

# THE STRONG REPORT

## *Celebrating 10 Years of Service*



### Strong Financial Network Team

(L-R) Cheri Cunningham, Branch Operations Administrator, **Jennifer Strong, CFP®**;  
Megan Tredway Carter, Marketing Director; **Deni Dillsaver**, Office Assistant

### A Note From Jennifer:

You'll notice to the left that you're seeing a different picture there. A couple months ago we celebrated our 10 year anniversary with a FUN filled Client Appreciation event at the Blue Lakes Lodge! I believe a fun time was had by all as the dance floor was still packed with revelers begging the LC Diamonds to play just one more! That seems like a really long time ago, especially after the challenging months we've experienced in the markets. I know it hasn't been easy for any of us but let me take this opportunity to say **THANK YOU** to all of you! Your confidence, your patience and yes, even your concern for all of us here has been **MUCH** appreciated. These challenging times too shall pass, but as we approach the end of 2008, I hope we all find a moment to count our blessings and look forward to a prosperous 2009!



PO Box 670  
1105 N. Main St.  
Lakeport, CA 95453

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## Team Update

For this edition, we would like to introduce to you our newest team



member, *Deni Dillsaver*, who joined the team in January 2008 as our part-time Office Assistant.

*Deni is responsible for assisting the staff with various projects and tasks including mailings, sending out birthday cards, welcome campaign letters and filing. She also helps with review appointment calls, so you may have already had an opportunity to speak with her.*

*She and her husband, John, moved to Lakeport in 1993, and established Dillsaver Construction in 1994. Before moving to Lake County, Deni worked at a bank in Sonoma County for 8 years and then in Human Resources for 3 years in Willits.*

*Deni is actively involved in the school PTO and volunteers weekly in her son's classroom, Johnny (11) and Cody (9). She also enjoys spending time with family and friends, as well as gardening.*

*To find out more about our Team, please visit us on the web at: [www.jestrong.com](http://www.jestrong.com)*

# ROTH IRA CONVERSIONS IN A DOWN MARKET

*Here's a year-end move you might want to consider.*

**Is it time for a break – that is, a tax break?** With the stock market down 25-40% from its fall 2007 highs, it's certainly a time to consider converting your traditional IRA to a Roth IRA, especially if you're not planning on retiring soon. You will pay a one-time tax on the conversion ... but with the market down, that tax will be less than you would have paid last year. As a result of the conversion, you will have more flexibility with your money when you are ready to use it.

**The pros of a Roth conversion.** A Roth IRA gives you two huge benefits: tax-free growth and tax-free income distributions in retirement (providing you are age 59½ or older and have held your Roth IRA account for 5 or more years).<sup>1</sup> Additionally, you can still

contribute to a Roth IRA after age 70½ - and you don't have to take mandatory withdrawals from it.<sup>2</sup> These facts alone might motivate you, especially if you are in your thirties or forties.

A Roth IRA conversion can also be useful for older investors who don't need their IRA assets. If you don't think you'll need to tap your IRA, you might consider doing a Roth conversion and leaving the Roth IRA to your heirs. Untouched, the Roth IRA assets can keep compounding tax-free across the rest of your life (and subsequently, the rest of your surviving spouse's life). Another advantage: converting that untapped traditional IRA to a Roth will reduce your taxable estate.<sup>3</sup>

All 2008 Roth IRA conversions, by the way, will have a 1/1/08 start date, so you get the full year credit toward the 5+ years you need to own the account before taking income distributions.<sup>4</sup>

**The cons of a Roth conversion.** On the downside, the conversion does trigger a tax, and you'll need the money to pay it. You will pay tax on any earnings and pretax contributions in lieu of paying taxes upon subsequent withdrawals from the Roth IRA.

Don't think about using your current IRA assets to pay the conversion tax – if you're younger than 59½, you're looking at a 10% penalty on the amount you withdraw, and you'll throw away the chance for tax-free Roth IRA compounding of those assets. (If the amount you want to convert might send you into a higher tax bracket, you could simply do a partial Roth IRA conversion.)

You also don't want to do this if you think you'll drop into a much lower tax bracket when you retire. For example, if you're in the 25% federal tax bracket now and the numbers seem to indicate you'll be moving into the 15% bracket after you retire, you'll be paying income tax on the conversion at your current 25% rate.

You need to withdraw funds from your IRA before 2009 to make sure a conversion counts as a 2008 Roth conversion.

If you're moving down only a handful of percentage points (from, say, the 28% bracket to the 25% bracket), then it's a different

story.

For the record, contributions to a Roth IRA aren't tax-deductible.<sup>2</sup>

**Do you qualify for a Roth conversion?** You can make the conversion if your modified adjusted gross income (MAGI) is less than \$100,000 in the year you convert the IRA. By the way, that includes income that would result from the conversion.<sup>1</sup>

The income limits determining eligibility for Roth IRA contributions are higher than \$100,000 – for 2008, eligibility is phased out between MAGI of \$159,000 and \$169,000 for joint filers and between \$101,000 and \$116,000 for singles.<sup>5</sup>

**How about a recharacterization?** Okay, if you're a glass-half-empty type who thinks the market will go lower in coming quarters, you could opt to convert your traditional IRA to a Roth sometime in the remainder of 2008 and then reverse (or "re-characterize") the decision prior to Oct. 15, 2009. If

*(Continued on page 3)*

# Client Corner

Featuring:

## Helen Turley



We are pleased to be able to introduce you to Helen Turley, a fascinating individual in this edition of the Client Corner.

Helen has been a resident of Lake County for 9 years, however, she had been vacationing here for nearly 35 years prior with her family. She was born in San Francisco and lived in the North Bay, working as the Western Regional Manager of Weight Watchers for 15 years. Although she has since retired from Weight Watchers, Helen is an occasional speaker at the local group meetings.

Her daughter, Janet, lives in Modesto with her daughter, Gianna. Helen enjoys spending time with them and is currently looking forward to vacationing with them on a Disney Cruise that is planned for April in celebration of Gianna's 12th birthday!

In her free time, Helen enjoys gardening, reading and traveling. She is also an avid boater, wave runner and water skier. She has recently decided to learn how to wakeboard with some assistance and guidance from her granddaughter. Helen is also a member of the Lakeport Women's Civic

Club and the Trowel & Trellis Garden Club.

Helen and her partner, Norb Yates, are also actively involved with the Sutter Lakeside Wellness Center, offering an ongoing class, "Transformation and the Four Agreements," as well as additional topics. For more information about their classes or to register, please visit their website at [www.twotoltecs.com](http://www.twotoltecs.com).

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you recharacterize, you will get the taxes back that you paid on the Roth conversion.<sup>6</sup>

**The deadline & timeline.** You need to withdraw funds from your IRA before 2009 to make sure a conversion counts as a 2008 Roth conversion. After that, you have 60 days to make the rollover.<sup>4</sup>

**Talk to your CPA or tax advisor before you make a move.** Keep in mind that the tax code isn't exactly set in stone right now, and who knows what will happen with parts of the tax code after 2010. So consult your CPA or tax advisor before arranging any rollover, trustee-to-trustee transfer, or same-trustee transfer of your IRA assets.

If you would like to find out if this

year-end move is appropriate for you, please give our office a call at 262-1880 to set-up an appointment to discuss your situation with Jennifer.

#### Citations.

<sup>1</sup> [irs.gov/taxtopics/tc424.html](http://irs.gov/taxtopics/tc424.html) x[11/7/08]

<sup>2</sup> [fool.com/personal-finance/retirement/2008/10/15/your-retirement-is-now-a-lot-more-complicated.aspx](http://fool.com/personal-finance/retirement/2008/10/15/your-retirement-is-now-a-lot-more-complicated.aspx) [10/15/08]

<sup>3</sup> [buffalonews.com/business/buffalotoday/businessfinance/story/481670.html](http://buffalonews.com/business/buffalotoday/businessfinance/story/481670.html)[11/2/08]

<sup>4</sup> [nolo.com/article.cfm/pg/2/objectId/1E5D82D5-6576-491F-B763445E2CB1BE60/catId/462A9501-9B21-4E09-A08C5A7B8AF51A79/213/161/CHK/](http://nolo.com/article.cfm/pg/2/objectId/1E5D82D5-6576-491F-B763445E2CB1BE60/catId/462A9501-9B21-4E09-A08C5A7B8AF51A79/213/161/CHK/) [11/7/08]

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## Are You Currently Receiving E-Mail Updates?

In an attempt to keep you up to date on the ever changing financial markets, we have been sending out various articles through e-mail that we feel you might find of interest.

If you would like to start receiving copies of these weekly updates, please let us know by providing us with your current e-mail address.

# SAVE the DATE

DEC  
16

**TRUST & ESTATE  
PLANNING WORKSHOP**  
with Special Guest Speaker  
**William Kranz,  
Attorney-At-Law**  
Tuesday, December 16  
Mendo Lake Credit Union  
in Lakeport at 5:30 pm

JAN  
'09

**COMING UP...2009  
WORKSHOPS!**  
Keep your eyes on the mail  
and on our website for new  
workshops offered in '09!  
If you have suggestions for  
topics, let us know.

As part of our commitment to educating our clients and future clients, we hold a series of FREE educational workshops throughout the year. Listed above is our tentative schedule of workshops. If you are interested in reserving a seat to attend, please give us a call at (707) 262-1880.

## **PRESIDENT'S HOT CHOCOLATE**

Hot Chocolate that's good enough for the White House, with both milk and light cream. Give it a whisk for a foamy touch.

### Ingredients:

- 6 tbs Unsweetened Cocoa Powder
- 6 tbs Sugar
- 2-1/2 c. Milk
- 2-1/2 c. Light Cream
- 1/2 tsp Vanilla
- Sprinkle of Cinnamon
- Whipped Cream (see below)
- Orange Zest

In a medium saucepan, combine sugar, cocoa and milk. Heat mixture over low heat until the sugar is dissolved. Add the cream, cinnamon and vanilla. Continue heating until almost boiling. Mix well and serve topped with whipped cream and a bit of orange zest.

For whipped cream, beat 1 c. heavy cream until almost stiff. Add 1/4 c. sugar and 1 tsp. vanilla; beat until cream holds peaks. Spoon over cocoa!

## **“Strong Report” Newsletter Bloopers**

Thank you to everyone who called in with the bloopers from the last newsletter. The winner of the Strong Report Blooper was Dottie Hibbs of Lakeport. She won tickets for two to “The Golden Follies” play sponsored by The Soper-Reese Community Theatre in Lakeport.

Remember, all you have to do is find the misspelled word or words and give us a call at 262-1880 to be entered into the drawing to win a gift certificate to a local business. We appreciate your participation in our drawing. You could be the next winner!

## **ENJOY YOUR HOT CHOCOLATE**

A group of graduates, well established in their careers, were talking at a reunion and decided to go visit their old university professor, now retired.

During their visit, the conversation turned to complaints about stress in their work and lives. Offering his guests hot chocolate, the professor went into the kitchen and returned with a large pot of hot chocolate and an assortment of cups - porcelain, glass, crystal, some plain looking, some expensive, some exquisite - telling them to help themselves to the hot chocolate.

When they all had a cup of hot chocolate in hand, the professor said: 'Notice that all the nice looking, expensive cups were taken, leaving behind the plain and cheap ones. While it is normal for you to want only the best for yourselves, that is the source of your problems and stress. The cup that you're drinking from adds nothing to the quality of the hot chocolate. In most cases it is just more expensive and in some cases even hides what we drink. What all of you really wanted was hot chocolate, not the cup; but you consciously went for the best cups... And then you began eyeing each other's cups.

Now consider this: Life is the hot chocolate; your job, money and position in society are the cups. They are just tools to hold and contain life. The cup you have does not define, nor change the quality of life you have. Sometimes, by concentrating only on the cup, we fail to enjoy the hot chocolate.

The happiest people don't have the best of everything. They just make the best of everything that they have.

Live simply. Love generously. Care deeply. Speak kindly...

And enjoy your hot chocolate!

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