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NEWS

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Navigating the New Financial Frontier

Financial Advisor Gives Tips to Manage the Changing Economic Landscape

SAN DIEGO, CA (October 15, 2009) — The financial landscape has changed dramatically since Ben Bernanke’s first appointment as Chairman of the Federal Reserve in 2006. Although the Fed intervened in unprecedented fashion to curtail the biggest global downturn since the Great Depression, according to John Jenkins, an independent financial professional, a magnitude of economic challenges still confront our nation. “We have not yet dealt with the \$2 trillion in bank-owned mortgage-backed securities,” Jenkins says. “In addition, unemployment is creeping toward 10 percent and could mean even more home foreclosures. Many experts are predicting a crash in the commercial real estate market and on top of all of that, the previously unflappable American consumer seems tapped out, unable, and in some cases unwilling, to increase spending to boost the economy.”

While President Obama praised Bernanke for bold action and outside-the-box thinking that helped soften the economic fall, Jenkins believes that it’s become increasingly clear that many individuals and families may need to make bold financial moves of their own. “The ‘borrow and spend’ paradigm that sustained families, towns, and even our nation is broken,” says Jenkins. “With credit tight, consumers have to rely only on their earnings – something they’ve not had to do in decades.”

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As the government enacts legislation to guide the economy out of a recession, Jenkins believes American consumers must adopt a new vigilance in order to understand and take advantage of emerging opportunities. “Just as buy and hold no longer works as an investment philosophy, consumers must make an effort to stay informed about how new policies enacted by Congress, the Federal Reserve, and the Treasury alter the playing field in order to make well-reasoned decisions.”

Jenkins suggests positioning for the transitioning market environment by considering a number of tactical moves from including inflation hedges in portfolios to pursuing other strategies. The key, Jenkins says, is to remain nimble in order to react quickly, when necessary, to market opportunities and stay informed about new federal programs. For example, the government’s Car Allowance Rebate System (CARS), or Cash for Clunkers program, came and went before many consumers were informed enough to take advantage of it.

“While the dollar value of these rebates, including the upcoming rebate on energy efficient appliances, may be relatively small, I still recommend paying attention to and taking advantage of these programs,” says Jenkins. For example, someone in the market for a first home can take advantage of the American Recovery and Reinvestment Act of 2009 which authorizes a tax credit equal to 10 percent of the home’s purchase price up to a maximum of \$8,000 for qualified first-time home buyers before December 1, 2009. Income limitations apply. For more information on the program, consumers should visit <http://www.irs.gov/newsroom/article/0,,id=206293,00.html>.

In addition to stimulus programs that can provide advantages for consumers, there is a rule regarding Individual Retirement Accounts (IRA) distributions to charities which are able to be excluded from income. In other words, an investor, 70 ½ or older can transfer up to \$100,000 from an IRA directly to an eligible charitable organization tax-free. This provision is coming to an end and will not apply to any distributions made in taxable years after December 31, 2009.

Jenkins believes it’s never too early to begin tax planning. “If an investor wants to create a nontaxable retirement income stream but is currently prohibited because of a modified adjusted gross income (MAGI) over \$100,000, he or she should consider converting a traditional IRA to a Roth IRA in 2010,” Jenkins advises. “In 2010 a provision in the Tax Increase Prevention and Reconciliation Act of 2006 will allow those with modified adjusted gross income over \$100,000 to do a conversion.” Restrictions, penalties and taxes may apply. Unless certain criteria are met, Roth IRA owners must be 59 ½ or older and have held the IRA for 5 years before tax-free withdrawals are permitted.

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About John Jenkins and Asset Preservation Strategies, Inc.

John Jenkins is president and founder of San Diego-based Asset Preservation Strategies, Inc., which provides a team of financial professionals collaborating to address all of the elements of successful wealth management. He has conducted numerous financial planning workshops during his career and has been a guest on the PBS show “The Money Makers” and its successor, “The Financial Advisors,” as well as the syndicated news magazine show “Heartbeat of the City.” Jenkins has also authored and co-authored several financial planning books and publications. He is frequently quoted in the financial press, including Financial Planning News, The San Diego Union-Tribune, the La Jolla Light and the San Diego Business Journal. He has been named for three years in a row as a 5 Star, Best in Client Satisfaction Wealth Manager by San Diego Magazine based on surveys of more than 30,000 clients of wealth managers and data from more than 4,000 financial service professionals. Learn more at www.asset-preservation.com

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