Investor Insights and Outlook

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How American Idol Undermines Our Future

A few years ago, my wife introduced me to a band named the Lumineers. They were already a pretty big deal at the time, but had not yet gotten big enough to play their eventual performance on Saturday Night Live. It was an exciting time to get to know the act, especially for people who had watched them hone their skills in the tiniest venues that the city of Denver had to offer.

For several years Denver was our adopted home, and one thing that it never lacked was live music. While we would occasionally pay the price for shows at the iconic Red Rocks Amphitheater, free performances were *always* available. Some of our favorites took place in the streets. Sometimes a small band would be set up in the corner of a coffee shop or local bar, playing their tunes for a crowd that could fit in a mid-sized sedan.

In an interview that I saw recently with the Lumineers, they talked about their days playing in these tiny places, where often times the "audience" members were people who would rather have enjoyed their cocktail, coffee, or conversation than the live music. It was exactly this challenge that led the group to incorporate stomping their feet, clapping their hands and screaming "HEY!" into their songs. Their song "Ho Hey" was even the number one rock song on the Billboard charts for 18 weeks. They had to *disrupt* the audience, in order to get them to even pay attention to the music at all!

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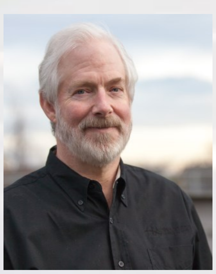

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Plan Well • Live Well

College Planning—It's About More Than Money

Choosing a way to save for your child's education expenses may be your family's first college planning decision, but it certainly won't be the last. From making that first deposit, to selecting a college, to choosing a course of study, you and your child will be making choices that can have a financial impact for years to come.

How Will You Save Enough?

Starting to save for college when your child is young may give you the best chance for accumulating a significant amount of money. Section 529 plans ~ prepaid tuition plans designed to lock in today's tuition rates at eligible institutions ~ and college savings plans, which permit contributions to an investment account set up to pay qualified education expenses, are popular tax-favored options. [1]Coverdell Education Savings Accounts also offer tax advantages, although contribution limits are relatively low.[2] Custodial accounts set up under the Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) are another option to consider.

The Financial Aid Game

By the time college gets close, your family's life may seem to be ruled by deadlines. There are different deadlines for college applications, scholarship applications, and the FAFSA (Free Application for Federal Student Aid) submissions. Applying well in advance of the deadlines can boost your child's chances of getting accepted to the school of his or her choice and receiving a favorable financial aid package. If you wait too long, spots may already be filled and aid money given to students who applied earlier.

Dissecting Aid Packages

Typically, aid packages consist of grants, loans, work study, and an expected family contribution. When reviewing aid offers, compare apples to apples. Start with the cost of tuition at each school. Then look at how much of the aid package consists of loans that will have to be repaid. Make sure non-tuition costs, such as room and board, books, equipment, transportation, and fees, are included in the school's cost estimates. It's a good idea to do your own cost estimate and use that as your basis for comparing offers.

The Right Fit

As important as it is, money shouldn't be the only criterion used when choosing a college. Lower cost of attendance or generous financial aid is most valuable if the college is a good fit for your child's abilities, personality, and goals. Choosing the wrong college could cost a bundle in lost opportunities if your child is unhappy or doesn't feel sufficiently challenged by the curriculum.

Look Toward the Future

A college education is an investment in the future, so parents may want to discuss choosing a course of study that will lead to a career. Talk to your child about the importance of preparing for life beyond college by obtaining the practical skills and knowledge needed to land a job after graduation. By planning ahead, your child may turn his or her interests into a successful career.

Source/Disclaimer:

[1]Certain benefits may not be available unless specific requirements (e.g., residency) are met. There also may be restrictions on the timing of distributions and how they may be used.

[2]Internal Revenue Service. The annual contribution limit is $2,000. Taxpayers with modified adjusted gross incomes (MAGIs) of more than $220,000 (for married couples filing a joint tax return) and $110,000 (for singles) may not contribute. For most taxpayers, MAGI is the adjusted gross income as figured on their federal income tax return.

Tips for Avoiding an Early Withdrawal Penalty

If you take a taxable distribution from your IRA before age 59½, you generally will be required to pay a 10% additional federal tax. However, in certain situations, you may be able to avoid the imposition of the added tax. One little-known penalty exception is available to IRA owners who take substantially equal periodic payments (SEPPs) from their IRA accounts.

A financial hardship, or perhaps an early retirement, may cause you to consider taking an early distribution from your IRA. Whatever the case, before tapping into your account, you should think about how it might affect your future retirement income ~ as well as the income taxes you may potentially owe.

All About SEPPs

SEPPs might be an appropriate strategy if you need to supplement your income ~ perhaps while you are starting a new business venture. Once you start taking SEPPs, you'll have to continue for a minimum of five years or until you reach age 59½, whichever comes later. So, if you begin a SEPP program at age 45, you'll have to continue making withdrawals for 14½ years ~ until you turn 59½. If you begin taking SEPPs at age 58, you'll have to take withdrawals for five years, or until you reach age 63.

At the end of the required SEPP period, you can modify your withdrawal program or discontinue withdrawals (until you reach age 70½ and have to begin taking annual required minimum distributions from your IRA). If you want to stop taking SEPPs before the end of the required SEPP period, you'll generally have to pay a 10% penalty plus interest on the amounts you withdrew under the SEPP arrangement before reaching age 59½.

The IRS has several "safe harbor" methods for calculating the required SEPP amount. Payments must be taken at least annually and are either fixed or recalculated annually, depending on which method you use.

IRA distribution planning can be complex. Understanding the tax rules can help you make the most of your retirement assets.

This communication is not intended to be tax advice and should not be treated as such. Each individual's ~ and business's ~ tax situation is different. You should contact your tax professional to discuss your own situation.

How American Idol Undermines Our Future

Over the same period that the Lumineers were stomping their feet in local bars, at least once a year musical performers were trying to be heard in a *much* larger venue. Denver's Mile High Stadium (where the NFL Broncos play) was one location that hosted the first round of tryouts for the American Idol reality show. They needed space like this because easily *ten thousand* performers from all over the region could come to wait in line and hope that they could sing well enough to be among the tiny percentile of contestants to go to Hollywood.

Regional auditions took place like this in cities all over the United States every year. Each of them could involve over 10,000 hopeful participants. In the end only one would win, and maybe a couple more would enjoy a little bit of fame (and only a fraction of winners ever made the SNL stage).

While I don't begrudge anyone their chance at stardom or their pursuit of "the impossible dream", I worry about how many people don't truly understand their statistical improbability of being one of the lucky few. I wonder how many people want to be the famous performer but would never stomp their feet in *just one* coffee shop in order to get there.

All too often, I hear people begin to describe their dream future with the words "When I hit the lottery…" when there are countless others ways (with much better odds) that a person can fund the future they have always envisioned. Habits like saving and investing are the foot stomps and "Ho Heys" of working every day towards eventual success. Unless you happen to be standing exactly where fortune's lightning bolt strikes, you should understand that the path to your best future starts with repeatedly performing the acts that are not rewarded with immediate glory. That part comes later.

Hope is not a plan and luck is not a strategy. After you have accepted those hard truths, you are one giant step closer to developing a real plan, and a true strategy. Once those are in place, it's just a matter of doing what so many seem unwilling to do. Show up every night and start stomping your feet!

Diligence is the mother of good luck ~ Benjamin Franklin

–Article by Matthew Miller

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