Passage Wealth Advisors

EYE ON MONEY

SEP OCT 2010

Financial Steps for **60-Somethings**

What to consider in the crucial years preceding retirement.

Plus:

An Intro to REITs

529 College Savings Plan FAQs

©iStockphoto.com/kzenon

©iStockphoto.com/Peter Spiro

Tax Breaks for Preserving and Fixing Up Your Historic Building

■ **Is your building listed in the National Register of Historic Places?**

■ **Is it located in a registered historic district and certified as being historically significant?**

If you answered "yes" to either question, you may be eligible for a federal charitable tax deduction if you donate a facade easement to a qualified charitable organization whose mission includes historic preservation.

By donating a facade easement, you and all future owners are prohibited from making changes to the exterior of the building that are inconsistent with its historical character. The facade includes the structure's entire exterior, and the public must have visual access to it.

The amount of the deduction is generally the difference in your building's appraised fair market value before and after the easement. Buildings that are used as homes or businesses are eligible for this deduction.

■ **Is your historic building located in a registered historic district?**
■ **Does it need substantial repairs?**
■ **Will it be used for rental housing or a business?**

If you answered "yes" to all three questions, you may be eligible for a federal tax credit equal to 20% of your qualified rehabilitation expenses.

To be eligible, your building needs to be certified as a historic structure by the National Park Service. The rehabilitation work must meet the Secretary of the Interior's *Standards for Rehabilitation* as determined by the National Park Service. And your qualified expenses must exceed $5,000 or the adjusted basis of the building.

Historic barns also qualify for this federal tax credit if they are used for agricultural or business purposes and meet the other requirements. ■

Please consult your tax advisor for more information about tax breaks for preserving and fixing up historic buildings. This is especially important if you plan to claim both tax breaks. If they are not timed properly, the value of your tax breaks may be reduced.

inside

UP FRONT

2 **Tax Breaks for Preserving and Fixing Up Your Historic Building**

3 **5 Reasons to Consider a Revocable Living Trust**

4 **529 College Savings Plan FAQs**

FEATURES

6 **Financial Steps for 60-Somethings**
Tips and considerations for those crucial years immediately preceding retirement.

14 **REITs: An Introduction to Real Estate Investment Trusts**
Looking for current income and diversification potential? Take a look at REITs.

FYI

16 **Thames River: A Passage of Power and Privilege**
18 **Film Festivals**
19 **The Mint Museum Uptown's Grand Opening**
19 **Quiz: Ode to...**

© 2010 Quinn Communications Inc.
This publication was created by Quinn Communications Inc. (www.quinncom.biz) for the use of the sender. It is intended to provide general information on the subject matter covered. It is not intended to provide a financial, legal, or other professional service. The information in this publication may not be appropriate for you. Contact a financial or legal professional before making changes to your plans.

A revocable living trust is a legal arrangement you create to direct how the assets you place in the trust are to be managed during your lifetime and distributed after your death. As trustee, you retain full control of the assets in the trust.

5 Reasons to Consider a Revocable Living Trust

A revocable living trust can be a great estate planning tool given the right circumstances. Here are five reasons to consider creating one.

Talk to your financial advisor about whether a revocable living trust should be part of your estate planning strategy.

1 **You live in a state with high probate costs.** Assets in a revocable living trust avoid probate, a sometimes lengthy and costly court-supervised process that a will must pass through. If you live in a state with high probate costs, using a revocable living trust to transfer your assets to your heirs has the potential to save your estate a bundle. Remember, though, that not all states have high probate costs. In some states, the cost to probate a will may be less than the cost to create a revocable living trust.

2 **You own property in more than one state.** If you own real estate outside of your home state, placing it in a revocable living trust eliminates the need for probate proceedings in multiple states.

3 **You want the details of your estate to remain private.** A will becomes a matter of public record when it enters probate. A revocable living trust, on the other hand, is not made public. Your successor trustee can transfer the assets in the trust to your heirs without the details becoming public knowledge. (FYI: You'll still need a will to provide direction for any assets that were left out of your trust and cannot be distributed using other means.)

4 **You want your estate distributed as quickly as possible.** In some states, probating a will can be a lengthy process. Assets in a revocable living trust may be distributed more quickly than assets distributed by a will that must go through probate first. This is not always the case, though. Some states offer simplified probate procedures that allow wills to be processed quickly.

5 **You want to avoid court-appointed guardianship.** In addition to providing direction for how your assets are to be transferred after your death, a revocable living trust can be used to transfer management of the assets in the trust if you become incapacitated. Your successor trustee can assume the management of the assets in the trust and manage them for your benefit, generally without any court involvement. (FYI: You'll still need a durable power of attorney to name someone who can handle your other financial affairs.) ■

Millions of American families use 529 college savings plans to save for their children's or grand-children's college education. The popularity of these plans is due in part to the tax benefits they offer:

- **Earnings grow tax-deferred.**
- **Withdrawals are exempt from federal income tax** (and in many states, state income tax also) if used for qualified higher education expenses.
- **Your contributions may qualify for a state income tax deduction** if you choose your state's 529 plan.

Here are answers to some frequently asked questions about 529 college savings plans. **Your financial advisor can tell you more.**

What are 529 college savings plans?

529 plans are state-sponsored investment plans that allow money invested for college to grow tax-deferred and to be withdrawn free from federal taxes if used for qualified education expenses. The plans are named after Section 529 of the Internal Revenue Code, which gave states the right to offer savings plans exempt from federal taxation.

What can the savings be used for?

529 plan withdrawals are free from federal income tax as long as they are used to pay the beneficiary's qualified expenses at an eligible college, university, vocational school, or other postsecondary educational institution.

Qualified expenses include:

- **Tuition and fees**
- **Books, supplies, and equipment** required for enrollment
- **Computer equipment and services** (Computer-related expenses will not be qualified after 2010 unless Congress extends the provision regarding them.)
- **Room and board**, if the costs are reasonable and the student is enrolled at least half-time
- **Special needs services** incurred by a special needs beneficiary in connection with enrollment or attendance

For a school to be considered eligible for 529 plan purposes, it must be eligible to participate in a student aid program administered by the U.S. Department of Education. This includes virtually all accredited public, nonprofit, and proprietary postsecondary institutions.

Can I invest in any state's 529 plan?

You can choose a 529 plan from nearly any state; only a few plans limit participation to state residents. This gives you the freedom to choose the plan whose features and investment options suit you best.

Be sure to consider your own state's plan. Some states offer state residents additional perks, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges.

Can the savings in a 529 college savings plan be used in any state?

Yes, the savings can be used at any eligible institution in any state. They can even be used at some accredited institutions outside of the United States that participate in the U.S. Department of Education's student aid program.

Who can open a 529 account?

Any U.S. citizen or resident alien can open a 529 account. All you need is a Social Security number or a taxpayer identification number. And, unlike some other tax-favored savings plans, there are no income restrictions on who can open or contribute to a 529 account.

Who can I open a 529 account for?

You can open a 529 account for any U.S citizen or resident alien, including your child, grandchild, niece, nephew, a friend's child—even yourself. The account's beneficiary can be any age, from newborn to adult.

Can more than one 529 account be opened for the same beneficiary?

Yes, any number of 529 accounts can be opened for the same beneficiary. For example, a parent, a grandparent, and a family friend may each open separate 529 accounts for the same beneficiary.

Who controls the 529 account?

The person who opens the account is con-

sidered the account owner and makes all of the decisions, including how the contributions are invested and when the money is withdrawn from the account.

What are my investment choices?

The investment choices will differ from plan to plan. In general, 529 plans offer a selection of investment portfolios, comprised of mutual funds and assembled by investment companies hired by the sponsoring state. Many 529 plans offer age-based portfolios that are designed to shift to more conservative investments as college nears. And some 529 plans offer FDIC-insured banking options.

Is there a limit on how much I can contribute?

Yes. Each 529 plan caps the total amount that can be contributed per beneficiary. Most plans have set high caps, with several exceeding $300,000.

Can I withdraw my money for non-education-related expenses?

Yes, you can withdraw your money for any reason. However, if the withdrawal is not for qualified expenses, you will have to pay income tax and a 10% federal penalty on the earnings portion of the withdrawal. If you received a state tax deduction or credit for your contributions, you will likely have to repay it.

What happens to the account if the beneficiary does not go to college?

As the account owner, you have a couple of options in this situation.

- **You can change the beneficiary** on the account to a member of the beneficiary's family, such as a sibling or a first cousin, without any tax consequences.
- **You can withdraw the money.** If you do this, the withdrawal will be subject to income tax, a penalty, and the recapture of state tax breaks, as described in the prior answer.

Is there a special gift tax benefit?

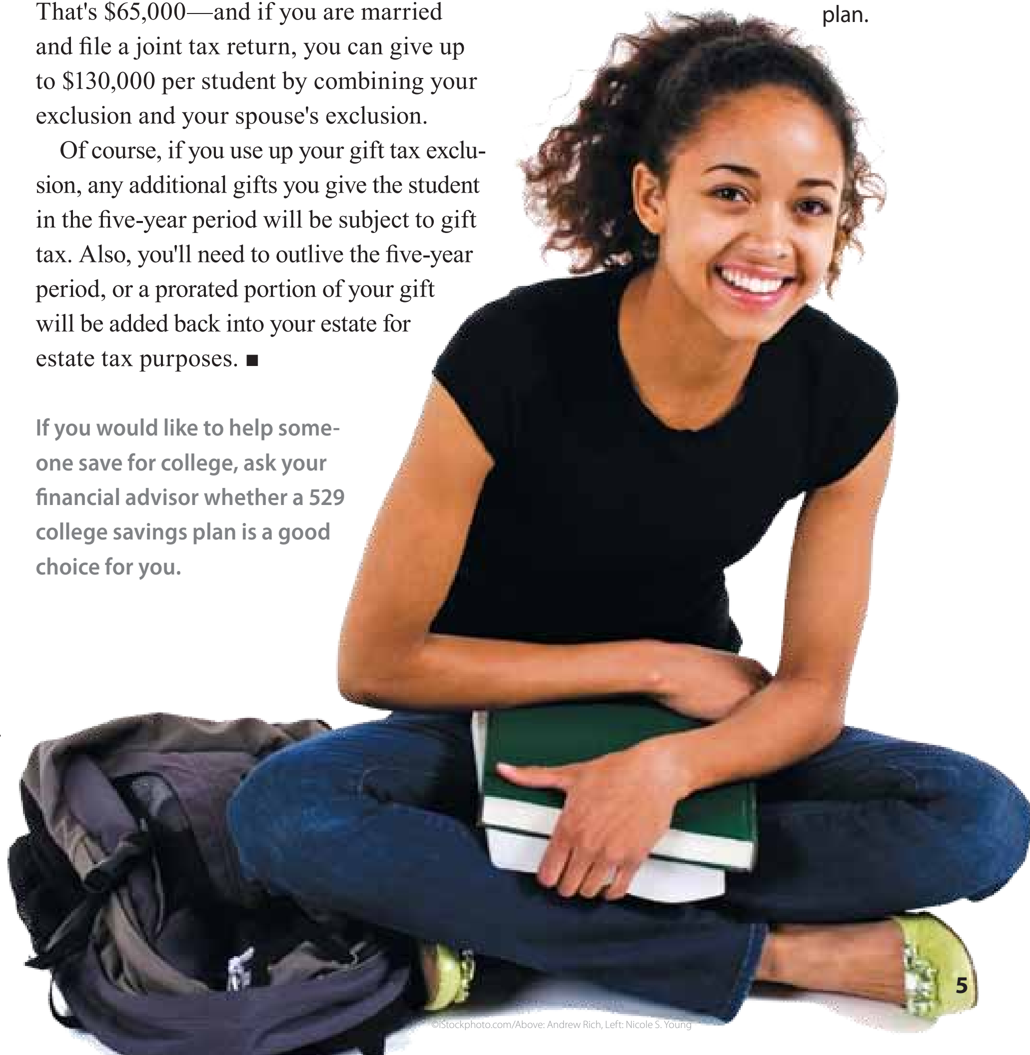
Yes. You can contribute up to $65,000 per student in one year to a 529 account without gift tax consequences. That is five times higher than the amount you can normally give someone in one year without gift tax consequences.

A special rule for 529 plans allows you to combine five years of annual gift tax exclusions ($13,000 for 2010) into one year. That's $65,000—and if you are married and file a joint tax return, you can give up to $130,000 per student by combining your exclusion and your spouse's exclusion.

Of course, if you use up your gift tax exclusion, any additional gifts you give the student in the five-year period will be subject to gift tax. Also, you'll need to outlive the five-year period, or a prorated portion of your gift will be added back into your estate for estate tax purposes. ■

If you would like to help someone save for college, ask your financial advisor whether a 529 college savings plan is a good choice for you.

ABOUT 529 COLLEGE SAVINGS PLANS:
For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.



©iStockphoto.com/Above: Andrew Rich, Left: Nicole S. Young

Financial Steps for 60-Somethings

©iStockphoto.com/kzenon

Careful… careful… almost there… finally, retirement!

The financial focus for many people in their sixties is lining up a comfortable, secure retirement. While they may be very close to their goal, there may be crucial decisions yet to be made about pensions, savings, and Social Security—decisions with the power to affect the rest of their lives. If you are approaching retirement, seek advice from a pro. Your financial advisor can help you decide how to handle this all-important series of decisions. Here are some general tips to help get the ball rolling.

Financial milestones

AGE	MILESTONE
62	**Eligible for reduced retirement benefits from Social Security.**
65	**Eligible for Medicare.** (Apply 3 months before your 65th birthday if you are not already receiving Social Security benefits.)
66	People born from 1943 to 1954 are **eligible for full retirement benefits from Social Security**. (If you were born from 1955 to 1960, the age when you can begin full retirement benefits increases gradually to age 67.)
70½	**You must begin taking annual minimum distributions** from your Traditional IRAs and your employer-sponsored retirement plans. (You can postpone your first distribution until April 1 of the following year. You may be able to postpone distributions from an employer-sponsored retirement plan while you are still working.)

1 Determine if you can afford to retire. The number one question on many 60-somethings' minds is "Do I have enough money to retire?" It's a great question, and you're smart to ask it before you clear out your desk.

To gauge whether you have enough money to retire, you'll need to estimate your annual expenses in retirement and how much you will receive each year from Social Security, traditional pensions, and other guaranteed sources of income. If your income is greater than your expenses, you may be all set. If your expenses are greater than your income, the difference will need to come from your savings. Are your savings up to the task of filling that gap for the next thirty or more years? Now that's a great question for your financial advisor.

Your advisor can review your retirement assets and estimate how much you might be able to withdraw from your savings each year without depleting them early. If the withdrawal amount is enough to bridge the gap between your projected expenses and income, hey, you may be financially ready to retire.

If your savings are not sufficient to fill the gap, you have several options. You might consider working a few more years before retiring in order to boost your savings, as well as to delay dipping into your savings. Or you might consider working part-time at the start of your retirement to cover some of your retirement expenses. You may be able to slash your current expenses, freeing up cash that can be directed to your retirement savings. Or you might plan to trim your retirement expenses, for example, by downsizing your home or moving to a less expensive area.

2 Revisit your investment plan. The investment strategies you used to save for retirement may need adjusting before you retire. One area to review is your asset allocation.

As retirement nears, it is generally a good idea to gradually shift some of your savings from more volatile types of investments, such as stocks and stock funds, to less volatile types of investments, such as bonds and cash equivalents. This shift to more conservative investments can help smooth out your overall returns. (Asset allocation does not ensure a profit or protect against loss in declining markets.)

But before you abandon stocks altogether, remember that stocks have historically outperformed bonds or cash over the long term. (Past performance is no guarantee of future results.) You may need stocks in your portfolio to help your retirement savings last.

Your financial advisor can help you settle on a mix of stocks, bonds, and other investments that is appropriate for you at this stage of your life. Plus, your advisor can help you determine how to generate cash flow from your investments during retirement.

3 Choose how your 401(k) is distributed. Before you retire, you'll need to decide how to handle any savings you have in an employer-sponsored retirement plan, such as a 401(k) plan. Generally, you'll have three options: roll over your savings to an IRA, remain in your employer's plan, or take a cash distribution.

One factor to consider in your decision is taxes. By choosing either of the first two options—rolling over to an IRA or leaving your savings in the employer's plan, you can maintain the tax-favored nature of your savings. Earnings in a traditional account can continue to grow tax-deferred, and earnings in a Roth account can continue to grow tax-free. By choosing the third option—taking

a cash distribution, you give up the potential for future tax-deferred or tax-free growth. Plus, you may face an immediate tax bill. Although you can generally take a tax-free distribution from a Roth account after age 59½ and after the account has been opened at least five years, a distribution from a traditional account will be taxed as income, leaving you with less cash to reinvest for your future.

When deciding between rolling over your savings to an IRA or remaining in your employer's plan, consider the ease of use and the breadth of investment choices. IRAs can help simplify your finances by allowing you to combine assets from several retirement plans into one IRA. IRAs also typically offer a far wider range of investment choices—mutual funds, ETFs, stocks, bonds—than most employer-sponsored retirement plans.

If you decide to move your savings to an IRA, execution is important. It is usually better to request a direct transfer from your employer's plan to the IRA. If you withdraw the money yourself, your employer must withhold 20% of the taxable portion of your withdrawal for tax purposes even if you intend to move your savings into an IRA.

Before you roll over to an IRA, consider how to handle any company stock you may own. If you transfer it to a Traditional IRA, it will eventually be taxed as income when you withdraw it from the IRA. If the stock has appreciated greatly, you may be better off tax-wise transferring the stock to a regular taxable investment account. You'll owe income tax on the stock's basis (what you originally paid for it) when it is transferred, but the appreciation that occurred while the stock was in your employer's retirement plan will be taxed as a long-term capital gain when the stock is eventually sold. This has the potential to save you a bundle in taxes. It's a complex strategy, though, so please consult your financial advisor before implementing it.

©iStockphoto.com/kzenon, Left: Alexey Popov

Your 401(k) options at retirement

	Advantages	Drawbacks
Roll over to an IRA	• **Preserves the tax advantages.** Earnings will continue to compound tax-deferred while in a Traditional IRA or tax-free while in a Roth IRA. • **Offers a wider range of investment choices** than most employer-sponsored plans. • **Easier to manage.** Savings from several retirement plans can be combined in one IRA. • **Withdrawals are not required from Roth IRAs** at any age.	• You must withdraw at least a minimum amount each year beginning at age 70½ from a Traditional IRA.
Remain in employer's plan	• **Preserves the tax advantages.** Earnings will continue to compound tax-deferred while in a traditional account or tax-free while in a Roth account. • **Access to certain investments,** such as company stock, may not be available outside of the plan.	• Generally, a much narrower range of investment choices than an IRA. • Generally, you must withdraw at least a minimum amount each year beginning at age 70½ from traditional *and* Roth accounts. (You may be able to defer this if you are still working.)
Take a cash distribution	• If you deposit your cash distribution into a regular savings or investment account, **withdrawals will not be required at any age.**	• Distributions of pre-tax contributions and earnings from a traditional 401(k) account will be taxed as income. • You give up the opportunity for your savings to grow tax-deferred or tax-free.

Average monthly Social Security benefits for 2010:

- Retired worker: $1,164
- Retired couple: $1,892
- Disabled worker: $1,064
- Disabled worker with a spouse and child: $1,803
- Widow or widower: $1,123
- Young widow or widower with two children: $2,391

Maximum monthly benefit for a worker retiring at age 66 in 2010: $2,346.

Source: Social Security Administration

4 Choose how your pension benefits are paid.

4 Choose how your pension benefits are paid. If you are eligible for benefits from a traditional pension—congratulations! Fewer workers have access to this type of retirement asset these days. Before you claim your pension, you'll need to make a few decisions.

What age will I retire? If you have met the plan's service requirements and retire at full retirement age (usually age 65), you will generally be eligible to receive a full pension benefit. If you retire early, the amount of your monthly benefit will generally be reduced.

How will my benefits be paid? All traditional pension plans must offer an annuity that makes equal, periodic (usually monthly) payments for life. Some pension plans may offer other payment options as well, such as a lump sum distribution, which pays you the entire benefit in a single payment. Most employees choose the annuity option with its predicable stream of income for life. The two most common types of annuities are the single life annuity and the joint and survivor annuity.

A single life annuity pays the employee a benefit each month, with the benefits ending at the employee's death. This type of annuity generally pays the largest monthly benefit because only one life is covered.

A joint and survivor annuity pays a monthly benefit to the employee for life. If the employee dies before his or her spouse, benefit payments continue to the spouse for the rest of his or her life. Generally, the benefit payment that the spouse receives is a percentage (100%, 75%, or 50%) of the benefit payment the employee receives. Typically, the greater the percentage you choose for your spouse, the lower your monthly benefit.

The lump-sum distribution option may be attractive if you believe you can get a higher rate of return on your own. (You can roll it into an IRA so that it remains sheltered from taxes.) Plus, it gives you the freedom to spend the sum at your own pace. Of course, you are giving up a reliable stream of income in order to invest on your own—be sure to consider the risks before deciding.

5 Explore your Social Security options.

One of the most important decisions you'll face regarding Social Security is when to begin receiving your retirement benefits. The earliest age you can start is generally age 62. However, for every month between age 62 and age 70 that you delay starting, the amount of your monthly benefit will permanently increase. The graph on the next page illustrates how monthly benefits differ based on the age when benefits start.

So, should you start Social Security as soon as possible or hold out for the larger monthly payment? The answer depends on several factors, including how long you will live.

Suppose you are eligible for a $750 monthly payment at age 62 and a $1,000 monthly payment at age 66. If you start benefits at age 62, you'll receive $9,000 each year (not including cost-of-living increases). You'll have already received $36,000 by the time you reach age 66, —that's quite a head start. You'll remain ahead in total benefits until age 77 when the total benefits will be about the same regardless of your start age. After age 77, the lifetime benefits of starting at age 66 with a $1,000 monthly benefit will be greater than starting at age 62.

Here are three things to consider when deciding when to start benefits.

Longevity. People in good health who do not need the benefits right away may want to delay receiving benefits so that they get a larger payment when they do start. People in poor health may be able to maximize

their lifetime benefits by starting as early as possible.

Your spouse, if you are married. The age you start receiving benefits not only affects the amount of your monthly benefit, but the amount your spouse may receive as a survivor benefit if you die first.

Work. If you start benefits before full retirement age while still working, some of your benefit payments during this time may be withheld. Between age 62 and your full retirement age, your benefits will be reduced by $1 for every $2 you earn above the annual limit ($14,160 in 2010). In the year you reach full retirement age, your benefits will be reduced by $1 for every $3 you earn above a different annual limit ($37,680 in 2010) in the months preceding your birthday. Once you reach full retirement age, your wages will no longer affect your benefits. If benefits were withheld in some months, your benefit will be recalculated when you reach full retirement age to give you credit for any months in which you did not receive a benefit because of your wages.

If you are married and both of you have worked more than 10 years, you'll also need to decide whether to claim benefits on your own record or your spouse's record. In general, you will file for both and will receive the higher of the two benefit amounts at the time when you apply. But there are a few angles that married couples can play to boost their overall benefits. For example, you might choose to receive benefits on your spouse's record for a few years, allowing your own benefit amount to continue to grow for those years before switching to your own record.

If you were previously married, you may also qualify for benefits on your ex-spouse's or deceased spouse's record. To claim benefits on your ex-spouse's record, both you and your ex-spouse generally must be at least age 62, you must have been married for at least 10 years, you must be unmarried, and you must not be eligible for an equal or higher benefit on your Social Security record or someone else's record.

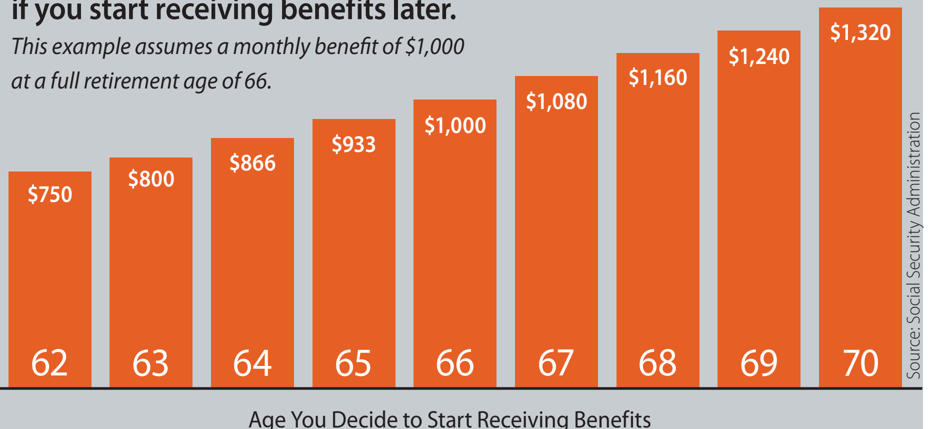
In general, you must be age 60 to qualify for a widow or widower's benefit on your deceased spouse's record. If you remarry before age 60, you cannot receive benefits while that marriage is in effect. If you remarry after age 60, you can continue to receive a survivor's benefit, but you may receive a larger benefit on your current spouse's record.

©iStockphoto.com/Far left: Catherine Yeulet; Left: kzenon

6 Create a retirement income plan.

Take care when you crack open your nest egg or you may spend too much, too soon, putting your future financial security at risk. But how much is too much? And which of your retirement assets should be cracked open first? It's a good idea to get the answers to these questions before you retire. Here are some general tips.

When deciding how much you can safely withdraw from your savings each year, be sure to consider your retirement age. A retiree in their mid-sixties who needs to



Line up a reliable stream of income for life.

If you are concerned that your savings may not last as long as you do, **consider buying an immediate annuity with part of your savings**.

An immediate annuity is a contract between you and an insurance company in which the insurance company guarantees that it will pay you a monthly income for life in return for an upfront sum of money. (The guarantee is subject to the claims-paying ability of the issuing insurance company.)

Ask your financial advisor about whether an annuity is a good choice for you.

stretch their savings for 30 or more years may be able to withdraw 3% to 4% of their savings in the first year of retirement. Retire younger, and you may need to withdraw your savings at a lower rate to help your savings last longer. Retire later, and you may be able to boost your withdrawal rate a bit.

Also, consider your investment style. Someone who invests very conservatively may need a lower withdrawal rate than someone with a more moderate portfolio that has a greater potential for higher returns.

If you have already estimated a sustainable withdrawal rate for your retirement savings, be sure to revisit it every year. When downturns in the markets occur, you may need to withdraw less than you had planned in order to give your savings time to potentially recover.

Given the choice between tapping your taxable or tax-favored accounts, it is generally a good idea to tap your taxable accounts first. This leaves your tax-favored accounts, such as IRAs, to compound tax-deferred or tax-free for as long as possible. Also, the tax impact of tapping a taxable account is generally less than that of tapping a tax-deferred account. Remember, long-term gains on the sale of investments in a taxable account are taxed at lower capital gains tax rates, while withdrawals from tax-deferred accounts are taxed as income. (FYI: If you withdraw money from an IRA before age 59½ or before a Roth IRA has been opened at least five years, a 10% early distribution penalty will generally apply.)

These general tips are no substitute for professional advice. Talk to your financial advisor before you retire about how to crack open your nest egg. Your advisor can review your financial situation and help you create a retirement income plan designed to minimize the risk that you'll run out of money during retirement.

7 Sign up for Medicare before your 65th birthday. Most people become eligible for Medicare at age 65. If you are already receiving Social Security benefits, you will automatically be enrolled in Medicare hospital insurance (Part A) and medical insurance (Part B) at age 65. If you are not yet receiving Social Security benefits, you'll need to sign up for Medicare three months before your 65th birthday.

Putting off enrolling in Medicare can cost you. If you do not enroll when you first become eligible, you will generally pay more for medical insurance (Part B) and prescription drug coverage. For example, you'll pay 10% more for each full 12-month period you could have had Part B, but didn't take it. You can, however, postpone signing up for Part B without penalty if either you or your spouse is still working and you are covered by a health plan based on that employment. And you can hold off signing up for prescription drug coverage without penalty if you already have creditable prescription drug coverage.

If you decide to stay in Original Medicare (Part A hospital insurance and Part B medical insurance), keep in mind that this coverage has deductibles, copayments, and coinsurance, as well as gaps in the coverage. A Medicare supplement insurance policy (also known as a Medigap policy) from a private insurer can help you pay these out-of-pocket expenses. You may also want sign up for Medicare prescription drug coverage through a private company.

Your other option is to choose a Medicare Advantage plan that combines hospital insurance, medical insurance, and usually prescription drug coverage into one plan. These types of plans, available from private insurers, may offer a wider range of benefits than Original Medicare.

One challenge you may face if you retire before age 65 is bridging the gap in health

insurance before Medicare kicks in. If your employer or spouse's employer offers retiree health benefits, you may be all set. Even if you have to chip in on the cost, it is likely to be less than the cost of a health insurance policy you purchase on your own. No retiree health benefits? If your spouse is still working, perhaps you are eligible for coverage under his or her employer's health plan. Or perhaps you are eligible to continue with your former employer's health plan for 18 months under the COBRA rules. You'll have to pay for the coverage, but the cost for a policy with a group health plan is apt to be less than the cost of a policy you purchase as an individual.

Whatever your retirement date, be sure to consider your health insurance options carefully. Without the safety net of a good health insurance policy, health care bills have the potential to quickly eat into your retirement savings and undermine your financial security.

©iStockphoto.com/Both: kzenon

8 Consider long-term care insurance.
Long-term care costs also have the potential to undermine retirees' financial security. Unless you have the resources to pay for long-term care out of your own pocket, consider purchasing long-term care insurance.

This type of insurance is designed to help you pay for custodial care—a type of care not typically covered by Medicare or regular health insurance. Custodial care provides help with the basic activities of daily living, such as dressing, washing, and eating. It's the type of care you may need, whether in your home, an assisted living facility, or a nursing home, if you should become unable to perform those activities for yourself, say, due to Alzheimer's disease or a stroke.

Ask your financial advisor whether long-term care insurance is right for you.

9 Consider your legacy.
When you think about it, retirement and estate planning go hand-in-hand. After all, the retirement assets you decide to tap for your retirement needs directly impacts the legacy you will leave your loved ones and charities.

As you finalize your plans for retirement, it is a good idea to consider the legacy you wish to leave. At the very least, pay close attention to the beneficiary designations on your retirement accounts. These accounts will eventually transfer to the beneficiaries named on them.

You may also want to factor your legacy plans into your decision of which assets to use for income. For example, retirees with ample retirement resources may choose to leave their Roth IRAs untouched, so that they can leave their kids or grandkids an income-tax-free legacy. (Estate tax may still apply.) Remember, Roth IRA earnings grow tax-free. If your heir stretches the withdrawals over his or her life expectancy, he or she may benefit from decades of tax-free earnings and tax-free withdrawals. ■

For many 60-somethings, the decisions they make as they transition into retirement will be the most important financial decisions of their lives. And many of the decisions are final, with no chance of a "do-over". Fortunately, there is no need to make these decisions without advice from an experienced financial professional.

Please talk with your financial advisor as your retirement approaches. Your advisor can help you answer such questions as "Can I afford to retire?" and "How much can I withdraw from savings each year?" as well as develop a financial plan—a roadmap if you will—for your transition into retirement.

After retirement, changes will inevitably occur in your life, your goals, and the markets that will require adjustments to your financial plan and investment strategies. Your financial advisor can help you make those adjustments also.

REITs: AN INTRODUCTION TO REAL ESTATE INVESTMENT TRUSTS

An apartment building here, a shopping center there—directly owning real estate can be expensive, time consuming, and tough to convert back into cash. For many investors who seek the income and diversification potential of real estate, investing in a real estate investment trust (REIT) may be a better choice.

What Is a REIT?

A REIT is a company that pools money from investors for real estate investment purposes.

Most REITs own and manage income-producing real estate. This might include office buildings, shopping centers, apartments, hotels, health care facilities, and self storage facilities. This type of REIT, known as an equity REIT, receives its income primarily from rents.

Some REITs, known as mortgage REITs, focus instead on financing real estate. Mortgage REITs lend money to real estate owners and invest in mortgages and mortgage-backed securities. Their income comes from the interest on the mortgages.

A third type of REIT—a hybrid REIT—combines the features of an equity REIT with a mortgage REIT by owning and financing real estate.

REITs are not required to pay income tax on the taxable income they receive as long as they distribute at least 90% of it each year to shareholders.

The Benefits

REITs offer investors several benefits, among them...

The potential for higher income. Because REITs are required to distribute at least 90% of their taxable income each year to shareholders, REITs tend to pay larger dividends than other types of companies.

Liquidity. If you own real estate directly, converting it to cash—in other words, selling it—can take a significant amount of time. In contrast, the shares of many REITs are traded on stock exchanges, making it generally much faster and easier to convert shares of a publicly traded REIT to cash. (Not all REITs are publicly traded.)

Diversification. A REIT may own dozens, if not hundreds, of commercial, industrial, or residential properties, providing a level of diversity that is hard for an individual investor to achieve by buying real estate directly. Plus, the addition of REITs to a portfolio can help diversify it because REITs do not always move in the same direction as other stocks and bonds. Diversification, though, does not ensure a profit or protect against loss in declining markets.

How to Invest in REITs

You can invest in REITs by purchasing shares of a publicly traded REIT just as you would purchase any other stock, or you can buy shares of a mutual fund or an exchange traded fund (ETF) that invests in REITs.

The benefit of using a mutual fund or an ETF is the potential for greater diversification. REITs typically specialize in only one property type, such as shopping centers or apartments. That is a narrow focus. A real estate fund that invests in many REITs may offer exposure to several types of property, as well as a greater number of properties spread across a wide geographic area.

You can choose between actively managed real estate funds and passively managed index funds that are designed to track the performance of a REIT index. (Investors cannot invest directly in an index.)

Before investing in a fund, be sure to consider the fund's objectives, risks, charges, and expenses, which can be found in the fund's prospectus. You can get a copy of it from your financial advisor. Please read the prospectus carefully before investing.

Understanding the Risks

It is always a good idea to understand the risks before you invest. With REITs, it is important to consider:

Stock market risk: The value of REITs, like other stock market investments, will fluctuate and at any time may be worth less than what you paid for them.

Real estate market risk: Because REITs' assets are concentrated in the real estate industry, the value of REITs will generally decline when adverse developments occur that influence that industry.

Interest rate risk: If interest rates increase, there is a risk that the price of REITs will decline if investors are lured away by higher yields elsewhere.

Smaller companies risk: As with other small- and medium-sized companies, the share prices of REITs can be more volatile than the share prices of large company stocks.

It is also important to consider that REITs depend heavily on the strength of specific industries that rent properties. For example, if the outlook for the retail industry is weak, the value of REITs that invest in shopping malls may decline.

Special risks are involved with non-publically traded REITs, including lack of liquidity and the dividends are not guaranteed.

Tax Considerations

Remember, REITs do not have to pay income tax on their taxable income as long as they distribute at least 90% of it each year to their shareholders. Someone has to pay that tax bill though—and that person is the shareholder. You will owe ordinary income tax on the dividends that you receive from a REIT's taxable income, unless your REIT is in a tax-deferred account, such as an IRA or a 401(k) plan.

The dividends you receive from a REIT's taxable income are not considered "qualified dividends" and are not eligible for a qualified dividend's lower tax rates. (FYI: The lower tax rates for qualified dividends are scheduled to expire on December 31, 2010 unless Congress acts in the interim to extend them.)

In addition to taxable income, a REIT distribution may include capital gains and a return of capital.

Distributions of short-term capital gains are taxed as ordinary income. Distributions of long-term capital gains are taxed at long-term capital gains tax rates.

A return of capital reduces your cost basis in the REIT. (If you are investing in a REIT mutual fund or ETF, a return of capital reduces your cost basis in the fund.) When you sell your shares, the reduction in cost basis will affect the amount of capital gain or loss you realize.

Should I Invest in REITs?

REITs or a fund that invests in REITs may be appropriate for you if you are seeking current income or want to add real estate to your portfolio for diversification purposes.

Your best move is to ask your financial advisor whether REITs are a good fit for you. Your advisor can help you determine the role, if any, that real estate should play in your portfolio. ■

©iStockphoto.com/Far left: PeskyMonkey, Left: Shunyu Fan

© iStockphoto.com/Jeremy Voisey

Thames River: A Passage of Power and Privilege

BY BRIAN JOHNSTON

Rivers have always fascinated travelers. They beckon traders with promises of distant commerce, lure the adventurer to explore the interior of continents, and tantalize us with the distant lands that lie along their banks. Yet think of the world's great rivers, and the Thames hardly jumps to mind. Too short for trade, too tame for explorers, the Thames is an unlikely candidate for greatness. It flows barely 210 miles from source to estuary—a mere stream on any geographic scale.

Yet if great rivers also represent the heart and soul of the nations they run through, then the Thames commands attention. This stretch of water has fascinated poets and painters for centuries. Turner captures its misty mornings on canvas, Dickens wrote of its sluggish and sinister waters, and Wordsworth immortalized its beauty from Westminster Bridge.

The Thames is central to English culture and history. It passes through the heart of one of the world's greatest cities, and its waters reflect the palaces and mansions of its most powerful political figures. There's no better way for a visitor to explore London than to follow this river's banks or take to its waters.

What better place to start than the Tower of London, which has been at the center of English history since the eleventh century. True, there are a few other things to see along the Thames downstream from here, for those more interested in modern urban marvels: the Thames Barrier—which controls flooding—for one, and the office blocks and fashionable apartments of the regenerated Docklands for another. The Tower of London outdoes them effortlessly, though. It has executioner's blocks, royal apartments, and many a bloody legend.

In the good old days of its early centuries, the Tower of London was a royal palace—you can still see the original medieval apartments. Then Richard III had his two nephews murdered here and usurped the throne—a tale famously retold by Shakespeare—and things just went from bad to worse. In the sixteenth century, the Tower became a byword for imprisonment and execution, with the rich and famous traipsing to their death on Tower Green: Sir Thomas More, Lady Jane Grey, Sir Walter Raleigh, and not one but two wives of Henry VIII—Anne Boleyn was granted a sword from France rather than a plain old English axe.

The Tower is real history, but the adjacent Tower Bridge just looks it; it was actually built in 1894 in a Gothic style and has since become a London icon. Visitors can go up the north tower for spectacular views of London, although the ultra-modern London Eye now draws the crowds. This splendid bridge is often confused by visitors with London Bridge, which contrary to the nursery rhyme never actually fell down. Still, it was replaced several times, and its latest incarnation is decidedly ugly.

Windsor Castle, left, and the Tower of London, below, both perch on the banks of the Thames River.

Head upstream from here and the heart of central London unfolds most of its iconic buildings. Big Ben is, of course, the granddaddy of them all. Next door stand the Houses of Parliament, which brought modern parliamentary democracy to the world. When parliament is sitting, you can listen to politicians harangue each other from the Stranger's Galley, perched above the House of Commons—the chamber is so familiar from television that it's like being an extra in a movie.

Behind, Parliament Square is dotted with statues of politicians, including the famous outline of Winston Churchill. Across the street is Westminster Abbey, which contains monuments to notable Britons and the tombs of scores of English monarchs. Elizabeth I is the most famous. One of the few to come out of the Tower of London alive, she died in her bed at a ripe old age, and has inspired Hollywood ever since.

From here, walkers can keep walking because about half of the Thames' entire length is flanked by footpaths. Better at this point, though, to take a boat, which allows you to see London's sights from a different perspective. Several companies offer tours from Westminster Pier upriver to Kew, Richmond, and as far as Hampton Court, twelve miles upstream.

Boats first pass Greenwich, where the views are superb. This is the point from which the world measures its time and its longitude—another reason why the Thames is more significant than mere length would suggest. Further upstream at Kew, the river is flanked by one of the world's great botanical gardens, now a World Heritage Site that could take an entire day in itself to appreciate. At its center soars the grand Palm House of glass and wrought iron, lush with banana and mango trees. Elsewhere, hothouses full of blooms, glorious English flowerbeds, formal gardens and rolling lawns are also on show.

It's well worth walking from Kew to Richmond. Traditionally, this is a stretch of the Thames where royalty and the rich retreated from the city. Its banks are still like a rural ramble at points, and deer roam the royal parks, where off-duty stockbrokers jog. Richmond itself is a rather charming riverside town, whose waterfront pubs are just the place for lunch before tottering on to an historic house or two. Just ten minutes downstream stands Ham House, one of the best preserved seventeenth-century mansions and gardens in all Europe, down to its tapestries and commodes and brick icehouse.

When it comes to mansions, Hampton Court is the hands-down winner. It was first built in the sixteenth century by Cardinal Wolsey, but was so grand it outshone the royal residences and incurred the envy of Henry VIII. Wolsey lost his job and his palace, and Henry moved in. In subsequent centuries, numerous monarchs added more rooms and whole wings, leaving Hampton Court a colossal whimsy of statuary, Old Master paintings, squeaky-floored corridors, and mirror-draped halls.

Too far from Richmond to comfortably walk, Hampton Court is anyway best approached by boat, just as old Henry would have done. His state apartments can still be seen, but a lot better are the sixteenth-century kitchens, which detail the miserable lives of scullions and explain how food was prepared for entire courts at a time. Also still in good nick are the eighteenth-century apartments of William III, but royalty had become staid by then, more interested in gilt furnishings than lopping heads off. Time is better spent in the wonderful gardens, laid out as they would have appeared in different historical eras. The famous hedge maze was designed by Sir Christopher Wren, architect of St Paul's Cathedral.

Hampton more or less marks the edge of London, at least the part that interests visitors. Still, no true exploration of the Thames would really be complete without pressing a little further on to Windsor Castle. The place has been a home of royalty for a thousand years, and none is more associated with the status and privileges of the present monarch—who, incidentally, owns most of the swans on the river. Parts of the colossal castle are open to the public when the royals aren't at home; the highlight is the fine Chapel of St George, with its romantic medieval look, knights' banners, and stained glass. Henry VIII is buried here, along with most of the modern-era kings of England.

Sneak across the bridge to the other side of the Thames for final proof that this river is central to English identity. Most of the country's most famous public figures, including twenty-odd prime ministers, went to school at Eton College, which was founded in 1440. The vaulted wine cellars have a museum to this epitome of public school life, and you'll see current Etonians wandering around in top hats and tails in one of those eccentric traditions at which the English excel.

The Thames is tradition to a T, and a bastion of power and privilege. Take time to explore its banks, and you get a pocket lesson in English history and culture, not to mention some fine days out. And if that doesn't make it great, nothing will. ■

Festivalgoers watch a movie under the stars at the Telluride Film Festival in Telluride, Colorado.
Photo by Merrick Chase, courtesy of the Telluride Film Festival

FilmFestivals

East Hampton, NY

Hamptons International Film Festival • *October 7–11, 2010*
This festival at the eastern end of Long Island celebrates independent films, both fictional and documentary, from around the world. Films are presented in a variety of venues in East Hampton, Southampton, Sag Harbor, and Montauk.

Indianapolis, IN

Heartland Film Festival • *October 14–23, 2010*
The Heartland Film Festival shines the spotlight on independent films that celebrate the positive aspects of life. In addition to screening dozens of international films each October, the Festival awards over $100,000 in cash prizes to the top-judged submissions. Audiences can get in on the voting for three Audience Choice Awards.

Milwaukee, WI

Milwaukee Film Festival • *September 23–October 3, 2010*
In its second year, this fledgling film festival offers eleven days of film screenings and events at theaters in the Milwaukee area. The Festival presents films from Milwaukee filmmakers, as well as critically acclaimed national and international films.

Park City, UT

Sundance Film Festival • *January 20–30, 2011*
One of the country's pre-eminent film festivals, the Sundance Film Festival presents more than 200 films each year, as well as a series of special events featuring leading filmmakers and industry figures.

San Diego, CA

San Diego Film Festival • *September 29–October 3, 2010*
Held in San Diego's Gaslight Quarter, this festival features more than 100 American and international feature, documentary, and short films, and music videos. Festivalgoers can attend screenings, catch a workshop, or sit in on a conference to learn from the pros.

Telluride, CO

Telluride Film Festival • *September 3–6, 2010*
Film enthusiasts, actors, directors, and scholars gather in Telluride each Labor Day weekend to screen break-through films and revisit old classics. Films, tributes, and events are presented in nine venues scattered throughout the tiny mountain village. There's even an open-air cinema, shown above; ideal for enjoying a flick under the stars. The program for the Festival is not announced in advance. Instead, the Festival relies on its 36-year reputation to fill the seats—and fill them, it does; passes generally sell out by mid-summer.

Toronto, Canada

Toronto International Film Festival (TIFF) • *September 9–19, 2010*
For ten days every September, film lovers, filmmakers, and industry professionals gather in Toronto for a huge film festival showcasing films from around the world. In 2008, for example, 312 films from 64 countries were screened. Wow! At this year's festival, TIFF opens the doors to a new year-round venue—the TIFF Bell Lightbox—a five-story complex in downtown Toronto with five cinemas, two galleries, and three learning studios. ■

The
Mint Museum Uptown
Opens in Charlotte, NC

The Mint Museum Uptown will have its grand opening on October 1, 2010.

Located in the heart of Charlotte's business district, the new five-story facility will house the Mint Musuem of Craft + Design, as well as the American Art, Contemporary Art, and European Art (selected works) collections that were previously housed at the Mint Museum Randolph.

Designed by the architectural firm Machado & Silvetti of Boston, the Mint Museum Uptown includes two full floors of galleries, painting and ceramics studios, classrooms, a café, and an expanded Museum Shop specializing in crafts of the Carolinas.

With the addition of the new uptown facility, The Mint Museum's combined square footage will increase by more than 60%, making room for traveling exhibitions and more works from the permanent collection to be showcased.

For more information about The Mint Museum and the grand opening of the Mint Museum Uptown, please visit their website at www.mintmuseum.org. ■

Rendering courtesy of The Mint Museum

Ode to...

Match the song to the artist who performed it.

Roxanne	Barry Manilow
Maybellene	Buddy Holly and the Crickets
Peggy Sue	Chuck Berry
Venus	Dolly Parton
Mandy	Eric Clapton
Lucille	Frankie Avalon
Maggie May	Little Richard
Barbara Ann	Michael Jackson
Diana	Paul Anka
Billie Jean	Rod Stewart
Layla	Simon and Garfunkel
Eleanor Rigby	The Beatles
Jolene	The Beach Boys
Mrs. Robinson	The Police

ANSWERS: Roxanne–The Police, **Maybellene**–Chuck Berry, **Peggy Sue**–Buddy Holly and the Crickets, **Venus**–Frankie Avalon, **Mandy**–Barry Manilow, **Lucille**–Little Richard, **Maggie May**–Rod Stewart, **Barbara Ann**–The Beach Boys, **Diana**–Paul Anka, **Billie Jean**–Michael Jackson, **Layla**–Eric Clapton, **Eleanor Rigby**–The Beatles, **Jolene**–Dolly Parton, **Mrs. Robinson**–Simon and Garfunkel.

Charting Your Financial Course

With today's turbulent financial markets, professional guidance is more important than ever to help ensure that you reach your financial destinations. At **Passage Wealth Advisors**, we can help you set a course to meet your important goals through strategic financial planning now. **Call on us for all your wealth management needs.**

WEALTH MANAGEMENT SERVICES:
INVESTMENT PLANNING
RETIREMENT PLANNING
INSURANCE PLANNING
EDUCATION PLANNING
ESTATE PLANNING
TAX PLANNING

(206) 464-5050
www.passagewealthadvisors.com
1001 Fourth Avenue, Suite 3200
Seattle, WA 98154

Securities offered through First Allied Securities, Inc., a registered broker dealer, Member FINRA/SIPC

12557-02