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CANBY FINANCIAL RETIREMENT REPORT

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Product News

A new retirement planning option is now available to all households. As of January 1, there is no longer an income limit of $100,000 to be eligible to convert some or all of your retirement assets to a Roth IRA. In a ***Roth IRA Conversion***, you pay tax now on the distribution from your IRA, but future distributions from the Roth IRA will be tax-free. You should consult you tax and financial advisors to determine if a Roth Conversion makes sense for someone with your financial circumstances.

Your Account

Little to no inflation over the past 12-18 months means the **maximum salary deferral limits** (pre-tax and/or Roth) are ***unchanged for 2010***. 401(k) and 403(b) participants may put in up to $16,500. If you will be 50 or older in 2010, you are eligible to contribute another $5,500. For SIMPLE-IRA plans, the limits are lower - $11,500 for all participants and $2,500 more if you are 50 or older. If you can save even more in 2010, consider an IRA contribution.

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INVESTMENT COMMENTARY

Balance Sheets

As the economy moves forward after what some have called “The Great Recession”, how can we gauge which companies will survive and who will file for bankruptcy?

Financial strength for people, companies and countries is measured by their Balance Sheets. If assets exceed liabilities, the owner has equity. The more equity (net worth) the better, to help endure through tough times.

Cash, investments, property and equipment are readily measured ***assets***. The people and process for creating sales, or income, is usually a business’ or individual’s most valuable asset, but it can be more difficult to value. The cash flow from this type of asset is reported on an Income Statement, and any profit is added to the Balance Sheet as cash.

Bonds, mortgages and lines of credit are easily valued ***liabilities***. If liabilities are greater than assets, your equity is negative. The quickest way to improve a balance sheet is to pay down debt with positive cash flow.

Pension plans and college tuition are examples of ***future liabilities***. While the payments are not due this year, it is prudent to prepare for a known future expense. Companies are required to set aside funds to pay their retirees. Parents should save regularly to help pay the post-secondary education costs of their children.

Since the market Crash of 2008, companies and households have been repairing their balance sheets by reducing liabilities. Asset values have not been growing to new highs, so they understand they need to reduce debt to maintain a positive net worth. In addition to reducing debt levels, strong companies have also been building cash.

As often happens during recessions, government entities have been borrowing more to support the economy and those hurt by the recession. Annual government deficits can be helpful in a recession, but governments also need to pay attention to their balance sheets. Outstanding public debt levels cause concern, but future public liabilities may be a greater problem.

Your retirement plan is one of the most important assets on your personal balance sheet. In order to build wealth, you should make sure you are adding to your account at an appropriate rate and investing in a diversified portfolio for the long-term. You may want to work a financial advisor to gauge if your assets are on target to outlive your liabilities.

ATTACHED IS THE MORNINGSTAR REPORT FOR THE INVESTMENT COMPANIES YOU CAN CHOOSE IN YOUR RETIREMENT PLAN.

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