

WISE WOMEN INVESTOR

WiseWomenInvestor.com

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Real Estate in 2008

As we end another year, I reflect on what we have experienced as investors in 2007 and think, "Boy, the news sounds bad." Did you know that from 2001 to 2006, 6.6% of those employed throughout the United States were in a real estate related field?

2007 has experienced its real estate woes. If you can see past the sub prime crisis and poor housing starts, you will learn the median price of an existing home fell only 2.2% in 2007, according to economists.

What is the forecast for 2008? Or better yet, what should we as investors be doing in 2008? The answer is...it depends!

First, remember to think of all real estate in local terms. More than half the markets in the U.S. have not had a downturn in prices in 2007.

Homeowners who plan on staying put have nothing to worry about. Buyers who are looking for a deal may see this market as the opportunity of a lifetime, and sellers need to get realistic in their expectations.

Let's face it. If you are in a hurry to sell, expect to take a minimum of a 20% hit on the sale of your property. If you can wait until the panic phase is over, do so.

Use internet sites like Domania (www.domania.com) and Zillow (www.zillow.com) to research current home prices in the area you wish to invest in. They keep fairly current on the market.

Take advantage of your local real estate

investors association and get up to date information to help you make informed decisions in your marketplace. Visit www.nreia.org to find an association near you. You might also want to attend the upcoming real estate cruise in February to learn creative strategies to handle your real estate portfolio.

Look at creative financing alternatives to help you close your deals. Seller financing is alive and well. You might even consider getting educated in the private note business. One good source to go to is the NoteWorthy newsletter-www.noteworthyusa.com.



Refresh yourself on creative buying techniques such as options, sandwich leases and more. Don't forget to check with your state government and get the up-to-date regulations to make sure some of these great strategies are legal.

I know Texas has laws with regards to lease options.

Don't forget to use your IRA in the event you need cash to do those creative deals that you may otherwise not have thought of. Visit www.theentrustgroup.com to open a self-directed IRA.

How low can those prices go? I don't have a crystal ball to predict this; however, my belief after going through three downturns in previous real estate markets and experiencing 18% interest mortgage rates is to have an investment philosophy and follow your gut. In my case, that means hold on!

Happy Investing! - Lisa

From the Editor

Lisa Moren Bromma, Editor

Dear Fellow Investor,

Happy New Year! In this issue of our newsletter, we share with you the importance of leaving a legacy for your heirs - a fiscal *and* ethical one. We also examine tax-free investing opportunities and I examine the 2008 real estate market. And be sure to check out our helpful hints for making the most out of the new year!

Our newsletter contributors are successful female investors. We thank these women writers for sharing their wealth building techniques with our readers.

I hope you enjoy this issue. Please send your comments or feedback via our web site - www.wisewomeninvestor.com.

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Inside this issue:

Page One
Real Estate in 2008

Page Two
Helpful Hints for 2008

Legacy or Lunacy: What Are We Really Leaving Our Children?

Page Four
The Tax-Free Investing Opportunity



Helpful Hints for 2008

Rewrite Your Credit History

Did you know 78% of credit-card holders who ask for a lower rate get it!

Source: Synergistics Research

Did you know you can add positively affect your credit report by paying bills on time and paying off balances? Your credit report gets updated every time you pay on your card.

Did you know that you should not close a credit card out as it will lower your credit score? Seems hard to believe, but true.

Did you know keeping your oldest accounts open and active (using the credit card at least once every six months), will look good to the credit scoring computer in the sky?

Create an Insurance Record

Looking to create a record of all of your valuables? Walk around your home and use your digital camera. Take close up pictures of your jewelry, artwork, and other valuables. If disaster strikes, this proof of what you own will speed your claim and help you get a better settlement. Keep copies or photos in your safe deposit box or elsewhere outside the home. You just never know!

Useful Web Sites

www.finra.org: Check your broker, your mutual fund expenses and the latest scams at this new securities regulator.

www.ambest.com: If you plan on buying insurance, check this site out for current ratings on how solvent the insurance you are working with is.

www.financialaidletter.com: Examples of financial aid related materials to help you get the most you can for your college bound child.

www.napfa.org: The association of fee only financial planners.

www.theentrustgroup.com: Nation's largest network of self-directed plan administrators for a self-directed IRAs or 401(k)s.

Legacy or Lunacy: What Are We Really Leaving Our Children?

There I was, waiting in line for take off, languidly riffling through the pages of the current in flight magazine. What a surprise to find an article about trusts and estates among the pretty pictures of Crete and the latest restaurants in Paris. But this article took no ordinary slant on will making. It was about making a "Values Will"—leaving a legacy of heartfelt advice on ethics to influence the decisions and direction of one's heirs.

Suddenly, 78 million baby boomers, the richest and most educated generation in history, began to realize we would not live forever. The same generation that created the eight-dollar arugula salad now wants to bestow upon future generations its ode to right living.

There's nothing wrong with that unless it takes the place of fiscal estate planning. The longevity of our generation does make our estate planning different. Let's take a look at some terrific opportunities we have in leaving our legacy.

New Think #1

Our kids will be "old" by the time they inherit. Even our grandkids won't be spring chickens.

I am 58 years old. My son Arthur is 25. My daughter Rose is 15. If I keep taking those vitamin E pills and get to the gym, I have a decent chance of hitting age 95. That makes Arthur 62 when he inherits, Rose 52, and their children will be in their 20s and 30s.

But, having older inheritors (one half of all people age 60 still have living parents) means we know them pretty well. We can distribute our funds in ways that makes sense. We know which child can handle charitable giving; which needs a trust fund to protect them from themselves; which grandchild or great-grandchild needs the college education paid for; and which needs a lump sum to start or grow a business.

Wow, longevity has taken the guesswork out of legacy!

New Think #2

We may outlive our wealth if we do not plan for longevity.

When I created my virtual club, www.longevityclubonline.com, I thought the greatest benefit members would derive were group discounts on the cost of long term care insurance. Alas, no. The most excitement was generated by the offer of a trip to Bhutan.

Let's face it and applaud it. Boomers have a thirst for life that is blooming as we age. And thirsts cost money to quench. As we spend as much or more in retirement and as the typical couple will shell out \$220,000 in unreimbursed health care costs (AARP study 2007), we may have no legacy to leave.

Fortunately, we can preserve our independence by purchasing long term care insurance while we can. New products that meld annuities with long term care coverage are on the market for those of us that are uninsurable or want to amass wealth and still have long term care protection. Boomers can live independently at home, even if we need high levels of care.

Give us your feedback!

www.wisewomeninvestor.com/blog

New Think #3

We can buy a legacy even if we failed to build one.

Sure we all know that we could have been the multimillionaires next door if we had started at age 25 and socked away only two thousand dollars a year in our IRA. But, we didn't. So get over it. Insurance products can bring us into the legacy game, right here and right now. For example, a healthy husband and wife age 58 can buy a joint and survivor policy (no one inherits until they are both gone) for a reasonable annual premium.

New Think #4

Our IRAs and 401(k)s, are where the money is.

Where have all the pensions gone? Today the most fascinating game in town is the real estate IRA or any independent self-directed IRA. These allow you to invest in dozens of unique holdings, from high paying notes to rental real estate, to gold in bullion to currencies. If your advisor does not know of self-directed IRAs, e-mail me at adrianeberg@msn.com and I will send you material.

New Think #5

Retirement vehicles may be great for your money but can be a nightmare for your heirs if you drop the ball on keeping your "designation of beneficiary" forms straight.

Most forms, whether a self-directed IRA or an employee plan, give you a small space to write in the names of heirs and their successors. Misplace the forms or fail to clue in your heirs that they have been named, and you are creating lunacy, not legacy. If you want to start a family war, just be vague on how you designate beneficiaries.

New Think #6

You are probably living in your bank.

Home equity is probably a mighty chunk of your wealth and the legacy that you plan to leave, but longevity costs money, and if you can't live well during the "longevity wealth gap" which starts at around age 86, you may need to tap that equity. Many people are doing so years earlier by taking reverse mortgages against their homes. These mortgages are used to supplement income, pay for long-term care, and even buy other property. In any case, they are paid back at death from the proceeds of the sale of the home. Visit www.reversemortgage.org for more info.

Value Wills

All this financial responsibility is all very well and good. But, you may be thinking, "I still want to learn about those new fangled Value Wills." Here goes:

Value Wills are most often called "ethical wills." If you visit www.ethicalwill.com, you will see that they are actually a type of spiritual journaling, recommended to be written at different seminal times in your life that impact you; for example, when your children were born, you moved into your home, or your uncle Marvin picked up a check. How did you feel? What did you learn? What can you teach?

If these are tough questions, you might want to turn to some of the inevitable how to books, cropping up. Check out *The Ethical Will Writing Guide* by Barry K Baines; *Women's Lives, Women's Legacy: Passing Your Beliefs to Future Generations* by Rachel Freed; and *So That Your Values Live On* by Jack Reiner. All are available on www.amazon.com.

**My Seminal Moment:**

As I wrote this article, I received an urgent e-mail. The mother of one of my clients has just passed away. The clients are two sisters struggling with their Mom's illness, both financially and emotionally, for the past year. Now that Mom is gone, they have unanswered questions. Would it have been of value to let Mom tell her story? I think it would have.

This May, my Mom turns 90. I have already started a book in which I ask her for her values, her history and any thoughts she wants to pass down to my children. I see how critical her legacy is to me and how we will value her lunacies and legacies to us.

I brought my daughter into the act to videotape my mother as she answered questions. Though she will never realize her profound influence on generations to come, I'll cherish her ethical will.

My Values Will:

This also motivates me to jot down my thoughts and make what may technically be an ethical will. Here's what has worked for me: Always go places, no matter what—it always pays to go; always pay your debts; do what you love (even though the money won't follow); be like Dr. Zeus's Horton, "Say what you mean and mean what you say"; be loyal 100%; and when life gives you a chance, you might as well dance.

It didn't take very long, but that's the legacy. Proponents say that ethical wills are mentioned in all bibles. And perhaps they are a jewel above rubies.

Adriane Berg is a keynote speaker and marketing consultant regarding the baby boom and senior generations, and the author of 14 books on personal finance, including the "How Not To Go Broke at 102: Achieving Everlasting Wealth," Wiley 2006, for information see www.adrianeberg.com. Adriane offers a free membership to "Balance Magazine" readers to The Longevity Club, www.longevityclubonline.com, where they can learn more about living well in the fabulous decades ahead.

The Tax-Free Investing Opportunity

From the August 2007 issue of *Investment Advisor Magazine*.

How many of your clients could benefit from tax-free investing?

Since we're talking about a one-time only Roth IRA opportunity, the answer depends on several client-specific factors and variables. But what is certain is that you'll have the opportunity to help those clients who can benefit starting in 2010, when the Roth IRA earnings cap vanishes, so that everyone, regardless of income, will be able to convert funds from a Traditional IRA to a Roth IRA. The added benefit? Investors who make the conversion in 2010 will get two years instead of one to pay the income tax bill on the conversion. The opportunity to create and significantly fund a Roth using accrued plan assets can be a tremendous one for a healthy portion of advisors' clients, especially those who are still a decade or more away from retirement age.

While this major tax-savings opportunity has flown under the radar for many, the point to remember is that maximizing the tax benefits of this golden opportunity will take advanced planning beginning now.

But what if a client's assets are locked in a previous employer's sponsored 401(k) plan, a SEP-IRA, a profit-sharing plan or even a defined benefit plan? Advisors can still help clients access these funds for conversion to a Roth. Self-directed accounts serve as an approved, tax-advantaged wrapper that the IRS allows investors to use to free themselves of some of the constraints traditional retirement plan sponsors have imposed. By creating a self-directed Roth IRA, or an Individual (k) plan with a Roth component (for the self-employed), advisors and their clients get the advantage of being able to choose from a wider universe of investments that goes beyond mutual funds, stocks, bonds, and money markets to include real estate, private equity, joint ventures, and even business ventures in their self-directed portfolio.

Qualified administrators of self-directed IRAs work readily with advisors and their clients, even when investment sums and account sizes fall well below private banking levels. The job of a self-directed IRA administrator (like us) is to handle all the paperwork required by investors and the IRS, leaving you to the business of doing what you do best—planning and investing for clients' financial well-being.

In the case of the 2010 Roth IRA window of opportunity, self-directed IRAs allow people to convert their Traditional IRA or other tax-advantaged retirement plan into this account which has greater investment flexibility than any other tax-advantaged vehicle on record.

When all is said and done, what makes the Roth IRA such a wonderful wealth accumulation device is not just the tax-free nature of accumulation and distributions. The added power of the Roth is that it has the potential to add additional decades of tax-free investing beyond what is offered by an ordinary IRA. With a Roth, minimum distribution rules do not kick in when the participant turns age 70 ½, as they do by law for regular IRAs and other tax-deferred vehicles; there are no required minimum distributions in a Roth until after the death of the participant. If your client lives until age 85 and doesn't need the money, you will have helped her maximize the beauty of tax-free investing for another 15 years. Now that's what we call an opportunity.

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Lisa has been a real estate investor since 1978, a note investor since 1988, and a well-known marketing expert. She has consulted for some of the nation's top financial services industries in the private mortgage, business loans, and Individual Retirement Plans. Lisa has taught over 1,000 workshops and seminars devoted to real estate investing, marketing and business forums.

She is a professional member of the National Speaker's Association and sits on the board of the National Real Estate Investor's Association. She is president of The Entrust Group, the nation's largest network of third party administrators. Entrust provides record keeping services for individuals who wish to truly self-direct their retirement plans to buy real estate or any alternative investment allowable by the IRS.

Lisa's recently published two books by McGraw Hill. *Real Estate Investing for The Utterly Confused* has motivated new investors with factual information told in her humorous and easy going manner. *Wise Women Invest in Real Estate* is a must read for 2008! Pick up your copy today! Both titles are available at www.amazon.com.