Trustworthy News

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"Growing and Preserving Your Wealth…"

The Sandwich Generation: The Pickle in the Middle

If you are helping your parents and trying to meet your own children's needs while looking ahead to your own retirement, you're part of what's called ***"the sandwich generation."*** Here is a recipe to help you cope with being jammed in the middle.

Chart the terrain

First, conduct an assessment of your current financial situation and financial goals. Make improvements where you can, and develop a budget you can stick to. Be sure to monitor your finances so you can adjust to changing circumstances.

Then conduct a similar assessment of your parents' finances as well, so that you fully understand their current situation.

Keep your retirement savings plan on track

First and foremost, resist dipping into your current retirement savings, and try to keep your retirement savings plan on track. Make investing in your financial future a priority by maxing out your 401(k) and/or other retirement savings plan; at the least, contribute as much as your employer will match.

Put your child's college education on the front burner

Start saving, and with college tuition soaring, the sooner, the better. There are several college saving options--consider tax-advantaged strategies such as college savings plans, Coverdell education savings accounts, and U.S. savings bonds.

If necessary, look into the wide variety of financial aid programs available during college, such as scholarships, grants, work-study employment, and student and parent loans. Financial aid is based on two things: the cost of a college education and your ability to pay. You'll find an increasing number of families with significant incomes now qualify for aid.

Help your parents manage

If you need to help your parents manage their affairs, you'll need legal authority to do so. Make sure your parents have a durable power of attorney authorizing you to sign checks, pay bills, and make financial decisions.

Also make sure your parents have health-care directives allowing you to make medical care decisions according to their wishes. And be sure your parents have a will that's been updated recently.

If your parents have limited income, talk to them about their options. For example, can your parents sell their home or access the equity they have in it to increase their income? Will they need to move in with you or another family member? If they're not willing to discuss this with you, you may want to suggest they talk with a trusted professional.

Long-term care insurance

Since government programs such as Medicare and Medicaid, traditional health insurance, and disability insurance may not adequately cover the cost of long-term care, look into long-term care insurance. The cost of a long-term care policy will depend primarily on the ages of your parents (in general, the younger they are when the policy is purchased, the lower the premium will be), but it also depends on the benefits you choose.

Get support and advice

If you are feeling the squeeze, you are not alone. There is plenty of help out there, from local programs to national organizations, from books to websites. And consider discussing the specifics of your situation with your financial professional. Call your account administrator to assist you in sorting through all your options.

E-MAIL ADDRESS REQUEST

We are updating our client e-mail database. Currently, we are sending weekly market updates and newsletters by e-mail so if you are receiving these items, we have your correct email. We would appreciate hearing from everyone else on how to reach you by email.

E-mail your correct e-mail address to shelly.krouse@reliancefs.com.

OUTPERFORM.

RFS Portfolio Update

March was another good month for equity investors after struggling the first two months of the year. The S&P 500 total return ended the month up slightly over 6% and up 5.39% for the quarter. Expecting some volatility, we made some rather significant changes at the February Investment Committee meeting to our asset allocation models. Up until February, we had been maintaining a significant overweight to both “growth” and “large” company stocks. We are seeing a shift occurring within the equity types; therefore we shifted assets from larger growth oriented stocks to smaller value oriented ones. And while one month does not a trend make, during March the Morningstar Small Cap Value index outperformed the Morningstar Large Cap Growth index with respective returns of 8.13% vs. 6.06%.

While we were in the process of shifting assets, we also started to reduce the risk in the portfolios. As you may recall, when the market was collapsing, the committee agreed to shift assets from generally more conservative equities into more aggressive ones. This helped the portfolios generate spectacular returns from the market bottom, but as the market appreciates risk also increases. So while we have reduced the risk in the equity portion, it still remains more risky than the market.

On the bond front, we made similar changes. The wide spreads we saw between US Treasury bonds and High Yield Corporate bonds significantly declined. During the bottoming of the stock market, the Merrill Lynch High Yield Corporate bond index was yielding almost 17% more than Treasury bonds. The difference now is under 6% and while that yield may be appealing in this low interest rate environment, we have dramatically reduced exposure to high yield bonds because we are not being compensated sufficiently to maintain an overweighed position. Similar to the equity changes, the shifts among the bonds funds further decreased the risks within the portfolio.

As most of you have probably heard or anticipate, higher interest rates are expected down the road. These higher rates are expected as the FED moves away from an accommodative policy or because of higher inflation. To help further protect the portfolios, we added a floating rate fund in February. This fund will pay a higher interest rate as general rates increase. We now have a significant portion of our bond portfolios structured to take advantage of and to protect the principle from potential higher interest rates.

As always, if you want to discuss what we are doing or the reason for it, please feel free to contact me.

Tracy Baughman
Investment Services Manager / Vice President
419-783-8948
tracy.baughman@reliancefs.com

Ask the Experts: What's an exchange-traded fund?

Like a mutual fund, an exchange-traded fund (ETF) pools money from investors to buy a group of securities. Though diversification alone can't guarantee a profit or protect against potential loss, such an investment helps you spread your risk over many individual securities.

Most ETFs are passively managed. Instead of having a portfolio manager who uses his or her judgment to select specific stocks, bonds, or other securities to buy and sell, ETFs try to approximate the performance of a specific index, which can be either broad-based or narrowly focused. In this, they are somewhat similar to an index mutual fund.

However, there are some substantial differences between mutual funds and ETFs. Perhaps the biggest is the ability to trade ETFs throughout the day. Mutual funds are priced once a day after the market closes. If you buy or sell after that, you'll receive the next day's closing price. By contrast, ETFs are priced throughout the day. Also, they can be bought on margin or sold short; in other words, they can be traded just like stocks. As a result, investors may use ETFs to actively trade a particular sector or industry.

ETFs typically have no minimum investment requirements or redemption fees for brief holding periods. And because most ETFs are based on an index, the administrative costs can be relatively low. However, ETFs must be purchased through a broker. Since you'll pay a brokerage commission with every transaction, ETFs may not be well-suited to a systematic investing program such as dollar cost averaging--transaction costs could quickly eat up any cost efficiencies.

Because the differences between one ETF and another can be dramatic, you should carefully consider a fund's investment objectives, risks, charges, and expenses, which are included in the prospectus available from the fund. Read it carefully before investing.

At Reliance, we use ETF’s in our Tactical Asset Allocation Portfolio (TAAP). These funds enable us to quickly move in and out of market sectors as technical indicators change. Our minimum investment in TAAP is $500,000. If you are interested in learning more about this portfolio, contact you account administrator.