necessary.

**Identify retirement money available to you:** As a surviving spouse, you may be entitled to retirement assets and you may

have a number of alternatives for taking possession or distribution of those assets. Check with your portfolio manager for the most appropriate method. Be sure to notify the Social Security Administration, as it may be possible to be eligible for benefits prior to retirement, at retirement or for minor children.

**Check your credit status:** You'll want to get copies of your credit report and check it for any errors. If you don't already have a credit card, you should consider applying for one so you can start establishing a credit history.

Looking to the future with a clear understanding of your financial situation will help give you confidence in the years ahead

**Know your cash-flow needs:** Since your household income has most likely changed and probably diminished, start by identifying your necessary expenses that have to be paid promptly, such as your mortgage, utility bills, food and medical expenses. These may also include education expenses if you have children in college or private school.

**Complete a net worth statement:** This will help you identify what you have and what you owe. You also can gain a better understanding of the potential resources available to sustain your short-term and long-term income needs, especially if your household income has changed.

**Review your investment portfolio:** Look closely at your investments to see if they match your financial goals, time horizon and, perhaps most importantly, your risk tolerance. What may have worked for you in the past as a couple may no longer make sense for you as an individual.

**Reassess insurance needs:** You should check all insurance policies to see if they still match your current needs and designate your preferred beneficiaries.

While the emotional trauma of losing a spouse is difficult, looking to the future with a clear understanding of your financial situation will help give you confidence in the years ahead. Please do not hesitate to contact us as we are happy to help you with these tasks. ■

**News**

- On June 12th, Portfolio Manager, John Lawton participated in the Mud Run Brandywine. The Mud Run is an annual fundraiser for the Greater Delaware Valley Chapter of the National Multiple Sclerosis Society. John's five-member team raised over \$2700 for this great cause! This year's Mud Run was a 10K run with 17 mud obstacles. Over 1000 people ran this race. The photo below shows John and his teammates before the race. If you are interested in learning more about this event or this organization or if you would like to run in next year's race (to be held on June 11, 2011), please view their website at <http://www.nationalmssociety.org/chapters/PAE/fundraising-events/mud-run-ms/index.aspx>.



## FALLING MORTGAGE RATES – Maybe it is time to consider refinancing?

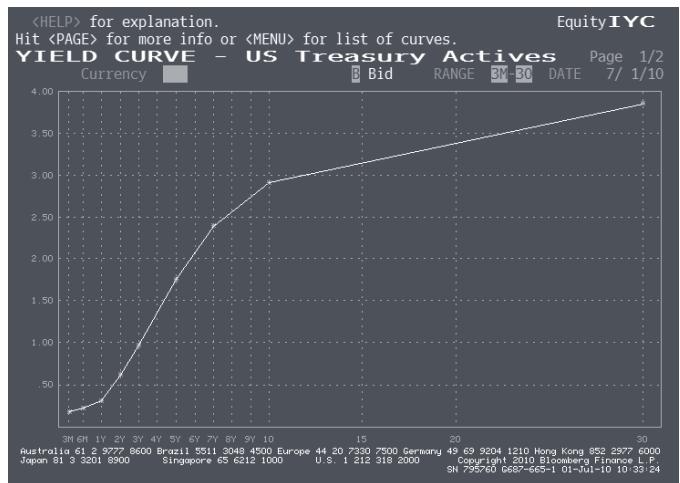
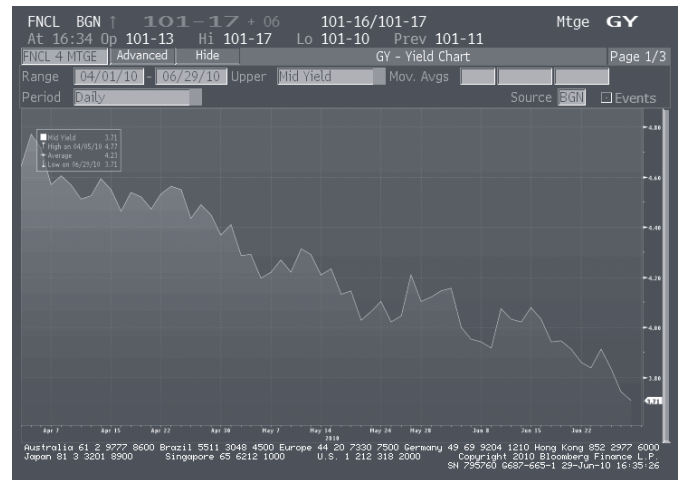
As you can see from the top graph below, interest rates on mortgages have fallen dramatically since April 1, 2010. In fact, interest rates on 30-year fixed-rate mortgages are now the lowest they have been since at least 1971 when Freddie Mac first began tracking this data.

There are a variety of reasons why rates have fallen so dramatically, including a slowing US economy, high unemployment, stricter lending standards, and a fairly quiet real estate market now that the homebuyer tax credit has expired.

Additionally, US government-backed bonds (also known as "Treasuries") are a benchmark for mortgage interest rates. At present, the prices on Treasuries are at all-time highs and the corresponding yields on these debt instruments are at all-time lows. The second graph shows the US Treasury yield curve for various maturities going out to 30 years. Yields are lower than where they were a week ago and significantly below where they were a year ago. Many analysts suspect that rates may fall even further before eventually rebounding.

Since mortgage rates key off of Treasury yields, exceptionally low Treasury yields mean better mortgage rates for homebuyers and those who hope to refinance. To date, low mortgage rates have yet to spur much in the way of

home buying interest. However, refinancing is starting to pick up and should gain strength if rates fall even further. If your current mortgage rate exceeds 4.69% (the average rate for a 30-year fixed-rate mortgage) by a percentage point or more or if you have an adjustable-rate mortgage, then you may want to explore the possibility of refinancing your mortgage. ■



## SPOTLIGHT ON THE INTERFAITH HOUSING ALLIANCE



In this third installment of our new “Advisor” column, we feature the Inter-Faith Housing Alliance (“Inter-Faith”) which was founded in 1982 by a group of community members in Montgomery County, PA. These concerned citizens were responding to the needs of a growing number of homeless families in the region. Inter-Faith began as a 24-hour emergency hotline, and has since evolved to provide a continuum of comprehensive programs and services. Inter-Faith operates an emergency shelter for stays of up to three months, an 8-unit apartment building for 2-year stays in transitional housing, helps in obtaining permanent housing, life skills education and training, weekly therapeutic counseling, intensive case management, and provides other individualized support services.

The struggle to find and keep affordable housing is one of many low-income area residents’ greatest challenges. The fair market rent for a two-bedroom apartment in the region is currently \$1,005, which is beyond the reach of many families. To be affordable it would require a parent to earn more than \$18 an hour for a 40-hour week.

The contributing factors to homelessness in our region are complex. Many individuals, and women in particular, find themselves homeless because of domestic violence, separation, or divorce. Others become homeless due to illness. Families who live paycheck-to-paycheck often find themselves facing eviction after an illness causes even a temporary loss of income. Similarly, if the family’s car breaks down and they cannot get to work, it can result in a loss of their job, and then of their home.

Inter-Faith Housing Alliance is committed to supporting families in crisis and providing the tools they need to become successfully independent.

In 2009, Inter-Faith provided:

- 1007 families with nearly 5,000 bags of groceries
- 70 individuals with a safe place to live; 37 of those were children
- 14 families with stays at our emergency shelter
- 11 families with an apartment through our transitional housing program

To support their success, the agency provided all shelter and transitional housing families with:

1. Weekly individual in-house therapeutic counseling
2. Weekly intensive case management
3. Monthly Parenting classes
4. Monthly individual budgeting sessions
5. Monthly educational programs
6. Children’s programs

The success of this service delivery model is evidenced by the fact that in 2009

- the average length of stay in our 14 week shelter was 9 weeks
- the average length of stay in our 24 month shelter was 18 months

Inter-Faith’s board and staff undertook an intensive year-long strategic planning process, facilitated by Capacity For Change. The resulting Plan For The Future will set the course of Inter-Faith’s growth for the next three-to-five years. Our strategic plan calls for us to:

- (1) create Hope Gardens II, to provide additional transitional housing units for families in need
- (2) strengthen our emergency shelter program
- (3) expand programs into the community to serve more than just our existing client-base
- (4) create a comprehensive outcomes-based program evaluation model to measure the success of our existing and new programs
- (5) strengthen our internal capacity to become one of the region’s best community service organizations

The process of implementing our goals is already underway.

Throughout 2009 Inter-Faith offered a series of comprehensive programs, including:

- **Monthly Educational Workshops:** Parents in our programs had the opportunity to attend monthly educational programs addressing issues of importance to them. 2009 workshops included Child Custody Issues and Parental Rights; Positive Communication; Healthy Relationships; and Positive Decision Making.
- **Monthly Children’s Program:** Held at the same time as the adult workshops, Inter-Faith provides two-hour long programs for the children we serve. The themes mirror those their parents attend, and included: Positive Communication; Being A Good Friend; Making Good Choices.
- **Intensive Case Management:** Inter-Faith provided intensive case management services for all our clients, which includes goal setting, creating an independence-plan, and individual budgeting sessions, all of which help families successfully move into permanent and affordable housing.
- **Therapeutic Counseling –** Inter-Faith provided all clients in both our shelter and transitional housing programs with on-site individual therapeutic counseling each week.
- **Budget and Credit Counseling –** Inter-Faith, in partnership with Genesis House provided our parents with practical weekly workshops on savings, credit repair, pro-active household shopping, and even home buying.

If you would like to learn more about Inter-Faith, please contact Executive Director Laura Wall Starke at 215-628-2334 or at [lstarke@i-fha.org](mailto:lstarke@i-fha.org). ■

## Possible Expiration of 2001 and 2003 Tax Cuts

In 2001 and again in 2003, Congress enacted sweeping tax law changes that included a variety of tax cuts. In particular, these tax cuts included reductions in personal tax rates, lower tax rates on capital gains, dividend, and interest income, a gradual increase in the exemption from federal estate taxes to \$3.5 million from \$1 million, and an increase in a number of tax credits including the \$1000 Child Tax Credit. Now, however, we are less than six months away from the date when these tax cuts are due to expire – 12/31/10. There is growing concern that some or all of these tax cuts will be allowed to expire. There is also a chance that those in the higher tax brackets will see their tax rates increase while those in the lower tax brackets will not. Still, if the tax rates on capital gains, interest and dividends are allowed to revert to pre-2001, this would potentially impact everyone who has capital gains, interest and/or dividend income in 2011 regardless of their tax bracket. Also, pursuant to the new healthcare legislation, the Medicare tax on investment income along with the Medicare payroll tax will increase the tax burden for many citizens. Additionally, the government will shortly need to find some way to begin reigning in the huge amount of debt it has piled on its citizenry over the last few years. Higher taxes are one possible route. In short, it appears inescapable that taxes will go up next year for a significant number of Americans.

In light of what appears to be a higher tax environment in 2011, you may want to begin considering ways to reduce your taxable income next year. It is important to note, however, that it is likely Congress will soon take up the discussion of what to do about the rapidly approaching expiration of the

Bush era tax cuts. Until some better guidance comes from Washington, though, it may make sense to wait a bit longer before taking any action to reduce your 2011 taxable income.

Still, if it appears your tax burden will rise, there are several things you may want to consider doing. First, if you were thinking about converting a traditional IRA to a Roth IRA, you may want to do so in 2010 as the conversion will be taxed at your regular tax rate. Even though you will have the option to pay the taxes due on a 2010 conversion over two years – half in 2011 and half in 2012 – you may want to pay it all at your 2010 tax rate if you expect your tax rate will be higher in 2011. Second, if you have the ability to control when you receive some or all of your income, you may want to accelerate income into 2010 instead of postponing it to 2011. Third, since the capital gains tax rate will go back up to 20% (from 15%) in 2011, you may want to take more gains in 2010 at the lower tax rate. For example, if you anticipate needing to sell appreciated assets in 2011 to fund retirement living expenses, the purchase of a car, or some other expense, you may want to sell in 2010 to take advantage of the lower tax rate. Finally, if you expect to make charitable contributions at some point in the next twelve months, why not wait and make them once we get into 2011. This way, if tax rates rise in 2011, you will benefit more as the value of your charitable contributions will offset income taxes at a higher rate. Please contact your portfolio manager if you would like to further discuss possible strategies to help reduce what could be a higher tax burden in the coming year. ■



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