



# Fall 2008

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## PARK AVENUE WEALTH MANAGEMENT, LLC

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## Promote our website

Park Avenue Wealth Management, LLC is pleased to announce the recent launch of the new and improved [www.parkavenuewm.com](http://www.parkavenuewm.com)!

Here you will have easy access to the following information:

- LPL Account View as well as you online financial plan through Wealth Vision.
- About us– the latest information about advisors and staff.
- LPL Research–client letters and economic updates from Lincoln Anderson and others at LPL Financial.
- Invest in Others– find out about the latest activity from our Foundation.
- Blog– Periodic, timely, original content from Park Avenue Advisors.

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Please go onto our website today and let us know your thoughts.

We would love to hear your input as to what you think of our updates and any updates that you think we should make in the future. If you enjoy our website please show your friends and family.

-Park Avenue Team

By Matt Fahoome State Farm® Agent

## A Personal Umbrella for a Rainy Day

There are so many “rainy days” that people can experience– a sick child, a broken-down car or a late mortgage payment.

But what about a lawsuit? These days lawsuits are being filed, not just against big corporations, but also against people like you and me. In the blink of an eye, you could be involved in a car or boating accident, or have someone become injured on your property that could result in litigation against you seeking thousands or even millions of dollars.

Even though your primary insurance policies, such as Auto, Homeowners, Boatowners, etc. may provide substantial liability insurance coverage, it may

not be enough. A personal liability Umbrella Policy provides additional amount of liability coverage at an affordable price.

What is an umbrella policy? A personal liability Policy that provides additional layers of liability coverage over the liability coverage of our underlying policies. Personal umbrella coverage amounts typically begin at one million dollars and can be increased in increments of one million dollars. Here’s an example of how an umbrella policy could work: Let’s say your car is insured for liability with limits of \$250,000 per person. You pull into an intersection, strike another vehicle and severely injure the other driver. The insured person sues you and the judgment against you totals \$800,000. Your auto policy will

pay the first \$250,000 but an umbrella policy would respond for the next \$550,000. Also an umbrella policy often insures against some types of losses for which there is no coverage in the underlying policy. Examples of such loss include libel, slander and defamation of character.

Why have an umbrella policy? The value of a personal liability umbrella policy is to provide higher amounts of liability coverage for an affordable premium. It can help protect the financial assets of your household when you need it most and can bring confidence knowing that you have the coverage needed to help protect you family. To see if this policy can benefit you talk to your insurance agent. -Matt Fahoome 866-886-9811

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## Do you have Enough? Will you run out of money During Retirement?

People are always asking me, do I have enough to retire? They expect me to be able to look at their 401k statement and give them a “yes” or “no” answer in two seconds flat! The truth is that it doesn't matter how much money is in your 401k. In my opinion, what matters most are your spending habits. If you can live comfortably on your social security (and pension), then most likely you will have enough to last throughout retirement. However, our culture is a culture of spending:

- we carry credit card balances
- we take loans from our 401k
- we strip equity out of our homes
- we don't even contribute enough to our 401k to take advantage of the match!

If we can't live within our means during our career, how do we expect to live within our means during retirement? Who would want to retire to a less extravagant lifestyle? The fact is people expect to maintain the same lifestyle in retirement as when working. If you are a “saver” then you may have lived within your means during your working years, which could mean you have a good shot at a comfortable retirement.

A tale of two— Spender vs. Saver

### 1. Sam the Spender

I was able to put 10% into my 401k plus the match, but cash flow was always tight due to my never ending bills. There was never an emergency fund and there were always credit card bills coming in the mail. I was constantly applying for credit card balance transfer promotions. I have a very nice home, but there is little equity due to the housing collapse and now I've just retired with a brand new 30 year mortgage after the last refinance to lock-in below 6%.

Social Security benefits are enough to pay the mortgage, but that's about it. In order to pay my other bills, withdrawals from the portfolio are required. Of course, all of my portfolio is in my IRA, because I was not disciplined enough to save any money out of

my paycheck besides my 401K. Therefore, each withdrawal is 100% taxable. Wouldn't it have been nice to have a non-retirement brokerage account that I could be drawing on now without every dollar being taxable? That also would have given me some piece of mind knowing I could have accessed that anytime in an emergency without penalties prior to retirement. I have \$500,000 in my IRA, and I need an extra \$25,000 per year to maintain my lifestyle.

OK, \$25,000 is a withdrawal of 5%. In my opinion, a withdrawal rate this high is a red flag— will you outlive your money? But wait! What about taxes? Assuming 25% taxes, Sam actually needs to withdrawal \$33,333.33 in order to net \$25,000. Now he is at a withdrawal rate of 6.6%, in the danger zone. Next the market takes a 20% tumble, and his account falls by 12% to \$440,000 (He is in the balanced portfolio). Now that \$33,333.33 is up to 7.5% and he is panicking.

Will the market rebound and propel his portfolio back to the levels of \$500,000? Is a 7.5% withdrawal rate sustainable? Is 5%? Should he go back to work part time so he doesn't need to draw as much from my portfolio? Are his bills actually bills or are they the result of an extravagant lifestyle he has have come to expect.

### 2. Sandy the Saver

I have been saving 10% in the 401k plus the match. I never carry credit card balances. I use a credit card for all my purchases but I pay it off every month and I collect dividend “points” from using my card. I carry an emergency fund balance of 6 months expenses in case of a lay off or disability. I fund the maximum into my Roth IRA each year, and have done so since 1998, when the Roth was created. I also have a brokerage account we invest a couple dollars each month. Finally, I pay extra on the mortgage every month, which reduced the term from 30 to 15 years.

When I retired, my mortgage was paid off and I was entirely debt-free. Social Security pays my big bills— property taxes, insurance, vehicles, etc. I have a portfolio consisting of \$500,000 in IRA's, \$50,000 in Roth IRA's, and

\$150,000 in my brokerage account. We only need about \$1500/month or \$18,000 per year to supplement my Social Security to pay for things like entertainment and vacations. I take my withdrawals from my brokerage account, which is subject to capital gains and taxes on interest and dividends. However, much of it is my own principal which comes out tax-free. I am currently taking a withdrawal rate of 2.5% from the portfolio. By the time our brokerage account runs dry, it will be time to take forced required minimum distributions (RMD's) from my IRA's.

Sam and Sandy are both smart people and both earned a good living, but Sam's lifestyle was more extravagant than Sandy's and look at the difference it makes in retirement. Sandy is able to maintain her same level of spending, with less taxes and less worrying when the market volatility is high like it is now— after all, she is only taking 2.5% of the portfolio.

Main culprits of excess spending:

- Latte-spending \$4 on coffee each day is too much!
- Second home— wouldn't it be more cost effective to rent during the winter in Florida rather than buy a condo?
- Mortgage— refinance after refinance extends your payments forever. Focus on payoff, not payment.
- Kids— leading up to retirement, it is time to cut the kids loose. No more loans (which will be forgiven). They have 30 more years until retirement and you are there TODAY.
- Vehicles— if you are only driving a few thousand miles per year, why are you leasing? If you have 3 vehicles, couldn't you get by on just 2? Each vehicle adds insurance, registration, maintenance, gas, storage, etc.
- Eating out— isn't it nice to have a nice dinner at home once in a while?



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# Easy Pumpkin Pie



## Ingredients

3/4 Cups sugar  
 1 and 1/2 teaspoon pumpkin pie spices  
 1/2 Teaspoon salt  
 1 can pumpkin(15oz) NOT pumpkin pie mix.  
 1 and 1/4 can evaporated milk or half and half  
 2 eggs beaten and 1 pie crust.

## Directions

Heat oven to 425 degrees F  
 In large bowl mix fully ingredients.  
 Pour into pie crust  
 Bake 15 minutes than reduce temperature to 350 degrees F  
 Bake 40 to 50 minutes or until knife inserted in center comes out clean.

Serve or refrigerate until serving time.

Store in the refrigerator.

Serve with a dollop of whipped cream!

ENJOY!

## Invest in Others Contributions

With the help of our client contributions Park Avenue has donated to the New Hope Center for Grief Support. Located in Northville, New Hope is a Christian based outreach center that offers support to those who have experienced loss in their life. New hope offers many different types of support depending on the individual and their loss including individual support, group, and seminars. All of the services provided at New Hope are free of charge so we are proud that we are able to contribute to such a great cause. If you have recently lost a loved one or know someone else who has you can contact New Hope at Phone # 248-348-0115, Email [griefhelp@aol.com](mailto:griefhelp@aol.com) Please visit their website at [www.newhopecenter.net](http://www.newhopecenter.net)

## Do You have enough continued....

Cont..... How do you know if you're spending too much? First, simply look at how much you're earning take-home vs. how much you're spending. I suggest reviewing the last 3 months of bills/payments from your checkbook and create a spreadsheet to track different categories or set yourself up on Microsoft money or Quicken. Usually a couple items will jump out at you and it is easy to cut them out. If you are truly not spending

too much, what choices do you have? I tell my clients after your first career is over they should find a hobby they can get paid for. If you love golf, apply at the Pro Shop- this way you get some cash in your pocket, and best of all, free golf! If scrap booking is your hobby, apply at Michael's- you work with the hobby you love and get a discount on your own purchases. Forget about the Wal- Mart greeter- find a hobby!

### Summary:

The answer to the questions "Do I have enough?" Does not depend on your account size, it depends on your spending habits. In order to evaluate your spending habits, you must track them either with a spreadsheet or a program like Microsoft Money. If you can't cut out any expenses, consider finding a hobby you can get paid for.

-Nicholas Hopwood, CFP®

# Staff Updates....



The summer seems to have flown by and has been way too short. Some of the trees at the farm are actually turning color and the leaves are starting to fall. Our son, Jeff, and daughter-in-law, Linda, are expecting their first child in early January— It's a GIRL! My husband, Dick and I are very excited for the arrival of our first grandchild! Our daughter, Michele, bought a beautiful new home— we told her she “stole” it! She was fortunate to have the opportunity to buy a home in a struggling real estate market that is offering great benefits to buyers. Murphy, our Bernese Mountain Dog, celebrated his 2nd birthday on August 31st. As some of you may know he had a double hip replacement before he was one, so every birthday is a milestone. He's the most expensive dog in history— if you're a dog lover, you know what I'm talking about. If the horses, dogs, children and coming grandchildren have anything to say about it, not to mention our clients, I will be working until I'm 100— if I live to be that old! -Jacque Moody



Our family's first summer has been busy; lots of trips to the park, dog-walking, and boating. I thoroughly enjoyed the Summer Olympics watching Michael Phelps and Usain Bolt dominate their competition and for the most part make it look like a cake walk. Hunter is still using his hands to balance when standing and walking. I am eager to see him take his first step, although everybody tells me once he does it will be impossible to keep up with him....As a huge Michigan Football fan, I'm excited that the season is here, but I have tempered expectations for this season. It is difficult for me to accept mediocrity! I am also taking up a new hobby— acoustic guitar. My lessons start soon - Wish me luck! -Nicholas Hopwood



Fall is here and for me that means summer fun is over and classes are back in session as I continue to complete my bachelor's degree. My wedding is just around the corner and I am having so much fun planning and shopping! I am currently trying to make the difficult decision of where to go for a honeymoon! There are so many beautiful places in the world that I have not seen and I am having a hard time choosing between a sunny, sandy beach or seeing the amazing attractions of Europe. I would love to hear some recommendations! Wishing everyone a great Holiday season!  
-Jennifer Neuendorf



Well...Autumn is upon us. It's time to enjoy nature's art work on the landscape and the bright colors acquired by the trees before they lose their leaves. This is my favorite season. I like the brisk air, the smell of burning leaves, the aroma of a baked homemade apple pie and the thirst quencher of apple cider. I retreat with the harvest moon and the Indian summer sunsets. Autumn is my time to prepare for the long dreaded cold and wintry months next in line. This is the time I get my pre-Thanksgiving shopping done to avoid the cold and the crowds of the Holiday ahead. Simple pleasures, happy reflections and much to always be thankful. Wishing you all the beauty of this wonderful season!  
-Mary Lou Szott



Recently, I had the opportunity to lead a Crown Financial Small Group Study at my church. For those of you who are not familiar with the program, it is an in-depth study of how the Bible instructs us on handling financial matters. When I embarked on the study, I had no idea how people's lives would be impacted by participating in the group. But for me, witnessing the groups' discovery of how the roles we take on as married couples affect how successfully we are financially was a most fulfilling experience. From one couple to another, each having

similar discussions, our debates about money— one spouse handles the finances, while the other takes care of everything else— what a team. I saw everything from spreadsheets to individuals who never paid attention to finances since they said “I Do.” I must say, I was quite intrigued as to how the roles reversed from couple to couple, but one thing remained the same— opposites do attract! -Erica Hall



On September 5, 2008 I was the maid of honor in my childhood friends wedding. It took a lot of my time and energy over the last few months but it was such an honor and well worth it. The ceremony was held at the church we have been attending since we were toddlers. The reception was in a beautiful apple orchard where the decorations and food were themed as a country picnic. The turn out was great and weather was amazing. I look forward to the day when I decide to open that next chapter in life and she can be my maid of honor. -Sarah Prestia



What a terrific summer! At last printing my kids and I were looking for a low tech summer vacation other than camping. I don't know that we succeeded in our original goal however, we did manage to see the Sears tower, Wisconsin, Cedar Point, Put in Bay, an African Safari, Miniature Golf, Go-Karts and Camp (in a cabin)! We had a great time! Hope your summer was wonderful as well! -Denise Moilanen



Summer is over and we are into fall, my favorite time of the year! I hope all of you have a great fall with crisp days, cool nights, cider, donuts, Halloween treats and the best fall has to offer. Our extended family will be going to Halloweekends at Cedar Point the weekend of September 27th to enjoy each other and the fall favorites.  
-Linda Rudolphi

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#### **Mission Statement:**

Park Avenue Wealth Management, LLC is an independent wealth planning firm dedicated to building long term, trusting relationships and providing unbiased advice and world class service.

At Park Avenue, we specialize in Wealth Management for clients seeking to increase and protect their wealth. Supported by Investorside research and advanced technology, Park Avenue has set a high standard for personalized wealth management. We pride ourselves with the trusting relationships and strong bonds we develop with our clients.

By focusing on and embracing our clients' goals, we are able to develop an intimate relationship with them and ultimately help them follow through with achieving their goals and objectives. Park Avenue utilizes fee-based plans. While working with us, there is no up-front "haircut" commission or penalty for changing of investment strategy, although nominal transaction fees may apply. You no longer need to worry if the advice you receive is in your best interest or your planners best interest.

As independent, unbiased financial consultants, we have the ability to recommend the investment option and planning strategy that we believe is ideal for each individual client. We are not bound by any single insurance or investment company. Rather, we have the opportunity to select from a large variety of investments. Some companies have great sales pitches or promotions only to have horrible service once you are a customer.

Park Avenue is committed to providing World-Class service— our goal is to provide the best customer service experience you have ever received from any company. Feed back from clients indicates if they are tremendously pleased with our ongoing customer service. The Financial Professionals of Park Avenue Wealth Management are regarded as specialists in their field. In addition, they hold certifications in financial planning. Park Avenue also participates in the program *INVEST IN OTHERS*, a program that gives back to the community.