



Leaders in Investment Management

NEWS

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It's Not All Bad News – *Independent Advisor Representative Sheds Light on these Financial Dark Days*

CALABASAS, CA (December 2, 2008) – Scary headlines may have you thinking about pulling out of the market, but peppered in among those doom and gloom proclamations is solid advice, urging investors to take advantage of a number of significant opportunities present in today's market. According to Brett Ellen, an independent investment advisor representative and President of American Financial Network (AFN), even during uncertain times such as these there are ways to turn your losses into gains if you just know where to look and whom to turn to.

"I'd argue that there are genuine reasons for many investors to be concerned, today," says Ellen. "People are watching their assets decline not knowing how long it will take to recover their losses. They're scarred to talk to their bank or their big brokerage house, but don't know how they are going to meet their financial responsibilities. It's my job to understand what is important in their life and review what is being done on a planning basis to make sure their personal needs are being dealt with."

Financial advisors can help alleviate stress by reviewing your financial plan and evaluating where you are in terms of meeting your long-term goals. An advisor that works for an independent broker dealer is not beholden to any specific product or investment. They are able to provide objective counsel to clients without the undue pressure of sales goals or proprietary product restrictions.

If you don't have a financial plan, now is the time to get one. "An independent financial representative helps people define their goals and then find financial solutions to best fulfill those goals in good times and bad," says Ellen.

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Today's economic worries have people overwhelmed, and rightfully so. However by working together with a professional advisor, investors can take action and work through the current turmoil. Here are few tactics Ellen recommends to help offset losses and keep you on track with your financial goals.

Tax Strategies

With a broad array of asset classes in the red, you may decide to put some of those losses to work for you. Remember, each year you can reduce your ordinary taxable income by up to \$3,000 in net capital losses. If you sold taxable investments at a profit this year, you could sell some portfolio losers to offset those gains. You'll receive a preferred tax rate on long-term capital gains.

"Naturally, your sell decisions should consider the relative strength of each investment and general economic conditions, rather than be motivated solely by potential tax savings," says Ellen. Many financial advisors collaborate with tax professionals to help you reach your goals. If you have questions, consult your personal tax advisor.

Roth Conversions

Now may be an ideal time to convert your traditional IRA to a Roth IRA while value is low. When converting a traditional IRA to a Roth IRA you must pay income taxes on the account balance. However, once those taxes are paid, all qualified withdrawals from your new Roth IRA are tax-free provided you hold your Roth IRA for at least five years and are at least 59 ½ years of age.

While investors often see the benefits of adding a tax-free Roth to their portfolio, the cash outlay to pay conversion taxes can be a hurdle they just can't clear. However, if you hold a traditional IRA account that has declined in value over the past year, it may be worth the initial cost to convert to a Roth. Because the value of your IRA account is down, you will owe less in taxes now than you might have in the past. The extra bonus is that your new Roth will capture gains from the market's eventual rebound on a tax-free basis.

You can convert your traditional IRA to a Roth IRA if your modified adjusted gross income (MAGI) is under \$100,000. Note, however, that income cap is scheduled to disappear in 2010, courtesy of the Tax Increase Prevention and Reconciliation Act of 2006. Therefore, after 2010, you can convert your traditional IRA to a Roth IRA, regardless of your income or filing status. (Currently, you cannot convert if you are Married Filing Separately, unless you have been living apart all year.)

Buy If You Can

If you have extra cash on hand and are 10+ years away from retirement, equities' 40% decline from last year's high present an attractive buying opportunity. Whether the current bear market has reached the bottom or not is unclear, but stocks are certainly on sale. Rather than focus on a sector you perceive as safe, make broad-based contributions to the market on a regular basis. That practice, known as dollar cost averaging, ensures that you buy more shares when prices are down. If you are retired or on the verge of retiring, you'll want to ensure you have enough allocated to cash and bonds to cover your living expenses for at least the next several years.

"The market's behavior may be unprecedented, but we can ensure we make rational decisions by basing our moves on life's goals, willingness to stomach the inevitable market swings, and time horizon," says Ellen.

About Brett Ellen and American Financial Network

Brett Ellen, founder and president of American Financial Network, is a financial planner and investment advisor representative with Securities America Advisors who specializes in wealth management and corporate benefit planning services. Additionally, Ellen established and is an active part of the Financial Solutions Alliance, a network of financial service providers from across the country that work collaboratively to address the financial and business needs of their clients. Unprecedented in his ability to serve both individual investors and corporate planners, Ellen is recognized by Securities America as their top advisor. For more information about Brett Ellen, visit www.afn-net.com.

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**Source:

1. <http://www.irs.gov/publications/p544/ch04.html>

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