



Taking you where you want to be

Vigil Trust & Financial Advocacy

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How Can I Benefit From A Charitable Lead Trust?

Charitable lead trusts are designed for people who would like to benefit a charity now rather than later. You may have heard about some charitable trust strategies before but decided against them because you wanted to make an immediate gift to charity.

With a charitable lead trust, your gift can have an immediate impact, and you'll be entitled to other benefits as well. These trusts will enable you to take advantage of tax benefits and still make a significant gift.

If you are accustomed to making outright contributions to your favorite charity, or if you typically sell an investment and give all or a portion of the money to charity, you may be attracted to the special advantages of using a charitable trust.

Avoiding capital gains taxes on an appreciated asset is a very appealing benefit for investors. It is also a way for charitable organizations to receive a much larger donation because they are not required to pay tax on capital gains. Once the trust is established and the assets are transferred, the trustee can then sell the assets and reinvest the funds.

You also get an immediate charitable income tax deduction based on the "life expectancy" of

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VIGIL Strategies

First Quarter Newsletter 2008

Taking you where you want to be

What To Do When Recession Fears Surface

Don't give in to your worries about the economy or the market. There are mechanisms that can help protect your portfolio and help you weather the storm.

It's been a wild month on Wall Street. When trading reopened after the Martin Luther King holiday, the Federal Reserve Board responded to world pressure and swooped in with a rate cut to put a floor on Dow losses that were approaching 20% since last October. Another rate cut helped stabilize the markets even further.

But what about tomorrow? And next week, and the weeks after that?



If the future fills you with worry, then it's pretty clear that you aren't relying on your financial plan, or at least you haven't checked it recently. That's natural. When worldwide market worries surface, it's easy to get scared. It's particularly easy when we've had such major market calamities as the U.S. mortgage debacle and the lingering disarray in the banking and investment industries.

But sudden action is usually a mistake. In the late 1980s, Harvard psychologist Paul Andreassen made news with a research project that found that people who listened to market news actually made lower returns. Why? Because those who sold—or bought—during a market swing probably found a day later that the market was really running on hype, not fundamentals.

Our clients pay us to devise a financial strategy that matches their risk tolerance and long-term financial goals. Of course, there is no way to guarantee that you will never lose money. But if a plan truly matches your needs, the noise shouldn't make a difference, particularly if you don't need the money today.

So the next time world markets spike or slide, keep these principles in mind:

You need to stick to a financial plan. Have you reviewed your goals and come up with an investment strategy with a Vigil Trust fiduciary? Much of the riskiest investing, overbuying, and panic selling during the late 1990s and early 2000s could have been avoided if

individual investors had stayed the course and kept to their long-term specific goals for retirement or college education.

Are you invested according to your risk tolerance? Find out how you handle risk and what your expectations are about investment returns. To avoid risk you can't expect the highest returns or chase after false promises. If it sounds too good to be true it probably is.

You can enjoy the benefits of a long-term time horizon. We all remember the "tech wreck" of 2000. At the worst of that downturn, investors bailed out of the stock market or drastically cut back, only to get back in after they were convinced that the market was rebounding. In reality, they missed out on stock market gains during the early stages of recovery, and that's costly in the long run. Of course, some investors looking for that late-20th-century investment high also got into the real estate market, and they're learning a similar lesson when that market started heading south two years ago.

In 2004, SEI Investments studied 12 bear markets since World War II. Investors who either stayed in the market through its bottom or were fortunate to enter at the bottom saw the S&P 500 gain an average of 32.5% (not counting dividends) during the first year of recovery. Investors who missed even just the first week of recovery saw their gains that first year slide to 24.3%. Those who waited three months before getting back in gained only 14.8%.

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Recession Fears

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Are you diversified? The Nasdaq lost 39% of its value just in 2001 and another 21% in 2002. Meanwhile, real estate investment trusts, which performed poorly in 1998 and 1999 when stocks were booming, had banner years in 2000 and 2001, performed so-so in 2002, and had an excellent 2003. Bonds also returned well during the bear market. Different sectors rise and fall at different times based on business and economic cycles. You have to be invested in diversified investments to spread the risk and capitalize on the varying market conditions.

Adjustments are made according to life events—not market events. Of course, having a long-term investment plan doesn't mean make a plan and leave it to gather dust. You need to work with a fee only planner as a team. Both of you should talk and decide when it's time for a detailed review of investment goals and whether or not you should change. However, annual adjustments are all that's really necessary from a market perspective. It's really life events like death, divorce, kids moving out, and illness that should drive major adjustments in a comprehensive financial plan.

If you are worried about your financial plan or you are lacking clear goals then feel free to call on of our associates to schedule a no cost consultation. Everyone can use a little comfort in volatile situations—whether you are outwardly worried or not. Working with Vigil Trust can give you confidence and fortitude to see you through a rocky moment and save you from a bad decision. ✓

One-Size-Fits-All Target Funds Can Miss Their Mark

Target-date or lifecycle funds may be popular, but is it the best choice?



Many Americans assume that an investment in a target-date fund relieves us of any decision making until we pick up our gold watch years later. It's all spelled out for you, you're told. You will get a predetermined asset allocation that will change at set intervals between now and your expected year of retirement. You will be invested in a combination of stocks, bonds, and mutual funds that are designed to reduce the level of risk over time based on the number of years until retirement. Your portfolio will move from a more aggressive combination to a more conservative combination as retirement approaches.

Money has been gushing into these funds, according to the Investment Company Institute. By year-end 2006, this particular category of funds held \$114.3 billion in assets, up from only \$12.3 billion in 2001. Why the demand? In part, such funds have been positioned as no-brainer investments for individuals without the time, inclination, or knowledge to choose investments for themselves.

Yet there's another critical reason—the Pension Protection Act of 2006 gave employers the right to put 401(k) participants in target funds as the default choice if the employees don't make their own choices. Ted Benna, a 401(k) plan architect, was quoted earlier this year as saying that within five to 10 years, more than 75% of 401(k) plan assets could be invested in target funds.

Is that a good thing? Some people may feel more comfortable investing for retirement when the decisions are made for them—and it may be better for them than doing nothing at all. But on the other hand, are target funds the most appropriate investment choice, based on the individual's retirement goals?

Probably not. The fund industry itself is asking tough questions about how well these products will perform over the long haul. Recently, one fund giant released a paper reporting that existing performance benchmarks for these

funds focused too much on short-term results rather than on long-term performance.

While many targeted funds may provide intelligent asset allocation based upon modern portfolio theory, that doesn't mean that all of your specific retirement goals are met. For instance, some critics say life-expectancy issues are not adequately addressed in target-date plans, and they definitely don't address scenarios in which the investors plan to work in retirement or spend their assets in unconventional ways. Also, some critics offer that many people may underfund such plans without realizing what the correct amounts are that they should invest to meet their goal.

Before you invest into a target-date fund, ask yourself these questions:

How much money is needed in retirement? What is your age and vision for retirement. It is one thing to invest in a fund that promises consistent growth until the retirement date, but what if you need more growth? What if there are specific tax and spending issues that might interfere with putting the right amount of money into such funds each year?

How did my employer select the funds it's offering? Most employers want to make the right fund choices for employees, but just because they're offering target funds doesn't mean they're offering the right target funds for you and your needs. Keep in mind that most fund choices offered to companies are heavily marketed and might not be the cheapest or most efficient investment choices out there.

What are you paying for a targeted fund? Granted, the investment choices are being made for you, but what are you paying for those choices? Often, these funds are constructed based on a fund-of-funds structure that layers a fee on top of the fees incurred by the individual funds. Always understand the fee structure of any fund you invest in.

If you need help planning for your retirement please give one of our associates a call. Vigil Trust offers retirement plans for small businesses on a fee-only basis to reduce the hidden costs of most investment choices offered by traditional 401(k) plans. ✓

How Can I Benefit From A Charitable Lead Trust?

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your gift. With a charitable lead trust, you are giving the charity the income from the asset and not the asset itself. Your deduction will be based on the rate of return the charity can expect to receive, the duration of the trust, and the IRS tables used in the calculation. Your write-off will be limited to a portion of adjusted gross income but can be carried forward to future years.

“If you are interested in increasing your gift to a charity and your tax benefits during your lifetime, a charitable lead trust may enable you to accomplish your goals.”

With a charitable lead trust, the income from the reinvested assets will then go to the charity. The charity will receive distributions for the duration of the trust. You may specify a set number of years or the life of you or someone else. At the end of this period, the asset would revert back to you or your family, for example.

A charitable lead trust may also help reduce family squabbles over inheritance. If you were to actually gift the asset to the charity upon your death, your heirs may feel somewhat cheated. By giving income to the charity during your lifetime and having the asset revert back to your family upon your death, you may avoid much of this potential controversy.

If you are interested in increasing your gift to a charity and your tax benefits during your lifetime, a charitable lead trust may enable you to accomplish your goals.

By taking the time to plan your charitable gifts, you may be able to take advantage of some special tax benefits and make charitable giving a real win-win situation.

Keep in mind, however, that you should seek professional advice before establishing such a complex trust. ✓

Your Referrals Are Appreciated

Referrals are welcome

Referrals are the cornerstone of Vigil Trust & Financial Advocacy. This firm relies on satisfied clients as the primary source of new business, and your referrals are both welcome and most sincerely appreciated.

Absolute Confidentiality

Since your referrals are generally individuals you are acquainted with, you may have some concern your business matters will be discussed with the new clients that you refer. Vigil Trust guarantees the confidentiality of client information. Your personal information will not be shared with anyone.

An Expression of Confidence

When you refer clients to us, you are expressing your faith and confidence in the services that we offer and will continue to provide you. You may have business associates who need professional advice or family and friends that need unbiased fee only planning. No matter who you refer, rest assured that their financial needs will be handled in the same professional, manner as yours have been.

Ask Them to Call Today

We would be happy to sit down and talk with anyone you refer with an initial free consultation. Just have them give us a call. ✓

Are you looking for a speaker for an upcoming meeting or event?

Vigil Trust & Financial Advocacy professionals are available to participate in your programs, at no cost, and discuss financial management issues of interest to you.

We recently developed a program about Identity Theft: Reducing the Risk of Fraud. Or can customize a presentation to your group.

If you are interested in scheduling a presentation at an upcoming meeting please contact Heather Summers at 715-848-8110 or hsummers@trustvigil.com. ✓