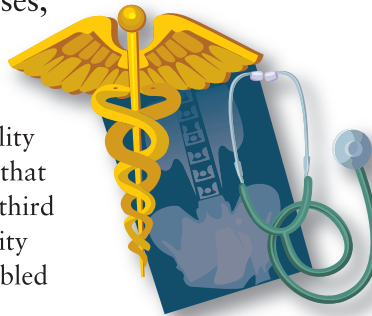


Protecting Yourself If “It Won’t Happen” Happens

When it comes to disabling injuries or illnesses, most Americans go about their business thinking “it won’t happen to me.”

But according to the nonprofit Council for Disability Awareness (CDA), there’s more than a 30% chance that it will. Before workers retire, the CDA reports, one-third will become disabled. The average long-term disability lasts 2½ years, and almost 15% of workers are disabled for more than five years.¹



A disability can take both a physical and a financial toll. These statistics, also from the CDA, point to the financial challenges disabilities can pose:

- **350,000 personal bankruptcies annually can be attributed to injuries and unexpected illnesses.**
- **Social Security, which provides disability benefits only for conditions lasting more than a year, pays a very modest average monthly benefit of \$1,004.**
- **90% of disabling accidents are not work related. Accidents that aren’t work related don’t qualify for workers’ compensation benefits.**

Considering the potentially large economic impact of a disability, it’s important to understand how you can use disability insurance to help protect yourself financially.

Over the Short and Long Term

There are two kinds of disability coverage: short-term and long-term. Short-term disability coverage pays out in the first few weeks or months of an injury or illness. It’s typically provided by employers. Long-term disability insurance usually pays benefits after you’re unable to work for an extended period of time, typically three to six months.

Generally, long-term policies define qualifying disabilities on the basis of “any occupation” or “own occupation.” “Own occupation” coverage pays benefits if you are unable to perform your occupation as the result of a disability. “Any occupation” policies pay benefits only if you are unable to perform any occupation for which you are reasonably qualified.

Group and Individual Coverage

Some employers offer long-term disability group insurance to their employees. These policies are designed to replace part of your pay (typically 50–60%) if you become disabled. Coverage usually lasts only as long as you work for the employer.

Individual disability policies offer another option. Their cost depends on the buyer’s age, health, and occupation, among other factors. Individual policies generally offer more choices when it comes to waiting periods and benefit amounts. They also typically remain in place for as long as you pay the premiums.

Hopefully, a disability won’t happen to you. But preparing beforehand can help you better protect yourself if it does.

As you face decisions that affect your financial future, knowledge can make a difference. We hope you find this newsletter both interesting and informative. We would also like to take this opportunity to say thanks for your continued support. If you have questions about the topics addressed in this issue or any other financial concerns, please feel free to call me at any time.

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1) www.disabilitycanhappen.org



Going Global

A recent survey found that 43% of American investors were interested in investing more overseas this year, while only 20% were going to cut back on their international exposure.¹ Enthusiasm for international investing can prompt an investor to diversify beyond our shores, opening up a world of opportunities.

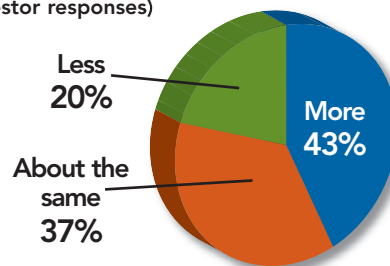
However, if you are interested in going global, there are risks and considerations that you should be aware of.

Developing Discrimination

Non-U.S. markets can be divided into two broad categories: developed and emerging. Developed markets (like Hong Kong and Germany) are generally considered more established and less risky than emerging markets (like Brazil and Vietnam). Emerging markets can be broken down further into advanced, secondary, and frontier emerging markets based on a variety of factors such as gross domestic product, liquidity, and population. Understanding these different classifications can help you determine whether investment opportunities in a foreign market fit with your risk profile.

Do Investors Plan to Invest More or Less Overseas in 2010?

(Investor responses)



Source: SmartMoney, April 2010

Playing Politics

Political risk is also a consideration in international investing. This is the risk that an investor will lose money because of changes in a country's government or political environment. Civil unrest, elections, terrorist attacks, and even the threat of such events can be enough to affect stock prices.

Understanding these and other factors that influence the performance of international investments can help you take advantage of opportunities abroad.

1) SmartMoney, April 2010



CreditReports.CON?

One part of the Credit CARD Act of 2009 that went into effect in April 2010 was aimed at advertisements offering consumers "free" access to their own credit reports. Consumers who respond to these "free" offers may actually be enrolling in credit monitoring services that can charge up to \$15 per month.

To comply with the new disclosure rules, some of these ads now tout a nominal charge of one dollar for a peek at your credit report and enrollment in their credit monitoring services.

Don't confuse these offers with the Web site annualcreditreport.com, which does allow consumers to get one free credit report from each of the three major credit-reporting agencies (Equifax, Experian, TransUnion) annually, with no strings attached.

Doing the Required Minimum

In 2009, partly in response to market volatility during the recession, Congress gave retirees a one-year reprieve from mandatory minimum distributions from traditional IRAs and employer-sponsored retirement plans.

But required minimum distributions (RMDs) are back

in 2010. If you are 70½ or older and own tax-deferred retirement assets, following the RMD rules is important in order to avoid steep tax penalties.

The required beginning date for RMDs is April 1 of the year after the year in which you turn 70½. After the first year, RMDs must be taken by

December 31. If you miss a deadline for an RMD, you could face a penalty equal to 50% of the amount that should have been withdrawn.

The amount for each RMD is determined by the account balance(s) on December 31 of the previous year and your life expectancy according to the IRS Uniform Lifetime Table. For example, a hypothetical 75-year-old with \$350,000 in tax-deferred retirement assets would have to withdraw at least \$15,284 (or pay a penalty of \$7,642).

The rules regarding RMDs can be tricky and mistakes can be costly. It may be a good idea to consult a tax professional before you reach the age of required minimum distributions.

Required minimum distribution (RMD)

Uniform Lifetime Table*

Age of owner	Life expectancy
70	27.4
75	22.9
80	18.7
85	14.8
90	11.4

$$\text{RMD} = \frac{\text{Account balance}}{\text{Life expectancy}}$$

RMD for a hypothetical 75-year-old with a \$350,000 balance:

$$\frac{\$350,000}{22.9} = \$15,284$$

*Abbreviated table

Putting Trust in Your Estate Plan



The process of settling a person's estate can be a complicated ordeal that could easily take up to two years or more and result in the loss of 30% of the value of the estate after any debts, medical expenses, taxes, and fees are deducted.¹ The use of trusts may offer some relief from this costly and time-consuming process.

A trust is a legal entity wherein the grantor gives ownership of his or her assets to the trust, which holds the property for the benefit of the beneficiary. A trust can contain various assets such as money, stocks, bonds, real estate, business interests, and personal possessions.

Because assets in some irrevocable trusts are technically owned by the trust, they are not figured into the grantor's estate for tax purposes. The trust is overseen by a trustee, who must distribute the assets based on the stipulations outlined in the trust.

The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

Consider how a trust could help facilitate the smooth transfer of your estate assets to your heirs.

1) 2010 Field Guide, National Underwriter

Estimating the Value of Your Estate

ASSETS		
Tangible assets <i>(Home, furnishings, automobiles, real estate, jewelry, other valuables)</i>		\$ _____
Investments <i>(Stocks, bonds, mutual funds, businesses, annuities, retirement accounts)</i>		\$ _____
Cash <i>(Savings and checking accounts, money market funds, CDs, cash reserves)</i>		\$ _____
Life insurance benefit		\$ _____
Total assets		\$ _____
LIABILITIES <i>(Mortgages, bank loans, charge-account debt)</i>		\$ _____
NET VALUE OF ESTATE <i>(Subtract liabilities from total assets)</i>		\$ _____

TIPS for Handling Inflation

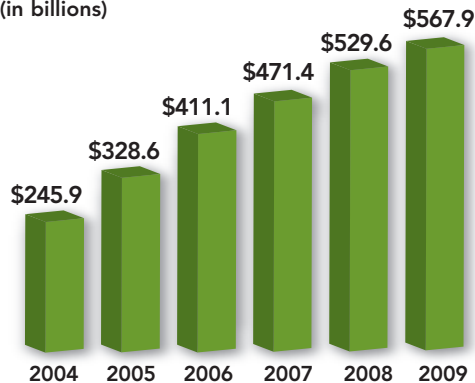
Although inflation has been relatively low for the past couple of years, some experts warn that rampant government spending and artificially low interest rates may lead to a rise in inflation rates. These warning signs may help account for the increased demand for Treasury Inflation-Protected Securities (TIPS) (see chart).

Whether or not inflation rates rise in the short term, inflation still remains one of the biggest threats to investors in achieving their long-term financial goals. If you are concerned about the effects of inflation, TIPS may be one way to help shield your portfolio.

TIPS are similar to other U.S. Treasury securities in that they are guaranteed by the federal government as to the timely payment of principal and interest. However, TIPS differ because the principal increases and decreases, tracking the movements of the Consumer Price Index, a popular measure of inflation.

TIPS also make interest payments twice a year and return the original or inflation-adjusted principal (whichever is greater) at maturity.

Value of TIPS Held by the Public
(in billions)



Source: U.S. Department of the Treasury

Unless TIPS are held in tax-deferred accounts, the bondholder must pay federal income tax on the income as well as any increase in principal, even though the increased principal is withheld until the bond matures.

The principal value of Treasury Inflation-Protected Securities fluctuates with changes in market conditions. If not held to maturity, TIPS may be worth more or less than their original value.

Retirement Dissonance?

New statistics reveal some significant differences in the sources of income that workers expect to tap in retirement and those actually relied on by current retirees. Although practically all retirees (96%) receive income from Social Security, the percentage of workers who expect income from the program has fallen in recent years to 77%.

Even though 77% of workers expect to receive some employment earnings in retirement, only 23% of current retirees have worked for pay since leaving the workforce. Although many retirees receive income from employer-sponsored plans (44%) and IRAs (40%), a greater majority of workers (75% and 67%, respectively) expect to receive income from these investment vehicles.

Source: 2010 Retirement Confidence Survey, Employee Benefit Research Institute

Federal Interrogation

The Federal Reserve was created in 1913 in response to several financial crises and bank runs. As the country's central banking system, the Fed is charged with maintaining the stability of the financial system. How much do you know about the Fed and its efforts to keep the economy humming along?

- The Federal Reserve uses the _____ rate and the _____ rate to influence inflation and economic growth.
 - prime; discount
 - federal funds; state funds
 - federal funds; discount
 - prime; alpha
- In attempting to slow inflation caused by economic growth, the Fed will often _____ interest rates.
 - lower
 - cancel out
 - suspend
 - raise
- The current chairperson of the Federal Reserve is:
 - Alan Greenspan
 - Ben Bernanke
 - Warren Buffett
 - Nancy Pelosi
- The Fed generally meets _____ times a year to discuss monetary policy.
 - 2
 - 4
 - 8
 - 52
- Which of the following is NOT one of the responsibilities of the Federal Reserve System?
 - Print Federal Reserve Notes
 - Supervise and regulate banking institutions
 - Process commercial checks
 - Manage the nation's money supply

Answers:

- C) federal funds; discount.
- D) raise.
- B) Ben Bernanke.
- C) 8. The Federal Open Market Committee meets every six to seven weeks to discuss monetary policy.
- A) Print Federal Reserve Notes. These notes, also known as paper currency, are printed by the U.S. Treasury.

Career Opportunities in Financial Services

If you know someone interested in pursuing a career in the financial services profession, please contact your personal financial representative.

The information and articles in this publication are for general information only and are not intended to provide specific advice or recommendations for any individual.

This information should not be considered tax advice.

You should consult your tax advisor regarding your own tax situation.

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