Axial Financial Group

Centered on You.

April 2008

Axial Financial Group
5 Burlington Woods Drive
Suite 102
Burlington, MA 01803
(Tel) 781-273-1400
(Fax) 781-273-1402
info@axialfg.com

Dear Clients:

It's hard to believe we are already through the first quarter of 2008. By the time you receive this newsletter we will have pushed our clocks ahead for Daylight Saving Time and seen the first day of Spring.

With Spring comes Tax time. Hopefully your paperwork is organized and you have been in touch with your accountant or tax preparer. Remember that you still have until the tax filing deadline to contribute to your IRA, Roth IRA or other select retirement vehicles for 2007.

Lastly, the growth of our firm is greatly a result of the referrals we receive from all of you-our clients. If you know of anyone who may benefit from our services, we would be pleased to meet with them.

Axial Financial Group

In this issue:

The U.S. Dollar and Your Portfolio

The U.S. dollar has struggled over the last few years. The Canadian dollar recently reached parity with the greenback for the first time in three decades. In October 2000, the euro was worth 82 cents. Last year it hit a record $1.45 and kept going, while the British pound sterling was at a 25-year high. (All statistics are from the Federal Reserve system.) According to the Federal Reserve Board of Governors, as of last August the dollar had dropped 26% (adjusted for inflation) against the major industrialized nations' currencies, and 7% against key emerging-market currencies, since early 2002.

Change in Value of U.S. Dollar Jan. 1 to Nov. 30, 2007	
Euro	-10.8%
Yen	-7.7%
Canadian dollar	-15.1%
Pound	-5.4%

Data source: OANDA Corporation

If you have no plans to travel abroad, don't eat imported out-of-season fruit, and buy only domestic cars, a weaker dollar may not worry you. However, a falling dollar can lead to rising inflation. Not only can it affect the price of commodities such as oil, but with the higher cost of overseas products, domestic manufacturers may feel more comfortable raising prices. And inflation can lead to higher interest rates, which could affect everything from credit cards to mortgage rates.

A diluted dollar also can affect your portfolio. If you've held international investments in the last few years, you may have caught a tailwind. Past performance is no guarantee of future results, of course, and there are special risks to global investments, including not only currency risks but also political risks and different accounting standards. Risk factors vary considerably by country and region, and as with any investment, you can lose some or all of the funds you invest.

However, returns produced in part by the dollar's decline are one reason investing globally has become popular. According to the Investment Company Institute, more than 90% of the $160 billion of net new money added to stock mutual funds in 2006 went into funds investing in foreign companies.

Looking over the hedge

A mutual fund that invests overseas may or may not try to hedge against currency fluctuations. Some are managed to try to minimize the impact of exchange rates; others deliberately do not hedge their currency exposure. Your preferred approach will depend on your view of the dollar's future and how much currency exposure you want in your portfolio. A weaker dollar may boost an unhedged fund's performance because the fund holds securities denominated in other currencies. However, an unhedged fund would suffer more from any dollar recovery. Obtain and read a fund's prospectus carefully before investing.

Domestic can also be global

A weak dollar makes U.S. companies' products cheaper abroad, which has benefited many large multinational corporations that are headquartered here but have substantial overseas sales. According to Standard & Poor's, roughly 44% of the 2006 revenues of companies in the S&P 500 Stock Index came from international sources; in 2001, that figure was 32%. Even companies without overseas operations may benefit. For example, with higher prices for overseas goods, some distributors and retailers have begun to find less expensive U.S. suppliers. Also, a weak dollar in the past has made some U.S. companies targets for foreign acquisition.

What goes down can come up

The dollar goes through cycles, of course. A stronger economy, higher U.S. interest rates or lower rates abroad, foreign currency crises, market turbulence, or lower federal deficits could help boost the dollar's value. When determining your overall asset allocation, consider both your currency exposure and your level of international investments.

Women Need Life Insurance Too

Today, women have more financial responsibilities than ever before. But, according to the LIMRA report entitled *U.S. Individual Life Insurance Sales Trends (2007)*, women are still underinsured. To be sure, life insurance planning is now just as important for women as it is for men.

Income replacement

Life insurance can be a useful tool for replacing income lost due to the death of a family's wage earner. Increasingly, families depend on the income of two working parents. If you're a working mother, your income can have a significant impact on the quality of your family's lifestyle. Your income helps cover the cost of ordinary living expenses such as food, clothing, and utilities. It provides savings for your children's college education, and for your retirement. Life insurance protects your family by providing proceeds that can be used to replace your lost income if you die prematurely.

If you're a single mother, you most likely are primarily responsible for your children's support. If you die prematurely, life insurance can provide ongoing income to cover child-care costs, medical expenses, and debts. While term insurance would suffice for simple income replacement, you may want to consider a permanent policy that builds cash value. The policy can replace your lost income if you die prematurely; otherwise, the cash value can be used to supplement your retirement.

Stay-at-home moms

Maintaining a household is a full-time job, and you have many important roles and duties. If you die, your surviving spouse may have to pay for services such as child care, transportation for your children, and housekeeping. Assuming any added responsibilities could cause your spouse to shorten work hours, resulting in a reduction in income. Proceeds from your life insurance can help your spouse pay for necessary services and replace lost income.

Caregiver replacement costs

Many women find themselves providing care for both children and elderly family members. It's hard enough finding sufficient income to pay for household expenses, child care, and college tuition. Add the costs of caring for an elderly parent or other family member, such as adult day care, uninsured medical expenses, and extra travel and transportation costs, and the financial burden can be overwhelming.

Unfortunately, these financial responsibilities may continue after your death. Life insurance provides a source of funds that can be used to help pay for these expenses.

Business succession

The Center for Women's Business Research reports that over 10 million businesses are owned by women. If you die while owning your business, life insurance can be used to provide cash for company expenses such as payroll or operating costs while your estate is being settled. Life insurance can also be a useful tool for women business owners who are structuring buy-sell arrangements or providing benefits to key employees.

Final expenses

The costs of funeral and burial expenses, estate administration expenses, outstanding debts, estate taxes, and the uninsured expenses of a final illness can place a financial burden on your survivors. Life insurance can ease this strain by providing a benefit that can be used to help pay for these expenses.

The need for life insurance protection for women is equally as important as it is for men. However, women's life insurance coverage is often inadequate. It may be time to consult with an insurance professional who can help you assess your life insurance needs, and offer information about the different types of policies available.

The Center for Women's Business Research reports that over 10 million businesses are owned by women.

Working in Retirement--What You Need to Know

Planning on working during retirement? If so, you're not alone. Recent studies have consistently shown that a majority of retirees plan to work at least some period of time during their retirement years. Here are some things you should consider.

Why work during retirement?

Obviously, if you work during retirement, you'll be earning money and relying less on your retirement savings--leaving more to grow for the future. You may also have access to affordable health care, as more and more employers begin offering this important benefit to part-time employees. But there are also non-economic reasons for working during retirement. Many retirees work for personal fulfillment--to stay mentally and physically active, to enjoy the social benefits of working, and to try their hand at something new.

How will working affect my Social Security benefit?

If you work after you start receiving Social Security retirement benefits, your earnings may affect the amount of your benefit check. Your monthly benefit is based on your lifetime earnings. When you become entitled to retirement benefits at age 62, the Social Security Administration calculates your primary insurance amount (PIA) upon which your retirement benefit will be based. Your PIA is recalculated annually if you have any new earnings that might increase your benefit. So if you continue to work after you start receiving retirement benefits, these earnings may increase your PIA and thus your future Social Security retirement benefit.

But working may also result in a reduction in your current benefit. If you've reached full retirement age (65 to 67, depending on when you were born), you don't need to worry about this--you can earn as much as you want without affecting your Social Security retirement benefit.

If you haven't yet reached full retirement age, $1 in benefits will be withheld for every $2 you earn over the annual earnings limit ($13,560 in 2008). A higher earnings limit applies in the year you reach full retirement age. If you earn more than this higher limit ($36,120 in 2008), $1 in benefits will be withheld for every $3 you earn over that amount, until the month you reach full retirement age--then you'll get your full benefit no matter how much you earn. Yet another special rule applies in your first year of Social Security retirement--you'll get your full benefit for any month you earn less than one-twelfth of the annual earnings limit ($1,130 in 2008), regardless of how much you earn during the rest of the year.

Not all income reduces your Social Security benefit. In general, Social Security only takes into account wages you've earned as an employee, net earnings from self-employment , and other types of work-related income, such as bonuses, commissions, and fees. Pensions, annuities, IRA payments, and investment income won't reduce your benefit.

Also, keep in mind that working may enable you to put off receiving your Social Security benefit until a later date. In general, the later you begin receiving benefit payments, the greater your benefit will be. Whether delaying the start of Social Security benefits is the right decision for you depends on your personal circumstances.

One last important point to consider. In general, your Social Security benefit won't be subject to income tax if that's the only income you receive during the year. But if you work during retirement (or you receive any other taxable income, or tax-exempt interest), a portion of your benefit may become taxable. IRS Publication 915 has a worksheet that can help you determine whether any part of your Social Security benefit is subject to income tax.

How will working affect my pension?

Some employers are adopting "phased retirement" programs that allow you to ease into retirement by working fewer hours, while also allowing you to access your retirement benefit. However, other plans require that you fully retire before you can receive your pension. And some plans even require that your pension benefit be suspended if you retire and then return to work for the same employer, even part-time. So check with your plan administrator before you make any decisions. Of course, if you work for someone other than your original employer, your pension benefit won't be affected at all--you can work, receive a salary from your new employer, and also receive your pension benefit from your original employer.

Working during retirement can significantly impact your retirement plan, so consider the implications before making a decision.

Recent studies have consistently shown that a majority of retirees plan to work at least some period of time during their retirement years.

Most people qualify for Medicare when they turn 65. Even if you plan on working past age 65, contact the Social Security Administration at 800-772-1213 about 3 months before your 65th birthday for help in deciding if you should sign up for Medicare.

Axial Financial Group
5 Burlington Woods Drive
Suite 102
Burlington, MA 01803

Ask the Experts

Is my pension safe if my employer goes bust?

If your employer goes out of business and terminates a defined benefit pension plan that's adequately funded (that is, the plan has enough assets to pay benefits), then your pension will be secure. The plan will purchase an annuity for you that will pay your benefits when due (some plans may also let you elect a lump-sum payment). But you'll only receive the benefit you've earned as of the plan's termination date, which could be far less than the full pension benefit you had counted on.

If, however, the plan is underfunded (that is, there aren't enough assets to pay all benefits earned to date), then the fate of your pension depends in part on whether or not your plan is insured by the Pension Benefit Guaranty Corporation (PBGC). Luckily, most defined benefit plans are covered (check with your plan administrator). When an underfunded plan terminates, the PBGC takes over responsibility for making pension payments. The PBGC guarantee applies only to "basic benefits"--normal and early retirement benefits, survivor annuities, and disability benefits--earned (and vested) before the plan terminates. If the plan terminates while your employer is in bankruptcy, the guarantee may be limited to benefits earned before the bankruptcy filing.

For plans that terminate in 2008, the maximum amount guaranteed by the PBGC is $51,750 per year for single life annuity benefits beginning at age 65. The limit is reduced if your payments start before age 65, if your benefit includes a survivor annuity, or if your plan was adopted (or amended to increase benefits) within 5 years of plan termination. In some cases you can receive more than the PBGC guaranteed amount (for example, when your plan has sufficient assets to pay nonguaranteed benefits).

According to the PBGC, 84% of retirees in recent years received the same benefit from the agency that they would have received from their pension plan. For more information, visit www.pbgc.gov.