TOTAL WELLNESS
FINANCIAL PHYSICAL PERSONAL

The Alta Financial ADVISOR

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Client News Update January, 2007

MIND $ OVER $ MONEY

10 Steps to Financial Wellness

"Next month will be better!" How many times have you heard yourself repeat these words, only to find your finances even more out of control the following month.

According to financial and wellness consultant *Wayne Nance* and noted stress psychologist *Dr. Edward Charlesworth*, ***over 90% of all Americans fail financially.*** Why? Spending has become the drug of choice in an effort to feel better and improve self-esteem. It might not be illegal or immoral, but its effects can be quite intoxicating.

The number one cause for stress in America involves money issues, and stress is the number one cause of physical illness.

The two things that people are universally interested in are health and wealth. **Mind Over Money** covers these core issues by helping individuals assess their total lives and presents a 10-step course to achieving financial wellness.

> *"Real wealth is a happy and balanced life."*

Americans are constantly trying to buy happiness and that will always be impossible. Unless a spiritual, emotional and physical balance of money is achieved, total mental wellness will continue to allude us. The journey to developing a balanced lifestyle of total wellness IS within reach.

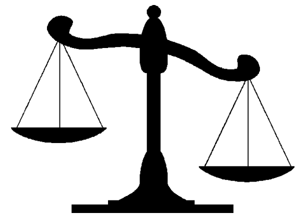
Alta Financial Services Education Workshops are designed to cover several areas of Financial Wellness. Unlike typical financial planning information, Alta Financial Services takes a unique look at the spiritual, emotional, and physical balance of spending issues for the American people. Our objective is to:

1. Raise self-awareness of how one's financial lifestyle can so easily get out of control.
2. Help people understand the connection between compulsive habits and Financial Wellness.
3. Motivate individuals to use our Ten Step Program in order to make the changes necessary for Financial Wellness.

10 Steps to Financial Wellness	
1	Estate Planning (Trust)
2	Life Insurance
3	Medical Insurance
4	Cash Flow Statement
5	Budget
6	Emergency Cash Fund
7	Short Term Planning
8	Long Term Planning
9	Retirement Planning
10	Financial Statement

ESTATE PLANNING UPDATE

New Legislation Regarding Financial Powers of Attorney



The 1998 Arizona legislature made revisions to the statutes governing financial powers of attorney (POAs). The new legislation substantially changed the existing law with respect to POAs by requiring new language and execution procedures and increasing the potential liability exposure of the agent (person designated to act for and on behalf of another). The new legislation became effective August 1, 1998.

Pursuant to the new legislation, all financial POAs must now include an attestation clause. An attestation clause is where the principal (person designating another as his or her agent) and the witness acknowledge that the principal is executing the POA willingly, freely and voluntarily for the purposes designated in the POA, and that the principal is over eighteen (18) years of age, of sound mind and not under any constraint or undue influence while executing the POA. The new legislation now also requires that the witness and the notary public be two (2) different individuals and the witness cannot be the agent or the agent's spouse or child.

The new legislative changes to the statutes governing the exercise of the POA have drastically increased the liability exposure of the agent. The applicable statute states, in part, that, "an agent shall use the principal's money, property or other assets only in the principal's best interest and the agent shall not use the principal's money, property or other assets for the agent's benefit".

However, the Legislature did not define the term "benefit". The failure to define that term has created considerable controversy and a wide variety of interpretations among the estate planning attorneys. "Benefit" can be interpreted to mean a number of things, including reimbursements and compensation to the agent and the power to gift, make distributions from retirement plans, insurance policies or annuity contracts to the agent.

The Legislature did define "best interest" to mean that the agent act "solely for the principal's benefit." Attorneys within the estate planning field have interpreted that phrase to mean that the agent will violate the statute even if the agent receives a nominal benefit while acting for and on behalf of the principal. If the agent receives any benefit from any act, then the authorization for that act must be "specifically identified in detail" within the POA and the POA must be "separately initialed by the principal and the witness at the time of execution." Thus, even if the agent is an heir of the principal, the agent can receive nothing unless the authority for the act is "specifically identified in detail" and properly initialed by the principal and witness.

The new legislation may also expose agents to further liability in the performance of his or her duties as an agent. If the agent receives a benefit that is not "specifically identified in detail," it is unclear with the new legislation whether the agent has breached his duty to the principal, thereby triggering the penalty provisions of A.R.S. Section 46-456. This Statute creates a private cause of action for the financial exploitation of vulnerable adults and authorizes various penalties and remedies when such exploitation occurs.

This Statute states, in part, that "a person who is in a position of trust and confidence to an incapacitated or vulnerable adult shall act for the benefit of that person." This Statute makes no allowances for small or minimal breaches of the fiduciary duty owed to the incapacitated or vulnerable adult. The estate planning bar is in accord that any breach by an agent will likely trigger the penalty provisions of this Statute, which can be severe. An agent who violates this Statute may be subject to damages in a civil suit "up to three times the amount of the monetary damages" and "forfeits all benefits with respect to the estate of the incapacitated or vulnerable adult".

The new legislation does exempt certain entities and types of POAs from the new language and execution requirements. If the principal creating the POA is not a "natural person," then the new execution requirements discussed above do not apply. Also, the new legislation exempts health care directives and POAs validly executed in another state.

These are just a few of the new legislative changes to the statutes governing POAs. We strongly recommend that you contact our office at (520) 797-1400 to schedule a consultation in order to learn more about the duties and obligations of an agent and the severe consequences for failing to uphold those duties and obligations.

Balancing Your Investment Portfolio By Using Universal Investment Goals

Investing in today's financial markets can be rewarding if investors understand a few basic concepts about balanced portfolio management. Your investment portfolio includes all of your investable assets excluding your home, automobile and personal property.

The balanced portfolio approach is used by all large investment accounts yet is seldom utilized by individual investors. By following a common sense approach to investing, the individual investor can accomplish what I call the four universal investment goals.

THE FOUR UNIVERSAL INVESTMENT GOALS

- Safety of Principal
- Minimizing Income Taxes
- Maximizing Investment Return
- Providing Adequate Liquidity

Meeting these goals may seem impossible because there is no single investment that has all of these characteristics. However, by strategically combining several different types of investments within your portfolio, you can come very close to an ideal result.

How then does an individual select the proper investment balance? Instead of looking at your individual investments one by one, try to visualize the whole investment picture. First, take an inventory of your investments and categorize them. You may find several categories, such as certificates of deposits (CDs), stocks, bonds and real estate. Once the categories are totaled, it will be easy to see if you are overweighted in one area.

Shifting amounts from one area to another can help meet your desired outcome. Balancing your investments instead of overweighting in one area usually decreases portfolio risk. Proper category diversification can provide benefits such as tax reduction, growth and income liquidity.

For instance, if you find you have most of your assets in CDs, you know that your principal is relatively safe, yet the interest payments may not meet your requirements of high return and tax-free interest. You may want to shift a portion of your assets out of the CD category and into investments such as tax-free municipal bonds or a conservative growth mutual fund.

In summary, balance your portfolio to include the following: guaranteed investments to ensure safety; growth investments to stay up with inflation; tax-free investments to reduce taxes; and liquid investments to meet your cash requirements. Readjust the category percentages periodically if financial markets or your personal situation change.

We may not be able to forecast what will happen to stocks or interest rates in the future, but by using this portfolio approach, individual investors can package their investments to help meet their objectives successfully.

Protect Your Estate Assets from the Pitfalls of Long Term Care

ALTCS, the Arizona Long Term Care System, was developed to provide quality long term care for people who meet ALTCS eligibility standards and cannot afford to pay for the care they need. Eligible persons are defined in two basic groups: (1) the developmentally disabled and (2) the elderly and physically disabled. ALTCS provides several long term care options ranging from nursing home services to limited home and community based services.

Unless you are already financially eligible through the Supplemental Social Security Income or certain other programs, ALTCS will determine the financial eligibility of each applicant. Only those applicants able to show minimal assets and income will be financially eligible under ALTCS for long term care benefits provided by the State of Arizona. These eligibility requirements are a state-based provision and thus, vary from state to state. **Note that Arizona is one of the strictest states for qualification and eligibility under financial standards for long term care benefits.**

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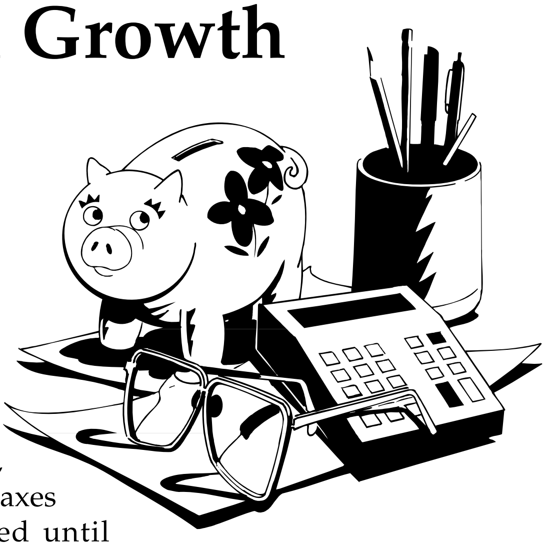
Annuities: A Tax-Deferred Growth Investment & Estate Planning Tool

By Jerry Kopydlowski, Jr., LUTCF



Today's ever changing tax structure makes annuities increasingly more attractive. Earnings in a deferred annuity contract grow and compound tax deferred. No tax is due until you make a withdrawal. Thus, you make the determination of when you will pay your taxes. People who want a tax advantaged savings vehicle for retirement should consider deferred annuities. Today's annuities offer tax-deferred earnings, no front end sales charges, probate-free transfer to heirs, and guaranteed retirement income options.

What is a tax deferred annuity? Generally speaking, a tax deferred annuity is a contractual agreement between an individual, or other custodian, and an insurance company. Funds are deposited with an insurer, which in turn credits interest to the contract. At some time in the future, the accumulated funds may be withdrawn in a lump-sum or can be used to provide a retirement income.

Withdrawals from any deferred annuity will be subject to income tax, and also a 10% federal excise tax if withdrawn prior to age 59½ (except for withdrawals based on life expectancy or due to the death or disability of the contract owner).

The basic appeal of an annuity lies in the tax advantage inherent in tax deferral. Annuities don't avoid taxes, they simply defer them, and tax deferral can make a big difference in your retirement income. For illustration purposes let's hypothetically invest $100,000 in a taxable investment and $100,000 in an annuity. If they were both paying 7%, after 20 years the taxable investment would have grown to $240,250 after taxes. The annuity would have grown tax-deferred to $386,968. We now start taking the interest from the investments at the same 7% rate for income. Our income from the taxable investment would be $10,763, while the income from the annuity would be $17,336. This is 61% more income from the annuity.

Tax-deferral makes a big difference because: (1) the interest on your principal is not taxed, (2) the interest on your interest compounds and is not taxed, (3) the amount you would have paid in taxes earns interest and is not taxed, and (4) if taxes are deferred until after retirement, you may be in a lower tax bracket and therefore not required to pay as much in taxes. You will eventually have to pay taxes, but not until you take the money out of the annuity. Since you choose when that is, you choose when you will pay the taxes.

Let's look at three different types of annuities. They are Immediate Annuities, Fixed Deferred Annuities, and Tax Deferred Variable Annuities.

The Immediate Annuity is designed to provide a guaranteed stream of income for a specified period of time. The purchaser of an immediate annuity makes an initial premium deposit and selects the term of the contract. The owner of the contract then receives guaranteed payments for each selected period. A substantial portion of each payment may be tax-free and the remainder is taxable. Immediate annuities are not subject to the 10% excise tax for withdrawals prior to age 59½.

The Fixed Deferred Annuity is the most common annuity contract. A fixed annuity is a fixed income investment in which the insurance company guarantees a fixed rate of interest for a specified period of time. At maturity both principal and interest are guaranteed by the issuing insurance company.

Variable Annuities are flexible and provide a choice of investments through several professionally managed stock or bond funds. Some even offer guaranteed interest accounts, like a fixed annuity. You can choose the type of funds, based upon your investment objectives and change them, tax free, if your objectives change. Variable annuities are subject to market risks, the value of these accounts may go up or down in value. Most variable annuity, contracts now include a guaranteed death benefit that ensures your estate receives 100% of your purchase payments.

Advantages of a Living Trust – Avoid Probate, Save on Taxes

Have you made any plans to distribute your assets and take care of your family when you die or become incapacitated? If you have, you probably used a will or joint ownership. If you have not prepared a will, the state in which you live has provided for the distribution of your estate assets.

But all of these methods and provisions have hazards associated with them which sooner or later will lead to expenses which can deplete your estate, namely probate and estate taxes. You want as much of your hard-earned assets to go directly to your loved ones as possible, without unnecessary costs or delays.

Failing to plan for your estate can mean that the government, rather than your heirs, may get the major portion of your hard-earned money. Why? Because the top estate tax rate is an astounding 55%! Further, probate costs can take from 5% to 15% of the gross value of your estate, and the probate process routinely takes at least a year, often longer.

> ***"FAILING TO PLAN FOR YOUR ESTATE CAN MEAN THAT THE GOVERNMENT, RATHER THAN YOUR HEIRS, MAY GET THE MAJOR PORTION OF YOUR HARD-EARNED MONEY."***

Many people are aware of the exclusion of assets up to $675,000 from estate taxes. To most, this appears to be a significant amount. Yet, when you contemplate the value of retirement benefits, life insurance, the value of your home and other assets, you may be amazed at how much you are worth.

It is not effective estate planning to put everything you own into joint title or draw up a will leaving everything to your spouse. You need to review your total financial position and project what estate taxes and probate costs you would pay if you altered nothing.

ADVANTAGES OF A LIVING TRUST

- **Avoid all probate** and related costs – both financial and emotional
- Can **eliminate or reduce estate taxes**
- **Completely flexible** – can be changed or cancelled at any time
- Lets you **keep control,** even at incompetency and after your death
- Prevents a conservatorship at physical or mental incapacity
- **Preserves privacy** – completely confidential
- Allows **quick distribution of assets to beneficiaries**
- **Inexpensive**, easy to set up and maintain

To review the options to reduce these expenses and still accomplish your objectives, please call us at (520) 797-1400 to schedule your free consultation.

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PROTECT YOUR ESTATE ASSETS FROM THE PITFALLS OF LONG TERM CARE

Basically, to qualify, you can have no more than $2,000 in assets and/or cash equivalent and not more than $1,374 in monthly income. In addition, for a married couple, all assets of both spouses are totaled, including their home, furnishings and one car of any value. The asset total is then divided between the two spouses and one-half of the total is allocated to the spouse not going into the nursing home under community property laws, with a minimum of $14,964 and a maximum of $74,820.

All assets remaining in the applicant's share of the family estate (the share of the spouse requiring long term care) in excess of $2,000 must be disposed of before the applicant can be financially eligible for long term care benefits. **This can result in a near total liquidation of your family assets and loss of your entire estate earnings and assets should you require long term care benefits in the future.** Further, if your monthly income is greater than $1,374, you will not be eligible for long term care benefits.

But, don't be discouraged. There are solutions and ways to protect your estate assets and family's future financial security. Long Term Care insurance products are one avenue to fund for long term care needs and protect your spouse. Certain Long Term Care products will even refund your premium payments if you do not need to claim for long term care coverage!

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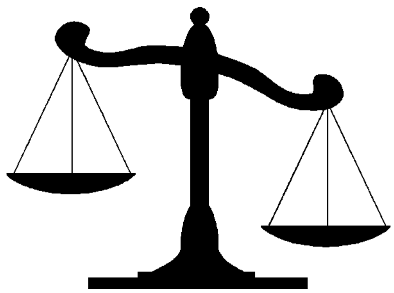

Peace of Mind

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