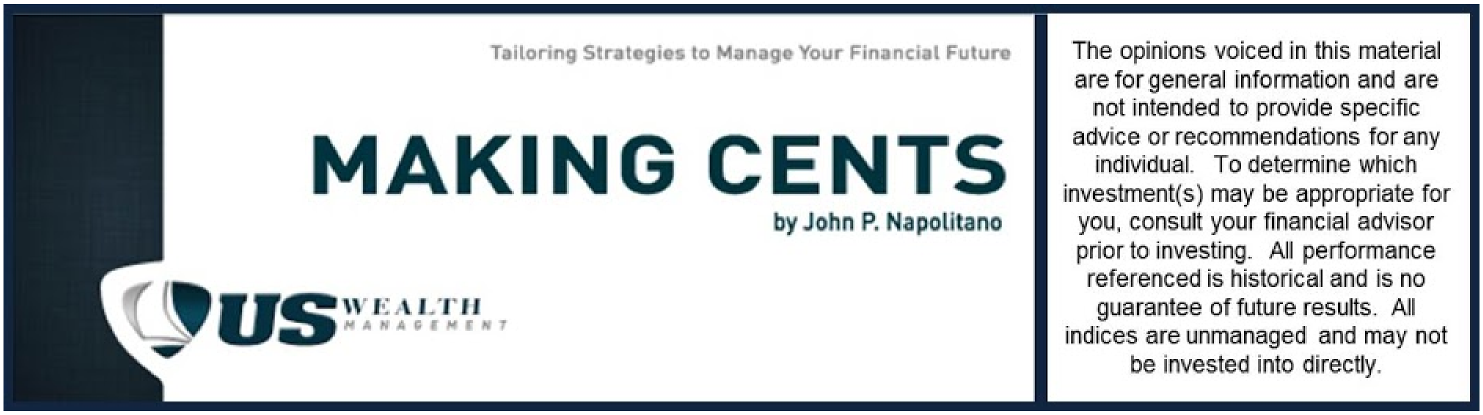


John P. Napolitano is CEO of U.S. Wealth Management in Braintree, Mass., and 2012 president of the Financial Planning Association of Massachusetts. He may be reached at jnap@uswealthmanagement.com or on Facebook: AS JohnPNapolitano and US WEALTH http://uswealthboston.com/

Sunday, December 29, 2013

Making Cents: Why financial education is Important

We live in the age of information and big data. As a result, there is no shortage of ways to obtain information about any matter of personal finance.

Sometimes the information that you find is relevant and useful, and other times it is outdated and not germane to your topic or need. The problem is recognizing whether the information that you are digesting or acting on is completely applicable to you. An appreciation and understanding for all of the moving parts in your financial life will give better context to all financial decisions.

One of my fondest memories about money as a child was when the local banker actually came into the classroom. Each week, the students who could bring in a dollar and give it to the banker would have that dollar added to their account. Every now and then, we'd also bring our passbooks to school for updating and learn about the concept of interest. (Sorry to those of you who are too young to know about passbook savings accounts.)

I can't say that this early ritual made me the best saver in the world, but it definitely engrained deeply in my subconscious that saving was fun. Somehow make it fun for your kids, and teach them some early lessons to last a lifetime.

Everyone has dreams. When the reality wears off that you may not be the next bonus baby to the NBA, you begin to realize that for many dreams there is a financial connection. In addition to Blondie telling rock fans that "Dreaming is Free", I can tell you that it is also healthy. Without a clear vision of what your dream looks like, you'll never find it.

In the pursuit of dreams, we've all done something stupid. Whether it was not buying insurance, betting too much on an investment or tanking a business, stuff happens.

Not even the smartest person alive will be flawless in their financial decision making. The best laid plans get derailed and changed by reality -- life, interest rates, economies, markets, employment, health to name a few.

A lesson in needs and wants is valuable at any age. This lesson is also best learned at a young age. The most creative program that I've seen for youngsters comes from a local savings bank that has created a Broadway style play for grade school children about good financial habits. It is entertaining, informative and memorable.

If you think that it's too late for you to learn a few new tricks about anything financial, guess again. I learn something new nearly every day and I've been doing this for over 30 years. Financial education is for everyone, and making its way into your neighborhood schools. Ask your school superintendent what you can do to help.

Have a happy, healthy and fiscally savvy New Year.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 6:17 AM No comments:

Labels: financial literacy, john P Napolitano, manage money early, personal finance, personal fiscal responsibility, u. s. wealth management

Sunday, December 22, 2013

MAKING CENTS: Evaluating your team of advisers

Communication seems to be the single most important issue. Are the professionals working for you good at returning calls or email? Do they offer timely and insightful advice, or is it always you who must reach out to get their attention regarding something you overheard at a conference or read in a trade publication? If any one of your advisers is hard to reach and never proactive at reaching out to you with ideas or planning suggestions, it may be time to get a second opinion.

When you are communicating with a professional, do you understand what's being said to you? Although technical talk is sometimes needed, I find advisers who speak in jargon and technical terms very difficult to work with. Working with professionals who can bring some of these highly technical topics to an understandable level makes informed decision making more efficient.

Do the various members of your professional team ever talk with one another or do they compete for your attention?

At least annually, have a meeting with as many of your advisers as may be needed and let the discussions begin about getting or keeping your personal and business financial house in order. An agenda that covers everything from business growth, risk management, investments, and tax and estate planning is recommended.

In addition to group meetings, take the time to meet with your advisers one-on-one. Getting to know them, and a little about their business can be a helpful part of the process. You want to learn about their succession plans. What happens to your company if one of your advice givers retires or fails to wake up for breakfast?

Learn about the other clients they serve. Do they have many like you? Are the clients that they serve in your industry or age group and about the same size as you or much larger or smaller? A professional with deep knowledge of your specific demographics can be a positive factor based on all that's seen when serving other clients.

Mistakes are a sign that you may not be dealing with the most qualified professional for the job. Everyone makes mistakes, but consistent mistakes or omissions should give you cause to pause.

Switching from one professional to another is never easy. But suffering, or not realizing that you are getting inferior service, is even worse.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 6:08 AM No comments:

Labels: advisor team, advisor training, financial advisors, john P Napolitano, u. s. wealth management

Sunday, December 15, 2013

MAKING CENTS: Where entrepreneurs go wrong

The lives of many entrepreneurs frequently get defined by their business.

Business owners are typically smart, hard driving people with their eye on one thing only – SUCCESS. Entrepreneurs take on an alter ego that makes it very difficult to separate their lives from their business lives.

image source:mithought.com

There are six common missteps that, if avoided, can make wealth planning much less stressful.

1. **Their work – life balance is off.** It sometimes takes 24/7 dedication to launch and grow a business to significance. But let it be known that there is life beyond your business. Developing a work life balance is healthy and can add vigor to your life, and hence your business.
2. **The relentless focus on business growth frequently causes an imbalance** to your assets, liabilities and cash flow. Cash flow is the first to make noise. During the start-up phase, sweat equity, or working for little to no pay is a common situation. Be sure to have adequate reserves and a low cost of living to survive this stage.
3. **Debt becomes unmanageable**, and minimizing personal debt will ease the pressure of taking money out of the business. Most businesses will be better off with capital in the till rather than the overhead of a large owner's salary.
4. **Many entrepreneurs also fail to recognize the consequences of personally guaranteeing business debt.** This may impact your credit score and your ability to access financing for a home or education. Owners also need to consider what happens to that debt if the entrepreneur passes away pre-maturely.
5. **The balance sheets of many successful entrepreneurs become lop-sided** where the business asset is the single largest asset on the personal balance sheet.
6. **Just like you wouldn't invest retirement funds in only one company, your company shouldn't be your only investment.** Business owners need to diversify and invest in retirement plans, other assets and generally in vehicles that are segregated from the business.

All businesses have a fiduciary liability to their employees and customers to have a succession plan. A succession plan includes many different parts. You need a legal agreement, funding and an operating plan to continue without your leader.

Just because you love all four of your children does not mean that all four should be future owners when you retire or die. Talented people become owners and key employees based on merit, not blood line. Deal with family succession issues on an arm's length basis – rewarding their experience and ability to continue, maybe even grow the business.

There are many creative ways to equalize the estate of an entrepreneur for your children not involved with the business without compromising the businesses ability to survive beyond the passing of you the founder.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 10:18 AM No comments:

Labels: entrepreneur life balance, entrepreneur succession plan, john P Napolitano, work life balance

Saturday, December 7, 2013

MAKING CENTS: Bad Things Can Happen in Good TImes

In the course of a financial planning engagement, most people want to talk about

their financial future, dreams and visions. During a year like 2013, the discussions get slanted to bragging about investment returns and what is working well in your plan. A qualified planner, however, is trained to go beyond your overconfidence as an investor and ask "What can go wrong with this picture?"

Of course, what goes up can also come down. You must recognize that your investment performance may not always be so stellar or enough to meet your needs.

Beyond the performance of your portfolio, there are a host of things that can go wrong and derail your plan to a point of no return.

An inability to work, for example, may be more devastating than premature death. This sounds brutal, but having you in a permanently disabled state, with no income and a significantly higher cost of living because of the illness or injury, could be more financially devastating than losing you immediately.

Many who work ignore this peril for two main reasons. First is that few want to realistically address their own mortality or disability. The second reason is a false sense of security that they may gain from their benefits package at work.

Many companies offer short-term and long-term disability insurance for their employees, and you should understand what you are buying.

First, ascertain exactly what health conditions must exist to qualify for coverage. Some will pay if you are unable to perform your specific duties and others will only pay if you can't do anything for which you may be reasonably suited. If your plan is the latter, and you can flip burgers after your disability instead of being a cost accountant, the policy will not pay a dime.

Look into the waiting period. This can be as long as 3 to 6 months in some policies. Even social security disability income has a 5 month waiting period. That may not sound like a long time until the mortgage company or auto loan companies come knocking on your door. This is also why most competent planners will recommend that you have savings to cover that possible gap.

Also look at offsets within the policy that offsets the amounts of benefits paid to you by money that you collect from other sources. These other sources could be social security disability, income from other businesses you own or jobs that you may be able to perform.

If this situation has already become a reality for you, look at any life insurance policies that you have. Some life policies contain an accelerated death benefit rider that will pay an advance on the death benefit for terminal illness.

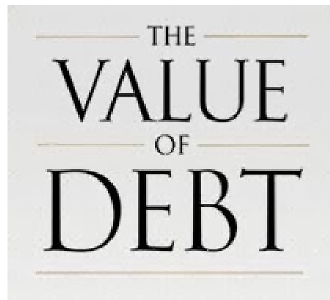
The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 9:45 AM No comments:

Labels: financial devastation, Financial preparedness, john P Napolitano, preparing for a catastrophe

MAKING CENTS: With Fixed-Income Investing, Be Prepared to Act

For many years, debt of the United States of America was frequently referred to as the “risk-free” return by the media and investment analysts when compared to other asset classes. But if you’ve had money invested in U.S. government debt this year, you may have noticed that the value of those holdings is actually down so far this year. Fixed-income investments generally fall in value as interest rates rise, and that is why your fixed-income positions dropped this year.



The big question is what will happen next year. The real answer is: who knows? Today I’ll outline the case for both sides of the debate.

The debate topic is whether fixed-income will be a reliable place to dampen volatility in your portfolio and provide some return that may exceed what you can earn from a bank account.

Starting with the unfavorable side, many fear fixed-income investments from a simplistic point of view: that what goes up must come down, and vice versa. Historically, interest rates are still low despite the rather substantial rise we’ve already seen this year. This creates the wide-open possibility of further rate hikes in the near term. Compound this with the $85 billion in stimulus money being pumped into our economy and the case for rising rates sounds plausible.

Ultimately, supply and demand is a huge factor in determining the price of a given investment. If people are lined up to buy it, such as we’ve seen lately with initial public offerings where the new public companies have no profit, prices will generally rise. If there are more sellers than buyers, prices will generally decline. Demand for U.S. debt has been robust. This demand has been strong from foreign investors whose currency and economies were crumbling and from U.S. investors who are simply scared to go anywhere else with their nest eggs. But much of the foreign interest has come from China, which is the largest single holder of U.S. debt. There has been a lot of noise about China severely slowing its purchases of U.S. debt, which could materially weaken the demand for the debt and possibly drive rates higher.

On the other hand, many economists still consider the economy in dismal shape, as evidence by unemployment, the lack of bank lending, the unimpressive GDP growth (still under 2 percent) and the reality that $85 billion a month isn’t doing much to help those of us on Main Street. The actions by the Federal Reserve Bank helped prevent a second worldwide great depression, but these actions are currently in question as it relates to what you and I need on a daily basis. Jobs and access to credit have not improved, leading many to conclude that rates must stay low to stave off the most feared economic condition of all – dis-inflation or falling prices.

Whichever side of this argument you favor, the message here is to pay attention and be prepared to act.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 9:19 AM No comments:

Labels: fixed-income assets, john P Napolitano, US Debt

Sunday, November 24, 2013

MAKING CENTS: Celebrate what is going right in your world

I don’t know if it’s the turkey or the non-sectarian nature of this U.S. holiday, but Thanksgiving is my very favorite. Seeing loved ones that we encounter too infrequently, and hanging around to do nothing but catch up and enjoy each other's company should happen more often.

But how many actually celebrate and give thanks for what is working well? In this column, we try to address issues frequently misunderstood or ignored by savers, investors, taxpayers and insurers. But today we are going to ask you to list the things that are going right in your world, and keep that list with you this Thanksgiving week to remind yourself that we all have something to celebrate.

Because we are social creatures, let's start with people. Who are the people that enable you to be who you are? Family ranks high on the list here for many. Be grateful for what you have, and what you do not have. Accepting children for who they are and who they want to be is healthy, but making sure that your kids don't grow up as entitled over nurtured brats is just as important to many. Celebrate your children's being when you see them, and find the courage to address issues that may be bringing them down at some private moment before the next holiday.

Outside the family, friends and neighbors will probably make the list. Maybe this is a good time to re-kindle an old friendship. Celebrate the professionals in your life. Look at the time it gives you back to pursue other interests and the polish that it puts on those areas of expertise.

Whether it's your CPA who diligently helps you reduce your tax bill or your doctor who works to cure whatever illness you may have, celebrate these people who care about you and want to give you their best.

It's also healthy to celebrate financial success. Making a note of the financial things that worked well for you this year will serve as motivation to keep the momentum building into the New Year. Don't get giddy or greedy, and keep your eye on what is important about investing and what can ruin this celebration in future years.

Did you pay down debt in 2013? Calculate how much and put it on the list. Paying off debt is always a wise thing to do.

Celebrate the gaps that you may have plugged in your financial plan. Did you get your estate plan done? Did you beef up your life or long term care insurance plan? Did you finally get that rental property into a protected entity such as an LLC? Accomplishing any financial matter that has been on your to do list for a lengthy period deserves celebration.

Happy Thanksgiving.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 7:41 PM No comments:

Labels: giving thanks, john P Napolitano, Thanksgiving 2013, u. s. wealth management

Sunday, November 17, 2013

MAKING CENTS: Significant gifts come with consequences

AS the year winds down, many think about making gifts to charities or loved ones as a part of shedding assets in their estate. This could be for estate tax planning, the fear of loss through a long term illness or simply for philanthropic purposes. Here we are going to dispel a few myths and highlight a few common misunderstandings surrounding gifts.

Starting with charity; any gifts that you make to a qualified charity are generally tax deductible. I say generally because if you do not itemize deductions on your tax return, there will be no tax benefit. On the other extreme, for those with very large charitable contributions, your deductions could be limited because of the Alternative Minimum Tax. If you are thinking of a big gift, check with your accountant to see if there will be any restrictions on your deduction.

Gifts to family members or friends; are never deductible for income tax purpose, but these gifts may be excluded from your future estate tax return. Under current law, each taxpayer has an exemption whereby any taxpayer may gift up to $14,000 to any recipient. That means a husband and wife can each give $14,000, making a total possible gift of $28,000. To do this properly, there should be two separate checks. If the account is in only one name, then the two checks should come from each donor's personal account.

There is also a lifetime federal exemption of $5.25 million in 2013. This amount rises to $5.340 million for 2014. Essentially, this means that you can give away or die with up to $5.25 million, and pay no gift or death taxes to the IRS in 2013.

There may, however, be state death taxes to pay. In Massachusetts, the current exemption sits at $1 million.

When a gift is given that exceeds the annual exclusion amount of $14,000, a gift tax return must be filed or technically you owe gift taxes on that gift. This is frequently overlooked with gifts of real estate or college 529 plans. For the 529 plans, there is yet another tax exemption that allows you to contribute up to 5 years of 529 gifts currently, and spread them over a 5 year period. This also requires an annual gift tax return.

Gifts of real estate have a few problems. The first may be the tax cost. If mom gives you her house because she is concerned about losing it to long term health care costs, you've just inherited her tax cost. Your cost basis for calculating future gains from a sale will be whatever her cost basis is. If she bought the home five years ago, you probably have a high basis. But if she bought five decades ago, this could be a big tax hit.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. John Napolitano is a registered principal with and securities offered through LPL Financial. Member FINRA/SIPC. He can be reached at 781-849-9200.

Posted by Unknown at 7:25 PM No comments:

Labels: Alternative Minimum Tax, charitable donations, john P Napolitano, significant gift, u. s. wealth management