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Seasonal Musings

October 2009

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Hi Paul,

Welcome to another issue of "Seasonal Musings", the online newsletter from Five Seasons Financial Planning LLC (FSFP). In this issue, we'll be following up on our recent article on target date funds, and then discussing pension plans from both a participant and employer standpoint. As usual, if there are financial planning or investment topics you'd like us to cover in future issues, please drop us a line.

A Quick Follow-Up on Target Date Funds

In the [last issue](#) of Seasonal Musings, we mentioned that in spite of the many shortcomings of target-date funds, they are for many 401(k) plan participants a step in the right direction if used appropriately. Unfortunately, a recent AllianceBernstein [survey](#) concludes most workers don't understand target date funds or how to use them.



What's on Clients' Minds?

Analyzing Pension Payout Options

A shrinking number of fortunate workers need not worry about their 401(k) plan investment options. The responsibility for the management of their retirement funds is retained by their employers in the form of traditional pension plans. Whether by coincidence or by virtue of Baby Boomers beginning to retire, we have been engaged by clients to analyze their pension payout options a striking number of times in the past few months.

In fact, when I was called out of the blue by Dow Jones Newswire reporter Veronica Dagher last week to discuss what was foremost on my mind, "pension payout options" popped to the fore. The resulting [video](#) summarizes some of our conversation on that topic.

Aside from the factors mentioned by Veronica in the video, other considerations when deciding which pension payout option is best for you are:

1. the discount rate your employer is using to arrive at the lump sum available to you,
2. your willingness to accept investment risk,
3. your desire to protect yourself against inflation,
4. your desire and/or financial ability to leave bequests to non-spouse beneficiaries,
5. the liquidity of your financial assets outside of the pension plan, and
6. the characteristics of the pension plan itself.

Veronica and her colleague make light of the fact that none of us knows our longevity in advance, and obviously knowing that would make the pension (and Social Security) decision much easier. To try to narrow it down, we discuss with clients their health situation and family history. To get a feel for some of the other factors that play a part in longevity, check out this [website](#) I stumbled across recently.

Filling the Crack in Your Nest Egg Pension Plans for Owners

For some of you grumbling after the last article that you don't have access to a traditional pension plan, there may be a solution - implement one for yourself. While pension plans are on the decline in corporate America, more and more small business owners are setting them up for themselves.

While these plans are more expensive and complicated to establish than, say, SIMPLE or SEP IRA's, or even 401(k) plans, there are cost-effective service providers out there who specialize in small business, and even solo, pension

plans. The benefits? The ability to sock away far more annually (read: 6 figures) to your retirement nest egg than with these other plans, with the accompanying tax benefits.

The funding of pension plans is far less flexible than with "defined contribution" arrangements. So they definitely aren't suitable for all businesses or all owners. But for high-income small business owners with few or no employees, steady recurring business income, and a desire and the means to really save hard for retirement, a pension plan may be just the ticket.

A Scary Statistic

One of five hedge fund managers is not straightforward with investors about the fund or its performance, according to research by New York University's Stern School of Business.

----- from a Financial Times article

Given the scale of the Galleon Fund insider trading scandal, you have to wonder about the legality of the returns of some of the remaining four of five.

How's that for spooky?

Happy Halloween, everyone!!

Five Seasons Financial Planning LLC is a Fee-Only investment advisory firm registered with the state of Utah. Five Seasons offers integrated wealth management, as well as investment counseling and financial planning services. To view past issues of "Seasonal Musings", click [here](#).

One of the benefits of working with a Fee-Only investment advisory firm is full disclosure. To receive a copy of our Form ADV, which details a variety of information about Five Seasons, or our Privacy Policy, please use the contact information below.

Best wishes,

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