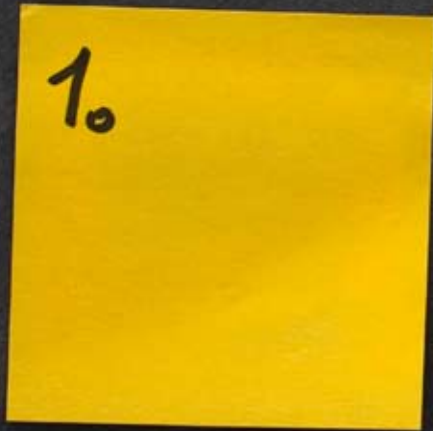


RESOLUTIONS



START YOUR NEW YEAR ON SOLID FINANCIAL FOOTING

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2010 was quite a year! 2008-2009 sent shockwaves through the average investor's psyche and decimated investment markets around the world. Many investors have had to reassess their overall goals and the timeframes that they have set to achieve those goals, such as retirement, in the wake of an economic implosion worse than many of us have seen in our lifetime. The vast majority of homeowners here in the U.S. and in other developed countries have watched the equity they had in their homes quickly evaporate, and a large percentage owe more than

what their homes are currently worth.

These issues, combined with double-digit unemployment, record government deficits, soaring healthcare costs, and the constant threat of debt defaults in Europe, have investors scared for the future and unsure as to how they can reach their goals. Here are some resolutions for the new year that can help you assess whether your financial plan is on track.

Resolution #1:
Make Sure Allocation is Appropriate
 Implementing a "sound investment

plan" is certainly easier said than done. The day-to-day market movements driven primarily by the constant flow of news and information can lead to strong emotional reactions on the part of investors. When the broad stock market fell to its recent lows (S&P 500 hit intraday low of 666) in March of 2009, fear and panic were off the charts. There was talk of a 1930s era "depression" and many felt the need to head for the ultimate safety of an FDIC-insured bank account. However, shortly after, news began to improve and the threat of a depression waned.

The S&P 500 made up its early 2009 loss and rallied, finishing the year up by about 23% (still well below the October 2007 high). Those investors who chose to move completely out of the market essentially locked in their losses and missed out on the ferocious rally that ensued.

The most often asked question these days is, how do I recover? The answer: start by creating a plan based on your time horizon and risk tolerance. Don't try to make up your losses all at once. Diversifying across multiple asset classes can help control the volatility of a portfolio over time. Today's global economy has opened up new markets overseas. Developing countries like India, China and Brazil offer investment opportunities simply not available here in the United States. Investing in precious metals (gold, silver, platinum, etc.), currencies and commodities via exchange-traded funds and mutual funds afford the individual investor an opportunity to hedge against the fluctuation in the global markets and can add an additional layer of diversification to their portfolio.

Resolution #2: Review Your Estate Plan

Have you reviewed your estate plan recently? For most, the topic of death or disability can be daunting. Most clients choose to delay this part of the planning discussion for as long as possible. However, a properly crafted estate plan can not only help ease any transition issues at death but also provide potential relief from estate taxes.

Make sure your documents (simple will, living trust, durable power of attorney and health care proxy) are current and reflect your wishes. Review your beneficiary designations and your DPOA and health care proxy power holders to ensure that you are still comfortable with them. Scheduling a quick family meeting to let your heirs know where the documents are and to discuss the ultimate disposition of



assets isn't a bad idea either. Reviewing any gifting plans or share transfers as part of a tax minimization strategy is also important. These gifts and transfers are a critical part of many estate plans and you don't want to forget to follow through.

Resolution #3: Find Potential Tax Planning Opportunities

ROTH IRA conversions were very popular in 2010 due to the elimination of the income limitation put in place in previous years. The Federal government also gave taxpayers the option to split their tax liability by pushing out the income until 2011 and 2012 (50% each year). This could represent a significant planning opportunity for investors.

Small business owners should talk with their advisor about the benefits of a retirement plan. There are excellent tax savings opportunities available to business owners that implement and contribute to a plan. It is important to make sure the plan itself is appropriate for the size of the business.

Resolution #4: Pull It All Together

Having a well-thought-out plan in place is a very important step toward reaching your ultimate financial goals. That plan needs to be reviewed and

updated regularly in order for it to work properly. The steps discussed here should help trigger more questions about your specific situation.

At Cabot, our role as a wealth manager is to help our clients structure their overall financial plan and ensure that each aspect of that plan works together. After proposing an overall allocation based on each client's goals and tolerance for risk, we look for the most efficient way to implement that strategy across their investment portfolios. Reviewing their overall tax situation can lead to discussions about the benefits of contributing to retirement plans. Getting to know each client's overall financial needs and goals allows us to work with them to craft an outline of their estate plan and bring in an attorney to draft the documents. Feel free to contact us if we can help and enjoy the start of another new year. Happy New Year!



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