LENOX ADVISORS, INC

WEALTH MANAGEMENT ADVISOR

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LENOX ADVISORS, A LEADER IN WEALTH & RETIREMENT AT NFP.

On schedule for retirement

Subject your 401(k) plan to a wellness check

After setting up a 401(k) or other retirement plan, most people put it on "autopilot." They check the balance from time to time to make sure it's growing at the rate they expected, but other than that they leave it alone. However, unless you're scrutinizing your plan's performance, costs and other features on an annual basis, there's no way to know for sure whether it continues to meet your needs.

As you conduct 401(k) plan wellness checks, ask the following questions:

WHAT'S YOUR PLAN'S CURRENT BALANCE AND IS IT ON TRACK?

When you first started planning, you likely estimated how much money you would need in retirement and devised a plan to reach that target. Given your current balance and projected future returns, are you still on track to meet your goals? If not, consider increasing your monthly contributions to the plan or shifting some of its assets into investment options that offer greater potential returns. If you've already maxed out your contributions, keep in mind that once you reach age 50, you can make additional "catch-up" contributions.

HOW ARE INDIVIDUAL HOLDINGS PERFORMING?

Are your mutual funds or other investments performing well compared to market benchmarks? Make sure you compare apples to apples. If you have a small-cap growth fund, weigh it against something like the Russell 2000 Growth Index. If some investments are underperforming, look at other options in your plan. Plans often change or expand their fund offerings, so there may be more attractive options that weren't available when you first selected your holdings.

HAS YOUR TIME HORIZON OR RISK TOLERANCE CHANGED?

Retirement plans are long-term investments that generally perform well over longer time horizons. But as you get closer to retirement and your time horizon shortens, you may want to consider shifting some assets into more conservative investments. Regardless of your time horizon, if market volatility or other factors have made you less comfortable with more aggressive investments, you may want to adjust your portfolio.

WHEN TO CONSIDER A ROTH 401(K)

As you review your employer's 401(k) plan, find out whether there's a Roth option. Today, many companies offer both Roth and traditional plans to workers. With a traditional plan, your contributions are deductible, but your withdrawals in retirement are taxable. Conversely, with a Roth, your contributions are nondeductible but your withdrawals in retirement are tax-free (provided you meet certain requirements).

As a general rule, if you expect your tax rate to be lower in retirement, you're better off with a traditional plan. A Roth plan may be preferable if you expect your tax rate to be higher in retirement. If you're not sure what will happen to your tax rate in retirement, consider hedging your bets by doing some of both. Many plans allow you to split your contributions between traditional and Roth options.

DOES YOUR ASSET ALLOCATION NEED A TUNE-UP?

Allocating investments among asset classes, sectors and geographical areas that tend to perform differently under various market conditions increases the chances that at least some of them will perform well at any given time, reducing overall volatility. The mix of assets in your portfolio should also reflect your risk tolerance. For example, you could invest primarily in stocks if your risk tolerance is high. If your risk tolerance is lower, you might strive for a balanced mix of stocks and bonds.

Whatever your strategy, even the most carefully diversified portfolio can get out of balance over time. Check your asset allocation periodically and rebalance your portfolio if appropriate. As you examine your retirement plan's asset allocation, consider it in the context of your overall investment portfolio. For example, your 401(k) plan may be stock-heavy, but these holdings could be balanced by the bond holdings in your IRA account.

HAVE FEES RISEN?

Fees may be charged by your plan's administrator for various administrative services or by the managers of the various funds in which your account is invested.

But if you notice an upward creep in fees, there may be opportunities to shift your investments into funds that offer comparable returns at a lower cost.

ARE YOUR BENEFICIARY DESIGNATIONS ACCURATE?

Review your plan's beneficiary designations periodically to be sure that they're up-to-date. If you've experienced recent life changes — such as marriage, divorce or the birth of a child — it may be time to update your beneficiary designations. You'd be surprised how many people get divorced but forget to change their beneficiary to someone other than their ex-spouse.

You also need to ensure that your beneficiary designations are consistent with your estate plan because beneficiary designations override the terms of a will or trust. Suppose, for example, that your trust provides for the bulk of your wealth to go to your children. If your tax-advantaged retirement plan is your largest asset and your spouse is the beneficiary, your children could be effectively disinherited. To ensure your wishes are fulfilled, you may want to designate your children or your trust as beneficiaries.

DON'T PUT IT OFF

Like serious illnesses, problems with your retirement plan's performance are easier to cure if they're caught early. With regular checkups, you can help protect your plan's financial health.

7 techniques for paying down debt

Large credit card balances and other high-interest debts can prevent you from growing your wealth and reaching important goals — from a comfortable retirement to leaving a legacy for your children. But paying down debts may seem like a daunting task. Fortunately, there are techniques to make debt more manageable. Here are seven ideas:

1. Take inventory. Make a list of your debts, including their balances, interest rates, repayment terms (including any prepayment restrictions), fees and penalties. Armed with this information, you can determine which debts to tackle first and understand the consequences of nonpayment or late payments (for example, interest rate, fees and penalties, negative impact on your credit scores). Ideally, you'll be able to make at least the minimum payments, but if not, this information will help you prioritize.

2. Create a budget. Budgeting is critical to managing your debt. Track your income and expenses, identify costs you can reduce or eliminate (such as nonessential purchases, entertainment, dining out and travel) and channel savings toward paying off high-interest debt.

3. Consolidate balances. If your credit is good, explore options for consolidating your credit card debt. Consolidation won't reduce your debt, but by combining multiple credit card balances into a single loan (ideally with a lower interest rate) it can make the debt more manageable. Interest costs may be lower and replacing several monthly payments with one helps you get a handle on budgeting.

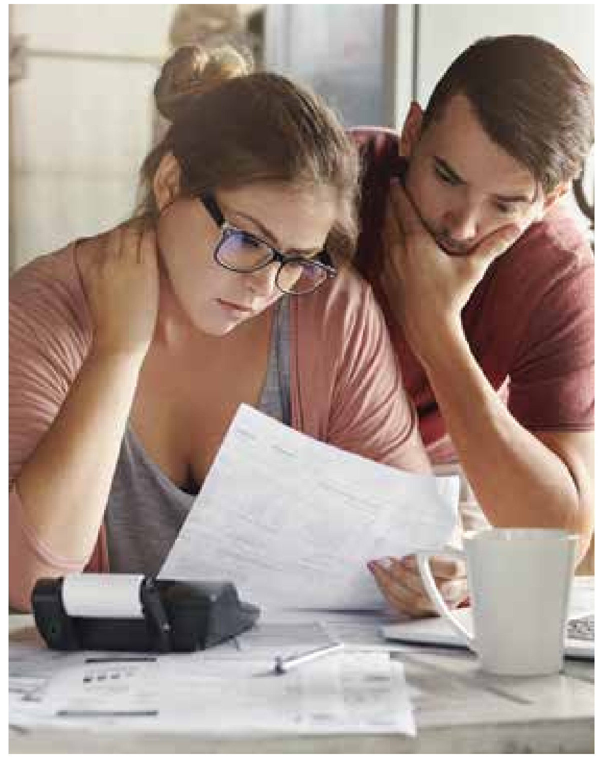
4. Apply for a balance transfer card. Like consolidation, a balance transfer won't reduce your debt (and it typically requires good credit), but it can substantially slash your interest payments, making it easier to pay off. With a balance transfer, you move existing high-interest credit card debt to a new card with a lower rate. Many balance transfer cards offer promotional 0% rates for a specified time period. Be sure the card's regular interest rate isn't higher than your current rates — unless you're confident you can pay off the balance during the promotional period. Also, be aware of any balance transfer fees.

5. Switch to the cash basis. To successfully pay down debt, you'll need to stop using credit. In short, if you don't have the cash you need for a nonessential item, don't buy it.

6. Use the debt "avalanche" strategy. This can be a cost-effective strategy for getting out of debt. You pay as much as your budget allows on the debt with the highest interest rate while making the minimum monthly payment on lower-interest debts. Once the high-interest balance is paid off, move on to the debt with the second-highest interest rate, and so on.

7. Use the debt "snowball" strategy. By focusing on the highest-cost debt first, the avalanche strategy is the quickest way to get out of debt. But it takes time and discipline, so it's not always the best strategy from a psychological standpoint. If you need the motivation that comes from seeing quick results, consider the snowball approach. Instead of focusing on the highest-interest debt, start by tackling the debt with the smallest balance, paying as much as you can on that debt and the minimum monthly payments on the others. Once the smallest debt is paid off, you redirect the amount you were paying on it to the next largest debt, and so on.

Any combination of these strategies should help you reduce debt and get back on the path of building wealth. Once you eliminate high-interest debt, be careful about accruing new debt obligations. The sooner you get into the habit of buying only what you can afford now — or with a relatively low-interest loan, such as a mortgage — the better for your long-term financial health.



How to stop heirs from contesting your estate plan

If you have an estate plan that includes one or more trusts, you probably feel certain that your wishes for the disposition of your assets will be respected and followed. If you work with an experienced estate planning advisor, this is usually a safe assumption. However, in some cases, heirs have been known to object to wills and trusts and to challenge them in court. Given this slim possibility, you may want to consider adding a "no-contest" clause to your estate planning documents.

RULES VARY BY JURISDICTION

No-contest clauses generally are used to discourage heirs from making frivolous challenges that only create unnecessary expenses and delays for beneficiaries. These provisions disinherit any heir who contests a will or trust — typically on grounds of undue influence or lack of testamentary capacity.

However, not all states permit or enforce no-contest clauses. Most states do, but the rules governing such clauses may vary by jurisdiction, particularly when it comes to the definition of "contest."

For example, in some states, your heirs would be able to challenge the appointment of an executor or trustee without violating a no-contest clause. In other states where a no-contest clause generally is enforceable, courts might refuse to enforce the clause if a

challenger has "probable cause" or some other defensible reason for contesting a will or trust.

Even if you live in a state where no-contest clauses are strictly unenforceable, it might still make sense to include one in your estate planning documents. It could provide protection if you move to another state that does enforce no-contest clauses or if you own property, such as real estate, in another state. Also think about establishing a trust that's governed by the laws of another state where the clause is enforceable.

MINIMIZE INCENTIVES

A no-contest clause can be a powerful deterrent, but it's also important that your estate plan minimizes incentives to challenge it. Be sure to:

- Work only with reputable and knowledgeable financial and legal advisors,
- Have a qualified physician or psychiatrist examine you at or near the time you sign your will or trust and attest in writing to your mental competence,
- Choose witnesses whom your heirs trust and whom you expect to be able to testify, if necessary, to your testamentary capacity and freedom from undue influence, and
- Record the execution of your will and other estate planning documents.

Also make an effort to treat your children and other family members fairly. If your plan contains any unusual terms — such as leaving the bulk of your estate to charity — meet with your family and explain the reasons for your decision. Keep in mind that if you leave out a child or other person who otherwise would inherit from you, a no-contest clause will be ineffective because that person has nothing to lose by challenging your plan. Instead, think about leaving family members enough to make them hesitate before they contest your plan and potentially receive nothing.

PROTECTING YOUR WISHES

You know your family and other potential heirs best. But if your estate planning advisor thinks a no-contest clause will help protect your will or trust, consider adding one.

Changing jobs? Check your retirement account's vesting first

Several factors contribute to job-switching decisions, including pay, advancement opportunities and benefits offerings. But even if you're looking forward to generous retirement benefits with a new employer, you may need to tie up a few loose ends with your current job's 401(k) plan.

That's because many 401(k) plans have "vesting schedules" — timelines for when certain company matching contributions become fully yours. So before you leave your job, make sure you understand the concept and know what percentage of your savings is vested.

WHAT'S YOURS TO TAKE

All contributions you've made through pretax salary deferrals to a 401(k) plan belong to you — regardless of whether you stay with the employer or leave. Funds subject to vesting are the matching contributions your employer might have made. For example, your current company may partially match up to 6% of your own contributions to a maximum of 3% of your annual salary.

Some companies allow matching funds to vest immediately, meaning the full account balance belongs to you if you leave. Such policies are common when employers are trying to hire in a tight job market because workers tend to prefer immediate vesting. But if your employer has a vesting schedule and some of the matching funds in your 401(k) account haven't yet vested, you may be forfeiting the unvested portion if you leave

TYPES OF SCHEDULES

In general, there are two types of vesting schedules:

Cliff. With these schedules, 401(k) plan participants become fully vested after a specific number of years (such as two or four). But if you leave your employer even one day before reaching that tenure, you'll likely forfeit all of your employer's contributions.

Graded. Here, plan participants gradually earn ownership of their employer's contributions. For example, your account might vest 25% per year over four years.

Note that if your employer has switched to a "traditional safe harbor" to make contributions to your 401(k) account, previous matching contributions and any new ones must vest immediately. However, employers may be able to limit vesting (for a maximum of two years) if they follow what's called a Qualified Automatic Contribution Arrangement safe harbor.

ROLL OVER OR STAY?

If you're job-switching, you must do more than confirm your 401(k) plan's vesting. Typically, participants can roll over a 401(k) account into an IRA plan or into their new employer's retirement savings plan. You may also be able to keep your money where it is for now. Discuss the issue with your financial advisor.