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■ A newsletter for clients of LSB Financial.



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To Retire or Un-retire? Ways to Consider the Question

Add retirement to the long list of things Baby Boomers are changing their minds about.

An April, 2006 study by Zogby International and the MetLife Mature Market Institute found that a significant number of older Americans are revising their ideas about their post-career years. The study found that 78 percent of respondents aged 55-59 are working or looking for work, as are 60 percent of 60-65 year-olds and 37 percent of 66-70 year-olds. Across all three age groups, roughly 15 percent of workers have actually accepted retirement benefits from a previous employer, and then chose to return to work (or are seeking work). Called the "working retired," these workers represent 11 percent of 55-59 year-olds, 16 percent of 60-65 year-olds and 19 percent of 66-70 year-olds.

A decision to return to work isn't necessarily a negative. It's not always a sign that older Americans are having trouble making ends meet. Some work simply because they want to change careers for a new challenge.

Yet delaying retirement or returning to the workforce from retirement is a decision that should be made after a thorough financial review.

According to MetLife, most older employees expect to stop working for pay at the age of 70. The best time to talk about working in retirement is at least five years before you retire. If you're working with a good advisor, they'll force you to answer key questions about the retirement you want to have. You might discover that working in retirement is something you want to avoid at all costs, and you'll have to accelerate your savings and investments to avoid it. Here are some critical points to consider in a working retirement:

Making working retirement a variable in your planning: If you're in your early 50s and reviewing your retirement planning so far, it makes sense to ask yourself under what conditions you'd return to the workplace. Maybe you want to take a year off after you retire from your current job and then you'll go back into another career. You obviously need to know based on current projections how much money you're likely to gather from savings and other retirement resources. Then you need to consider how much money you'd be satisfied making in your post-retirement working life and for how many years you'll earn that income.

Check what returning to work will do to your pension: Early retirement transitions can have some adverse effects particularly where pensions are involved. Get some advice here.

Back to school? You need to plan: Seniors may get early-bird specials at restaurants, but colleges aren't giving away free tuition. And if you haven't had to put your own kid through school, you'll be shocked at how much college costs have risen in the past 30-plus years. If you're investigating post-retirement employers, see if you can qualify for educational benefits to back up any out-of-pocket costs. Also, some colleges do offer discounted tuition or free classes for seniors.

Talk to a tax professional before you make a move: Tax issues shouldn't determine your ambitions and goals, but it's important to consider the impact work-related income will have on your retirement. Many retirees find that it doesn't take much post-retirement income to tip them into a higher bracket. Look for ways to control the taxes you'll ultimately pay, including continued participation in qualified plans, and IRAs, and other tax-favored accumulation vehicles. And don't forget to discuss your Social Security options.

Consider insurance issues: If a retiree returning to the workforce is already receiving Medicare or covered by a "Medigap" policy, they may be able to lower their costs or improve their coverage by accepting group coverage as primary underwriter of their medical expenses. Since people over age 55 are generally the greatest users of the healthcare system, coverage issues are particularly important to run by a financial expert.

Keep saving: If you return to the workplace, see what you can do to take advantage of your new employer's 401(k) plan or any other tax-advantaged retirement savings benefit, particularly if an employer matches your contribution. Don't miss a chance to enhance your retirement savings.

The articles in this newsletter are produced by the Financial Planning Association (FPA), the membership organization for the financial planning community, and are provided by John Englin, CERTIFIED FINANCIAL PLANNER™. John is a local member of the FPA and is employed by Lincoln Savings Bank and LSB Financial.

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Why a Business Owner's Exit Plan is So Important

It's Never Too Early to Start Planning

There are plenty of days when we want to “take that job and shove it.” But what happens when we’re sick of a job we’ve created for ourselves in a business we’ve founded?

The idea is to make a plan that allows you to get out before you tire of your company or before you are overwhelmed by personal, industrial or economic factors that force you to sell, transfer or close a company. This is called an exit plan.

Everyone glamorizes creating a business as a way to completely control one’s own destiny. But it’s ironic how many businesses go on day-to-day without any thought to a proper ending. An exit plan is not only a set of mental notes about how one should pack up and move on. It is a way to focus an owner’s thinking about:

- A family legacy – should a business be passed on to family or associates, or should it simply be sold or closed?
- The owner’s own career goals – does an owner want to do this for the rest of his or her life, or should they make way for other professional or personal directions?
- The creation of wealth – too many people think of a business as a job and a paycheck instead of a creator of wealth that can support one or more generations of a family. A paycheck supports short-term goals; wealth is accumulated money that can either be invested smartly in the business or outside the business to support philanthropy, or family and personal goals.
- A retirement strategy that allows an owner to do everything they’ve dreamed after they quit.

An exit plan isn’t born in a day. In fact, many financial experts in investment, tax and estate planning disciplines think it’s wise for business owners to come up with an exit plan when they start a company if possible, and if not, within 3-5 years of the date they’d like to exit. A CERTIFIED FINANCIAL PLANNER™ professional with specific expertise in working with business owners could be a helpful partner in helping you determine the following:

- *How many more years do I want to run this business?*

- *What’s the optimal way to get rid of the business when I’m ready to go? Do I want to sell it, transfer it to family or associates or just close it down?*
- *What if I got a fantastic offer on the business tomorrow? What would I do?*
- *If I sold my business, how would I protect myself from a personal and business tax standpoint?*
- *How do I communicate my wishes and ideas with my spouse, kids and other family members with a stake in the business?*
- *What about my employees, clients and customers? How do I protect them if I die or decide to leave?*
- *How much money do I want in my life after my business, and what would I do with it?*
- *What should I do to make my business as valuable as possible?*
- *How do I plan the tax implications of my actions toward the end?*
- *If I have investors, how do I make them happy as I leave?*
- *Are there any specific accomplishments I want this business to make before I leave?*

An exit plan allows you to not only to change your own employment, but to help you change your whole career if you choose. No one has to stay in the same industry – or company – for life, and with an exit plan, you can leave open the possibility for an endpoint that will allow you to travel, do philanthropy or any number of new activities in business or other walks of life.

The financial planning aspect of the exit plan will align your monetary needs with your career or post-career needs. Your exit plan can do whatever you want it to. Some entrepreneurs build sabbatical time and other arrangements for study and learning into the timeframe leading up to their exit to help them refresh their minds and decide what their next career or vocation will be.

The bottom line is that it’s never really too early to start thinking of an exit plan for a business you’ve formed. Today, smart entrepreneurs start asking themselves those questions as they’re organizing and forming companies. Get some good advice to start that discussion.

LSB Financial: An engaged, life-long partner helping our clients achieve their financial goals.



Financial Planning for Newly Single Parents

Make Finances a Priority When Adjusting to Your New Life



After a divorce or the sudden death of a spouse, single parents have the twin challenges of adjusting to a new life and getting their child adjusted to it as well. The third challenge – getting money issues in order – can be a threat to both.

For a newly divorced or newly widowed parent, the right tax, estate and financial planning advice are crucial. A CERTIFIED FINANCIAL PLANNER™ professional can advise any newly single man or woman on the right steps to take in setting up a new financial future that fits them. But there are some general steps the newly single should take:

Revise or make an estate plan: Single parents have to revisit the estate plans they made when they were married or set an estate plan for the first time. A will is essential, but it's also important to make immediate plans for who will raise the children if something happens to the parent. In case of divorce, plans might have been set for the ex-spouse to take full-time custody in case of the other's death, but if a parent has never been married, it's particularly important to select the right custodian for the child and perhaps a separate person who can become custodian of the child's finances to invest properly for their support and their future.

Make sure all beneficiaries are correct: If you've separated assets in a divorce or you've just had or adopted a child, it's particularly important to go over all your holdings to make sure your beneficiary designations are correct to make sure your child or a trust or other investment structure set up in the child's name receives those assets. Don't forget all your insurance policies, your work and individual retirement accounts and any investments you might have recently acquired.

Make sure ex-spouses are removed from any joint accounts you've been awarded: You also need to notify each of the three credit bureaus of your divorce so future reports will be based only on your credit reports.

Adjust your investment focus if necessary: Becoming a single parent changes your investment picture. For retirement as well as investing you will do for your child's future, get specific advice on what they'll need for college and what you'll need for retirement as a single person.

Revisit your career plan: Unless you are wealthy to begin with, you are probably going to have to either return to the workforce or possibly change jobs to increase your earnings or improve your benefits if you're not receiving any other source of income. If additional career training is necessary to improve your prospects, you may consider going back to school – always tough with a kid at home – and you'll need to strategize how to pay for it. You might also choose to work for an employer with great educational benefits.

Make sure you get the pension assets you're entitled to: A Qualified Domestic Relations Order (QDRO) is a settlement statement where a spouse receives pension assets from another in case of a divorce. You need to present a QDRO approved by the court at the time a divorce is finalized to your ex-spouse's plan administrator to make sure agreed-upon assets get transferred to the account you've designated. Get some advice on how to best invest those assets.

Make sure health insurance is in place: If you're divorced, it's likely you won't be able to stay on your spouse's plan, so you'll have to locate your own insurance option. But if your ex-spouse's plan is a good one, try and make sure that he or she can keep your child covered until a better option comes along. Again, the need for health insurance may also drive your career decision, so consider it.

Make sure your life and other insurance is in place: As a single parent, you'll need to adjust the amount of your life insurance relative to any insurance coverage your ex-spouse has with your children as the beneficiaries. You'll also need to make sure on a regular basis that your ex-spouse has not cancelled that coverage.

Check in with Social Security: See if your ex-spouse's work record may entitle you to receive certain benefits.

An emergency fund becomes even more important: If you have the option of acquiring six months' of income in a divorce settlement or if you can set aside that amount somehow, it's particularly necessary because you won't have another partner's income to fall back on anymore.

■ Financial Representatives



Janie Baldus

Personal Financial Advisor
Investment Adviser Representative*
242 Tower Park Dr
Waterloo, IA 50701
Toll-free: 866-235-2098



Justin Garman

Personal Financial Advisor
Investment Adviser Representative*
111 East Traer
Greene, IA 50636
641-823-4132



Jody Corwin

Personal Financial Advisor
Investment Adviser Representative*
508 Main St
Reinbeck, IA 50669
Toll-free: 800-588-7551



John Englin, CFP®, CHFC

VP, Financial Planner
Investment Adviser Representative*
242 Tower Park Dr
Waterloo, IA 50701
Toll-free: 866-235-2098



Gary Winterhof, RFC

VP, Personal Financial Advisor
Investment Adviser Representative*
301 Washington St
Cedar Falls, IA 50613
Toll-free: 866-268-9876

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242 Tower Park Drive
Waterloo, IA 50701

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