Michael W. Morrison, CFP®
Certified Financial Planner
Serving Orange County since 1987
18837 Brookhurst St # 208
(next to Marie Callendars)
Fountain Valley, CA 92708
714-345-6865
mike@morrisonplanning.net
www.morrisonplanning.net

Important questions to ask yourself:

Do I have a financial plan? Is it written?

Am I earning enough on my investments to meet my goals? If not, what can I do?

Am I taking too much risk? Or too little? How can I tell? What can I do?

Am I paying too much income tax? estate tax? What can I do?

Can I retire comfortably? Will I have enough to last my lifetime? If not, what can I do?

Fulfilling your financial goals matters to me and it is with that intention that this newsletter is available to you. In addition, my website has a wealth of timely articles, calculators, as well as a copy of current and archived newsletters.

Creating common sense solutions begins with a tailored, effective financial plan. You are invited to call with financial questions of any kind in the areas of life that are most important to you. Appointments may be held at your home/office or my Fountain Valley office.

Professionally yours,

Michael W. Morrison, CFP

March 2014

Common Sense Newsletter

Your Future Begins by Planning for it...Today

What Baseball Can Teach You about Financial Planning

Spring training is a tradition that baseball teams and baseball fans look forward to every year. No matter how they did last year, teams in spring training are full of hope that a new season will bring a fresh start. As this year's baseball season gets under way, here are a few lessons from America's pastime that might help you reevaluate your finances.

Sometimes you need to proceed one base at a time

There's nothing like seeing a home run light up the scoreboard, but games are often won by singles and doubles that get runners in scoring position through a series of base hits. The one base at a time approach takes discipline, something that you can apply to your finances by putting together a financial plan. What are your financial goals? Do you know how much money comes in, and how much goes out? Are you saving regularly for retirement or for a child's college education? A financial plan will help you understand where you are now and help you decide where you want to go.

It's a good idea to cover your bases

Baseball players minimize the odds that a runner will safely reach a base by standing close to the base to protect it. What can you do to help protect your financial future? Try to prepare for life's "what-ifs." For example, buy the insurance coverage you need to make sure you and your family are protected--this could be life, health, disability, long-term care, or property and casualty insurance. And set up an emergency account that you can tap instead of dipping into your retirement funds or using a credit card when an unexpected expense arises.

You can strike out looking, or strike out swinging

Fans may have trouble seeing strikeouts in a positive light, but every baseball player knows that striking out is a big part of the game. In fact, striking out is much more common than getting hits. The record for the highest career batting average record is .366, held by Ty Cobb. Or, as Ted Williams once said, "Baseball is the only field of endeavor where a man can succeed three times out of ten and be considered a good performer."

In baseball, there's even more than one way to strike out. A batter can strike out looking by not swinging at a pitch, or strike out swinging by attempting, but failing, to hit a pitch. In both cases, the batter likely waited for the right pitch, which is sometimes the best course of action, even if it means striking out occasionally.

So how does this apply to your finances? First, accept the fact that you're going to have hits and misses, but that doesn't mean you should stop looking for financial opportunities. For example, when investing, you have no control over how the market is going to perform, but you can decide what to invest in and when to buy and sell, according to your investment goals and tolerance for risk.

Warren Buffett, who is a big fan of Ted Williams, strongly believes in waiting for the right pitch. "What's nice about investing is you don't have to swing at pitches," Buffett said. "You can watch pitches come in one inch above or one inch below your navel, and you don't have to swing. No umpire is going to call you out. You can wait for the pitch you want."

Note: *All investing involves risk, including the possible loss of principal.*

Every day is a brand-new ball game

When the trailing team ties the score (often unexpectedly), the announcer shouts, "It's a whole new ball game!" Or, as Yogi Berra famously put it, "It ain't over 'til it's over." Whether your investments haven't performed as expected, or you've spent too much money, or you haven't saved enough, there's always hope if you're willing to learn both from what you've done right and from what you've done wrong. Pitcher and hall-of-famer Bob Feller may have said it best. "Every day is a new opportunity. You can build on yesterday's success or put its failures behind and start over again. That's the way life is, with a new game every day, and that's the way baseball is."

See disclaimer on final page

A little knowledge can go a long way in pursuing your financial goals. For more information about the topics in this article, or for other personal finance-related questions, speak with a trusted financial professional.

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Test Your Knowledge of Financial Basics

Working with a trusted financial professional is one of the best ways to help improve your overall financial situation, but it's not the only thing you can do. Educating yourself about personal finance concepts can help you better understand your advisor's recommendations, and result in more productive and potentially more prosperous financial planning discussions. Take this brief quiz to see how well you understand a few of the basics.

Questions

1. How much should you set aside in liquid, low-risk savings in case of emergencies?

a. One to three months' worth of expenses

b. Three to six months' worth of expenses

c. Six to twelve months' worth of expenses

d. It depends

2. Diversification can eliminate risk from your portfolio.

a. True

b. False

3. Which of the following is a key benefit of a 401(k) plan?

a. You can withdraw money at any time for needs such as the purchase of a new car.

b. The plan allows you to avoid paying taxes on a portion of your compensation.

c. You may be eligible for an employer match, which is like earning a guaranteed return on your investment dollars.

d. None of the above

4. All of the money you have in a bank account is protected and guaranteed.

a. True

b. False

5. Which of the following is typically the best way to pursue your long-term goals?

a. Investing as conservatively as possible to minimize the chance of loss

b. Investing equal amounts in stocks, bonds, and cash investments

c. Investing 100% of your money in stocks

d. Not enough information to decide

Answers

1. d. Conventional wisdom often recommends setting aside three to six months' worth of living expenses in a liquid savings vehicle, such as a bank savings account or money market mutual fund. However, the answer really depends on your own individual situation. If your (and your spouse's) job is fairly secure and you have other assets, you may need as little as three months' worth of expenses in emergency savings. On the other hand, if you're a business owner in a volatile industry, you may need as much as a year's worth or more to carry you through uncertain periods.

2. b. Diversification is a smart investment strategy that helps you manage risk by spreading your investment dollars among different types of securities and asset classes, but it cannot eliminate risk entirely. You still run the risk of losing money.

3. c. Many employer-sponsored 401(k) plans offer a matching program, which is like earning a guaranteed return on your investment dollars. If your plan offers a match, you should try to contribute at least enough to take full advantage of it. (Note that some matching programs impose a vesting schedule, which means you will earn the right to the matching contributions over a period of time.)

Because 401(k) plans are designed to help you save for retirement, the federal government imposes rules about withdrawals for other purposes, including the possibility of paying a penalty tax for nonqualified withdrawals. You may be able to borrow money from your 401(k) if your plan allows, but this is generally recommended as a last resort in a financial emergency. Finally, traditional 401(k) plans do not help you avoid paying taxes on your income entirely, but they can help you defer taxes on your contribution dollars and investment earnings until retirement, when you might be in a lower tax bracket. With Roth 401(k)s, you pay taxes on your contribution dollars before investing, but qualified withdrawals will be free from federal, and in many cases, state taxes.

4. b. Deposits in banks covered by the Federal Deposit Insurance Corporation are protected up to $250,000 per depositor, per bank. This means that if a bank should fail, the federal government will protect depositors against losses in their accounts up to that limit. The FDIC does not protect against losses in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if those vehicles were purchased at an insured bank. It also does not protect items held in safe-deposit boxes or investments in Treasury bills.

5. d. To adequately pursue your long-term goals, it's best to speak with a financial professional before choosing a strategy. He or she will take into consideration your goals, your risk tolerance, and your time horizon, among other factors, to put together a well-diversified strategy that's appropriate for your needs.

It's Time to Review Your Life Insurance Needs

Regularly reviewing your life insurance can help it keep pace with your changing needs, and your financial and family obligations.

Your life insurance needs may change without you even realizing it. You may have purchased life insurance years ago, and never gave it a second thought. Or, you may not have life insurance at all--and now you need it. When your life circumstances change, you have a fresh opportunity to make sure the people you love are protected.

You're tying the knot

When you were single, you may not have thought much about life insurance. But now that you're getting married, someone else may be depending on your income. If one of you should die, the other spouse may need to rely on life insurance benefits to meet expenses and pay off debts.

The amount of life insurance coverage you need depends on your income, your debts and assets, your financial goals, and other personal factors. Even if you have some low-cost life insurance through work, this may not be enough. To be adequately protected, you may each need to buy life insurance policies from a private insurer. The cost of an individual policy will be based on your age and health, the amount of coverage you buy, the type of policy (e.g., cash value or term insurance), and other variables.

You've become a parent

When you become a parent, it's time to take another look at your life insurance needs because your family's financial security is at stake. Married, single, and stay-at-home parents all need life insurance. Life insurance proceeds can help your family meet both their current expenses (such as a mortgage, child care, or car payments) and future expenses (such as a child's college education). Even if you already have life insurance, it's time to review your policy limits and beneficiary designations.

You're contemplating divorce

During a divorce, you'll have a number of pressing financial issues to address. Make sure that one of these is life insurance. You'll want to think about what protection you need, and what protection your children (if any) will need in the future. For example, if you'll be paying or receiving child support, you may want to use life insurance to ensure continuation of those payments. During a divorce, you may also need to negotiate ownership of life insurance policies. Life insurance ownership and obligations may be addressed in your divorce settlement, and state laws vary, so ask your attorney for advice and information. Finally, you'll want to evaluate your own life insurance needs to make sure your family is protected in the event of your death.

Your children have left the nest

If having children was the reason you originally purchased life insurance, you may feel that you no longer need coverage once your children are living on their own. But this isn't necessarily the case. Before making any decision, take a look at the types and amounts of life insurance you have to make sure your spouse is protected (if you're married). And keep in mind that life insurance can still be an important tool to help you transfer wealth to the next generation--your children and any future grandchildren.

You're ready to retire

As you prepare to leave the workforce, you should revisit your need for life insurance. You may find that you can do without life insurance now if you've paid off all of your debts and achieved financial security.

But if you're like some retirees, your financial picture may not be so rosy. You may still be saddled with mortgage payments, tuition bills, and other obligations. You may also need protection if you haven't accumulated sufficient assets to provide for your family. Or maybe you're looking for a way to pay your estate tax bill or leave something to your family members or to charity. You may need to keep some of your life insurance in force or even buy a different type of coverage.

Your health has changed

If your health declines, how will it affect your life insurance? A common worry is that if your health changes, your life insurance coverage will end if your insurer finds out. But if you've been paying your premiums, changes to your health will not matter. In fact, you should take a closer look at your life insurance policy to find out if it offers any accelerated (living) benefits that you can access in the event of a serious or long-term illness.

It's also possible that you'll be able to buy additional life insurance if you need it, especially if you purchase group insurance through your employer during an open enrollment period. Purchasing an individual policy may be possible, but more difficult and more expensive.

Of course, it's also possible that your health has changed for the better. For example, perhaps you've stopped smoking or lost a significant amount of weight. If so, you may want to request a reevaluation of your life insurance premium--ask your insurer for more information.

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mike@morrisonplanning.net
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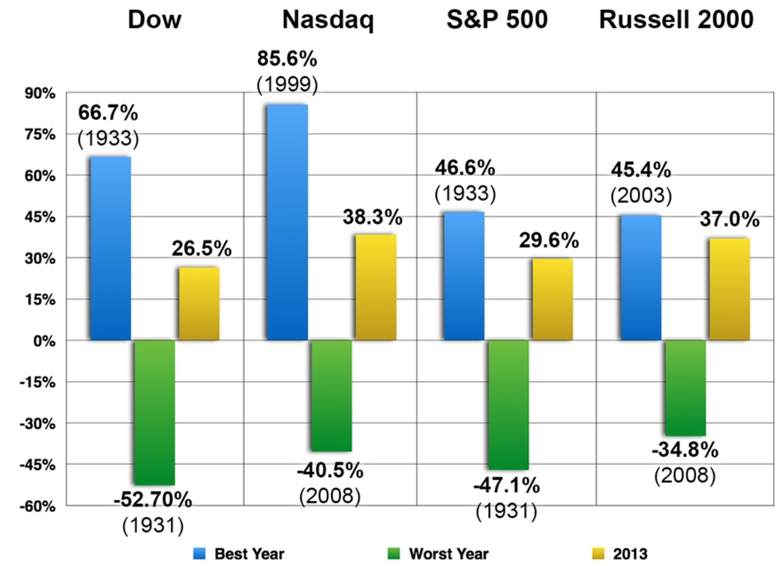
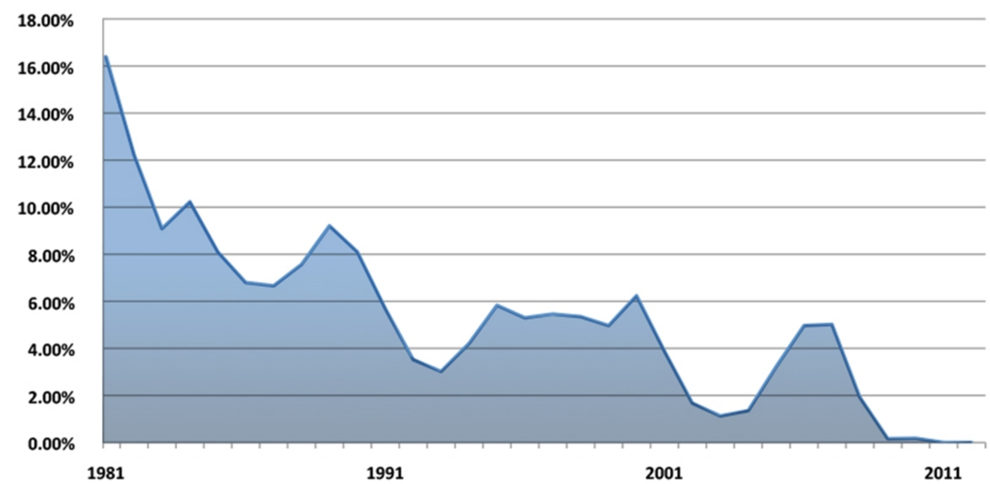
Graph: The Best of Times, the Worst of Times, and 2013



In 2013, the Standard & Poor's 500 had its best year since 1997, while the Dow Jones Industrial Average set 52 new record closing highs and the Nasdaq hit a level it hadn't seen in more than 13 years. Here's how 2013's price gains compare to each index's best and worst years since 1926 by percentage gain as listed in the "Stock Trader's Almanac 2014." ***Note:*** *All investing involves risk, including the possible loss of principal.*

Graph: Interest Rates 1981-2012

This graph represents the federal funds effective interest rate (the average rate at which banks lend to one another overnight), which has generally declined to historic lows over the 30-year period represented. Investment returns, as well as interest rates on bank loans and other fixed-income instruments, could potentially be affected when this rate rises.



Source: Board of Governors of the Federal Reserve System (www.federalreserve.gov), July 17, 2013