



HWM ViewPoint

May 2008

Henry Wealth Management, LLC
1370 Washington Pike
Suite 403
Bridgeville, PA 15017
412-838-0200
Phil@HenryWealth.com
www.HenryWealth.com

We would like to take this opportunity to introduce you to the newest member of our team, Amy Rhoads. Amy is our Administrative Assistant, whose primary role is to ensure that all of our valued clients' needs and requests for service are handled promptly and efficiently.

Amy was recently offered a position based on her superior attitude, ability to quickly learn new systems and due to her prior excellent experience in assisting end-customers. For the past four years, she was employed by NovaCare Clinics, most recently in managing their accounts receivables for nine facilities. She is a graduate of Peters Township High School and has aspirations of broadening her education in the areas of business.

Amy and Rich currently reside in Canton Twp, PA with their 5 year old daughter, Leila, and their black lab, Brody. Please extend a warm welcome to Amy at your next opportunity. Her email address is Amy@HenryWealth.com

In this issue:

The Bear Headlines

Universal Life: Insurance with Options

Tips for Selling Your Home in an Uncertain Market

Ask the Experts

The Bear Headlines

As if the last six months of credit crises headlines weren't enough to cause even some long-term focused investors to consider short-term, "fear-based" selling, the March 17 collapse of Bear Stearns, one of the world's largest investment banks, amounted to a financial *St. Patrick's Day Massacre*.

Bear Stearns was founded in 1923 and grew to become one of the highest regarded names in the world of international finance. At the end of November, 2007, the Bear Stearns balance sheet listed total assets listed of over \$395 billion - of that, over \$35 billion was in cash and nearly \$264 billion was allocated into what were considered "long term investments." The latter category included a variety of mortgage-backed securities. (Source: finance.google.com). Liabilities listed included \$383 billion in total debt. The bottom line is that Bear Stearns had \$11.8 billion in "equity" (*assets minus liabilities*). Even a 4 percent drop in the company's long term investments could significantly impact its financial stability!

Poor Market Timing

Less than a week before the Bear Stearns debacle, Jim Cramer, the host of CNBC's Mad Money, was asked by a viewer; "*Should I be worried about Bear Stearns in terms of liquidity and get my money out?*" Cramer's response, with the knowledge that Bear Stearns stock was then trading at \$63 per share (down from over \$150 per share as recently as May 2007), was, "*NO, NO, NO - Bear Stearns if fine. DO NOT take your money out - Bear Stearns is not in trouble.*" (Source: CNBC.com).

It seems that to the contrary, Bear Stearns was indeed in deep trouble. On March 17, the night of the collapse, Cramer did an about-face, recommending his viewers sell most financial stocks. At that time, the remains of Bear Stearns seemed likely to be acquired by JP Morgan Chase for a paltry \$2 per share, in a shotgun wedding brokered by the Federal Reserve.

Poor Diversification

Not only would Cramer's disciples have suffered by following his poor market timing advice, but it appears that even Bear Stearns chairman James E. Cayne, was over extended in his own company's stock. Mr. Cayne lost nearly \$1 billion in vested, yet unexercised Bear Stearns stock options. (Source: Wall St. Journal) These are shares that he could have previously sold and re-invested into a diversified portfolio. Perhaps he held on to the stocks in an attempt to avoid taxes, or maybe he believed that a concentrated Bear Stearns position offered superior upside compared to a diversified portfolio.

If the chairman of a major financial institution, possessing presumably vast knowledge of the financial markets, could lose \$1 billion, falling prey to an undiversified, dare I say, imprudent approach, what could happen to the average Joe, who may have a significant portion of his wealth tied to a single or few holdings, not fully comprehending its inherent risks? The average Joe's loss of a few hundred thousand, or even a few thousand for that matter, could be far more painful.

The Strategic Trio

What is the moral of this story? It is the same that I often write about, this time surrounded by new headlines. The lesson is to base long-term investment decisions on the following strategic trio:

- 1- Asset allocation** (determine an acceptable ratio of stocks to fixed income holdings)
- 2- Diversification** (across many types of stocks and bonds)
- 3- Rebalance Annually** (to maintain desired ratios)



HENRY
WEALTH MANAGEMENT, LLC

Universal Life: Insurance with Options

Universal life insurance (UL) can be described as life insurance with options. You decide how much premium to pay, when to pay premiums, how much death benefit you want, and more. Learning about the features of UL will help you decide whether this type of permanent insurance is right for you.

Pay what you want, when you want

When you buy UL, the policy provides for planned level premium payments. But you don't have to make regular or level payments each payment period (e.g., monthly, yearly). You can make larger or smaller payments, more or less frequently than planned. With each payment you make, the insurance company deducts a portion for administrative expenses related to your policy. The remainder is credited to a cash value account, from which the cost of insurance coverage (the death benefit) is deducted, with the balance earning interest.

Your policy will remain in force as long as your cash value is sufficient to cover current expense and mortality charges, even if you don't make all the planned premium payments.

Your cash value accumulates tax-deferred interest at rates determined by the company (including a guaranteed* minimum rate of interest).

Choose (and change) your death benefit

With UL, you can also increase or decrease your policy's death benefit as your insurance needs change. You can usually lower the death benefit at any time, but if you want to increase the amount of coverage, you'll need to go through the company's underwriting process again, which may include a new medical exam. Adding to UL's flexibility is the option to choose a level or enhanced death benefit.

Option 1 or option A pays a level death benefit that remains the same as long as you don't ask to change it. As the policy's cash value grows, the net amount at risk (the amount the insurance company has to pay out of its own pocket at your death) decreases. As the net

amount at risk becomes lower, so too does your premium cost.

For example, if you own a \$200,000 policy with \$50,000 of current cash value, your premium is based on \$150,000 of insurance coverage, even though the total death benefit is \$200,000.

Option 2 or option B, the enhanced benefit, allows you to add the cash value to the face amount of the death benefit. For example, if your \$200,000 policy has \$50,000 of cash value when you die, your beneficiary receives \$250,000. With this option, your premium cost is based on \$200,000 of insurance, but you get more death benefit (\$250,000) for your money.

Getting to the policy's cash value

As with most types of permanent life insurance, you can generally obtain loans from your insurance company by using the cash value of your universal life policy as collateral. Loans are charged interest at current or fixed rates. Be aware that if you don't pay back a loan, the death benefit payable to your beneficiary will be reduced by the amount of any outstanding loans plus accumulated interest at your death.

A unique feature of universal life insurance is that it allows you to take partial withdrawals from your policy's cash value. Depending on the policy, you may be able to withdraw up to 90% of the cash value. However, such withdrawals are regarded as permanent withdrawals and will reduce your policy's death benefit. Partial withdrawals are taken from principal first and are not subject to income tax. Withdrawals are usually not allowed in the first few years of the policy. Withdrawals of amounts exceeding your policy's principal may be subject to tax. There may be a surrender fee charged for full or partial surrenders. Talk to your insurance company, agent, broker, or tax professional before making a withdrawal.

*Any guarantees associated with payment of death benefits, income options, or rates of return are subject to the claims-paying ability of the insurer.



Did you know:

- U.S. life insurance sales totaled \$12.6 billion in 2006
- UL sales comprised 40% of the total life insurance sales in 2006--the next closest was term life insurance with 23%
- UL sales grew by 9% in 2006, from the previous year
- In 2007, about 3.6 million families with dependant children had no life insurance

Life Insurance and Market Research Association (LIMRA)

Tips for Selling Your Home in an Uncertain Market

Will the combination of lower mortgage interest rates, higher inventory, and falling prices send buyers to open houses in droves this summer? No one knows for sure, but here are some ways you can increase the odds that your home will be sold at the best possible price before the leaves fall.

Price your home to sell, not sit

Pricing your home correctly is extremely important. Although it's tempting to "test the market" by setting a high asking price, this may turn off prospective buyers, or result in lowball offers, and your home may continue to sit on the market. A better alternative? Ask a real estate agent to do a comparative market analysis to help determine a realistic asking price, taking into consideration how much similar properties have recently sold for, and the average number of days homes have been on the market. It's especially hard to pinpoint the right asking price in areas where sales are slow and prices are falling, so remain ready to adjust your asking price later if necessary.

Sellers are often afraid of shortchanging themselves by setting their asking price too low, but a lower asking price may actually generate more interest, potentially leading to a much higher sale price if buyers submit competing offers. Even if no bidding war is triggered, you may end up selling your home quickly, an advantage if you've already found another home to purchase.

Advertise, advertise, advertise

Whether you're selling your home yourself or using a real estate agent, advertising is key, especially when there are many homes on the market. Make sure that any sales materials you or your agent prepare emphasize the features that might convince someone to choose your home over another. Target the right audience, too. For example, if your home is right for a growing family, why not highlight the flexible floor plan, the child-friendly neighborhood, and the large yard?

Buyers today expect to begin their search for a new home without ever leaving home, and online advertising has become an indispensable tool for marketing real estate. According to the National Association of Realtors®, 74% of people who used the Internet to search for a new home eventually drove by or viewed a home that they saw online, so make sure that

your home is prominently featured on a real estate website. And remember, a picture is worth a thousand words. Buyers will look more closely at homes with numerous high-quality photos, and may bypass homes with none. For maximum exposure, consider adding a virtual tour that shows off your home's best features, even if it costs a little bit more to do so.

Sweeten the deal

To really make your home stand apart from the competition, consider offering incentives such as cash back at closing, payment of homeowners association dues, a home warranty, or even a gift card to a local furniture store. Incentives may help increase the number of home showings and encourage potential buyers to choose your home over another.

Enhance your home's appeal

How many times have you seen a home for sale that has obvious shortcomings--overgrown shrubs, peeling paint, or a jarring color scheme, for example? That's a home that may languish on the market while other similar homes sell quickly, because the owners are unaware that the appearance or condition of their home is the reason it isn't selling. Take a close and impartial look at your home, or better yet, ask your real estate agent to do so. Potential buyers may be noticing something that you're not. Often, completing simple tasks such as painting, cleaning, and getting rid of clutter can make your home more appealing to buyers. If your home needs updating, prioritize areas that are the most important and visible, such as the front of your home, the kitchen, and the bathrooms.

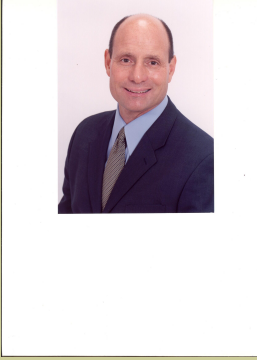
Don't curb your enthusiasm

One hazard of having a home on the market for a while is that your enthusiasm may wane over time. Buyer interest often peaks quickly (within the first few weeks after your home is listed), and it's easy to get discouraged if you don't receive any acceptable offers. But if you really want to sell your home, it's up to you to keep the momentum going. Schedule another open house, keep your home in good repair, and look for new ways to advertise. If your home hasn't sold within a reasonable time, you may have to reevaluate your asking price or even your decision to sell, but before you throw in the towel, make sure that you've done all that you can to attract qualified buyers.



Is it a beautiful day in your neighborhood?

An often-used phrase in the real estate industry is that "real estate is local." Though the news may be full of stories about nationwide housing trends, what's really important is what's going on in your area. A real estate agent can help you identify local housing patterns, such as which homes are selling (and for what price), so that you can maximize your chances of success.



Henry Wealth Management, LLC
1370 Washington Pike
Suite 403
Bridgeville, PA 15017
412-838-0200
Phil@HenryWealth.com
www.HenryWealth.com

Securities offered through Registered Representatives of NFP Securities, Inc., A Broker/Dealer and Member FINRA/SIPC. Investment Advisory Services offered through Investment Advisory Representatives of NFP Securities, Inc. a Federally Registered Investment Advisor. NFP Securities, Inc. is not affiliated with Henry Wealth Management, LLC.

Copyright 2008 Forefield Inc.
All Rights Reserved.



HENRY
WEALTH MANAGEMENT, LLC

Ask the Experts



Can I be automatically enrolled in a 401(k) plan?

Yes. The IRS has long permitted employers to automatically enroll employees in 401(k) plans. These are sometimes referred to as

"negative enrollments" because you have to elect not to participate.

Some employers have shied away from automatic enrollment plans because they were concerned that automatic payroll deductions might not be permitted under state law. Others were concerned that the default investments they chose for employees might be found to be "imprudent," resulting in fiduciary liability for any investment losses incurred by those employees.

In order to address these concerns, and to encourage retirement savings, Congress included provisions in the Pension Protection Act of 2006 that make automatic enrollment plans more attractive to employers. Under the law, employers who adopt "qualified automatic contribution arrangements" (QACAs) are exempt from some of the complicated testing

requirements that usually apply to 401(k) plans. Under a QACA, your automatic contribution will be at least 3% of your pay for your first two calendar years of participation. The minimum contribution then increases by 1% each year until your automatic contribution reaches 6%. The maximum automatic contribution is 10%. An employer contribution is also required—either 3% (or more) of your pay, or a prescribed matching contribution.

The law provides that QACAs aren't subject to state payroll laws, and that employers who choose certain investments as the plan's default investment will be relieved of fiduciary responsibility for those investments.

In general, your plan administrator must provide you with a notice that explains the QACA and notifies you of your right to reduce or stop the contributions, and to change the default investments that have been chosen for you. Your plan may also provide a 90-day period in which you can opt out of the auto-enrollment arrangement and receive a refund of your contributions (plus any earnings).

What are qualified default investment alternatives?

There are times when an employer must make an investment election for employees participating in a retirement plan if the employee fails to make an investment election. For example, 401(k) plans with automatic enrollment arrangements must specify where the employees' contributions will be invested.

Some employers have been concerned about these "default" investments, because it hasn't been entirely clear if an employer has fiduciary liability for losses an employee might incur while in the default investment.

Congress addressed some of these concerns in the Pension Protection Act of 2006. The Act provides that employers won't have fiduciary liability if the default investment chosen for an employee is a "qualified default investment alternative" (QDIA). The Department of Labor has recently issued regulations describing which investments will satisfy the QDIA requirements. In general, an employer will avoid fiduciary responsibility if the plan offers a broad range of investment alternatives, and the default investment for employees who fail to make an affirmative investment election is

one of the following:

- A product with a mix of investments that takes into account the employee's age or retirement date (for example, a lifecycle or targeted-retirement-date fund)
- An investment service that provides a mix of the investment options available under the plan based on the employee's age or retirement date (for example, a professionally managed account)
- A product with a mix of investments that takes into account the characteristics of the group of employees as a whole, rather than each individual (for example, a balanced fund)
- A capital preservation fund (for example, a money market or stable value fund), but only for the employee's first 120 days of participation

Employers must provide a notice to employees prior to the first QDIA investment, and must allow employees to change investments at least quarterly.