



The Mint Edition

from Yerba Buena Financial Partners, LLC

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Hello Friends,

We'd like to take this opportunity to thank you for the trust and confidence you place in us. We appreciate your business and will continue to do our best for you, your family, and/or your business.

Thank you for the opportunity to be of service.

-The YBFP Team

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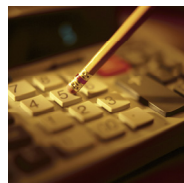
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Why Work with a Financial Professional?



If you're like most people, you probably bring your automobile to a professional mechanic for routine maintenance. You see a doctor when you have concerns about your health, and for regular

exams. When the need for legal counsel arises, you consult an attorney. All of us rely on the expertise of others. It's no different when it comes to personal finances--most people could benefit from working with a financial professional. Here are some good reasons to do so:

You don't know what you don't know

No one can be an expert on every subject. Managing your finances on a day-to-day basis is one thing; implementing a comprehensive investment plan to fund your retirement while setting aside funds for your child's education is something else. That doesn't mean that you're not capable of doing it, only that you shouldn't underestimate the expertise needed to put together an effective plan. If you're going to go it alone, you'll need to educate yourself, and that brings us to the next point ...

You have good intentions, but never set aside the time

There's an entire industry built around providing individuals with the tools they need to do their own financial planning. Books, magazines, websites, calculators, worksheets, and videos all empower individuals to take a more active role in their financial future, whether they're working alone or with a financial professional. Not one of these tools, however, will help unless you set aside both the time to learn to use the tool, and the time to apply the tool to your own situation. Working with a financial professional forces you to stop procrastinating, and shifts the time commitment from you to the professional.

Doing it all yourself isn't efficient

There's a long list of things that we could do ourselves but choose to pay someone else to do for us instead. For example, you could paint your house, but you may be happy to pay someone else to do it. Why? It's more efficient. You can spend the time working on other things and, if you choose the right professional, it will probably be done faster and better than if you did it yourself. The same goes for working with a financial professional.

You're not objective

It's hard to look at your own situation objectively. Having someone else with experience analyze your financial condition can be extremely helpful. And, in cases where you and your spouse aren't on the same financial page, a financial professional can listen to all concerns, identify underlying issues, and help you find common ground.

Keeping up with change is a full-time job

In the last two years, there have been at least five major pieces of tax legislation signed into law. Even seasoned financial professionals have had a difficult time keeping up with the changes. Not understanding how these changes might affect your financial plan could be dangerous, but understanding the changes takes time and effort.

You see the trees, but not the forest

A good financial professional can help you see the big picture. He or she can show you how your financial goals are related--for example, how you might save for both your child's college education, as well as your own retirement. He or she can work with you to prioritize your goals, implement specific strategies, and choose suitable products or services. A financial professional can also stay on top of your plan to make sure it remains on track, recommending changes when conditions, or your circumstances, dictate.

Providing for Children of a Previous Marriage

For many married couples, when one spouse dies, all marital property passes to the surviving spouse. This means that the surviving spouse has sole responsibility for deciding what happens to that property when he or she dies. In the traditional family, this is rarely a concern. But, more and more often, the so-called traditional family is the exception, not the rule.

Remarriage can create unique estate planning concerns, especially if you want to provide for both your current spouse and your children from a previous marriage. In many cases, remarriage creates a situation of "yours, mine, and ours." Your spouse may not have developed a close relationship with the children from your previous marriage, and may feel very little responsibility toward them. If this describes your family situation, you need to take positive steps now to ensure that your estate is ultimately distributed according to your wishes.

Why the logical solution may not be the best solution

A logical plan would be to leave all your property to a trust, allowing your spouse to live in your home rent free and live on the income from trust assets for the rest of his or her life. Then, when he or she dies, the property would pass to your children. This plan, however, could result in conflict between your surviving spouse and your children because:

- Your children's investment objectives may not match your spouse's
- Your children may watch every penny your spouse spends
- Your children may essentially be waiting for your spouse to die

Fortunately, there are other solutions that sever the money connection that is the source of the conflict described above.

Use life insurance

Life insurance can be a particularly effective method of providing for children from a previous marriage, and you have several options. First, you can make your children beneficiaries of a life insurance policy that you own. Second, your children can purchase insurance policies on your life, and you can gift funds to pay the premiums. Third, you can establish an irrevocable trust to hold life insurance purchased for their benefit. This third option is especially appropriate if you have

minor children. In any case, your children are the beneficiaries of the life insurance policy, and you are guaranteed they will receive a certain amount of money when you die.

Name your children as beneficiaries of your retirement plan

Making your children the beneficiaries of your IRA or employer retirement plan is another way to provide for their needs after your death. Be aware, however, that you may need your spouse's written consent if you wish to name anyone other than your spouse as the beneficiary of certain types of retirement plans.

Create a postnuptial agreement

Postnuptial agreements aren't right for everyone, but they can help eliminate conflicts between your spouse and your children from a previous marriage. The agreement is a written contract between you and your spouse that states how property will be owned and distributed during the marriage, in the event of divorce, and at death.

Make your children joint owners

Giving your children joint ownership of property during your life will ensure that they receive that property upon your death. However, there are risks associated with this strategy. As joint owners, your children may have unlimited access to the property, meaning they would have the right to sell the property and use the proceeds for their own benefit. Also, the jointly owned property could be in jeopardy from your children's creditors if your children run into financial difficulties, or they get divorced.

Leave your surviving spouse a lump sum

Consider leaving your surviving spouse a lump sum and dividing the remainder of your property among your children. Or conversely, leave a lump sum to your children and the remainder to your spouse. While this seems like a simple approach, there are instances when it can be very effective, especially if you have a relatively small estate.

It is important to note that there are income tax as well as estate and gift tax considerations associated with many of the options mentioned. See an experienced estate planning attorney for more guidance.



In almost every state, you're prohibited from completely disinheriting your spouse, who is typically given a statutory right of election. That allows him or her to claim a certain percentage of your estate.

Annuity Maximization: A Strategy to Leave More to Your Heirs

What if you're living comfortably in retirement and find that you don't need a deferred annuity you bought years ago? Instead, you want to leave it to your heirs at your death. What you may not know is that transferring your deferred annuity at death may subject it to both estate and income taxes. A strategy that can minimize the impact of these taxes is called annuity maximization using permanent life insurance.



Some background

When you die, the portion of the annuity death benefit received by your beneficiaries (either in a lump sum or as periodic payments) that exceeds your investment in the annuity is includible as taxable income to your beneficiaries.

In addition, the full accumulation value of your deferred annuity is includible in your gross estate at your death. If your estate is large enough to owe federal and/or state estate taxes, your deferred annuity will be subject to those taxes as well.

The combination of estate and income taxes can erode a significant portion of your annuity's value. The result is that your beneficiaries may receive an annuity worth much less than you anticipate.

How annuity maximization works

Here's the basic way this strategy works: you exchange your deferred annuity for a single premium immediate annuity (SPIA) that provides an income stream to you for the rest of your life. You then obtain permanent life insurance with you as the insured, and use the SPIA distributions to pay the insurance premiums. At your death, the SPIA payments stop and the insurance proceeds are paid to your beneficiaries.

Alternatively, if you prefer to retain the deferred annuity instead of converting it to an SPIA, you may be able to take penalty-free withdrawals from your deferred annuity, which also can be used to pay the insurance premiums. However, annuities vary as to penalty-free withdrawal availability, so for complete

details, be sure to check with the annuity issuer, or review your annuity contract or prospectus.

Caution: *Annuity distributions before age 59½ may be subject to a 10% federal tax penalty. Annuity guarantees are based on the claims-paying ability of the annuity issuer.*

The annuity maximization strategy may pose some income tax issues for you. SPIA payments and annuity withdrawals may be taxable to you. A portion of each SPIA payment you receive is subject to income taxes and a portion is considered a nontaxable return of premium. Conversely, withdrawals from your deferred annuity (for annuities issued after 1982) are taxed as income first, meaning the entire withdrawal is includible as income until all of the annuity's earnings are withdrawn, after which withdrawals of principal are not includible as income.

Why annuity maximization works

Instead of getting the deferred annuity at your death, your beneficiaries receive the life insurance proceeds, income tax free. And you can effectively remove the value of the deferred annuity from your estate by converting it to a SPIA. Since the SPIA payments cease at your death, the SPIA is not included as an asset of your estate.

In addition, the life insurance can escape estate taxes if the policy is not part of your estate at death. To achieve this goal, you can't own the policy; it must be owned by another (e.g., your child or an irrevocable life insurance trust). You then make gifts to the policy owner equal to the annual insurance premium. However, gifts may be subject to both federal and state gift taxes, so you should consult your tax professional before making such gifts.

The bottom line

If you own an annuity that you want to transfer to your heirs at your death, a significant portion of its value may be lost to estate and income taxes. Annuity maximization is a strategy that lets you replace part or all of a taxable asset (your deferred annuity) with an asset (permanent life insurance) that may be subject to neither income nor estate taxes at your death. This approach may effectively allow you to increase the amount you pass on to your beneficiaries.

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Ask the Experts



What's a credit score and why should I care about it?

Your credit score is the result of a mathematical formula that's applied to all the information in your credit report (both positive and negative) and then compared to millions of other credit reports. The most common credit score is a FICO score, developed by the Fair Isaac Corporation. A variation of the basic FICO model is used by each of the three major credit reporting agencies: Equifax, Experian, and TransUnion.

Your FICO score is based on five categories, each of which accounts for a percentage of your total score:

- Your payment history: 35%
- An analysis of your debt: 30%
- The length of your credit history: 15%
- Recent inquiries/new credit activity: 10%
- Types of credit in use: 10%

The result is a three-digit number between 300 and 850 that estimates your level of credit

risk. The higher the number, the lower the risk.

This number significantly affects your ability to get credit and the terms you're offered. Generally, lenders consider people with scores above 700 to be in good financial health, and worthy of the best interest rates and credit terms. Those with scores below 600 are considered to be financially risky, and may be turned down for credit or offered stricter terms (higher interest rates, lower credit limits, and/or requirements for collateral or a cosigner or both).

To keep your score high:

- Pay your bills on time
- Repair any damage (i.e., overdue payments) as quickly as possible
- Keep your balances on your credit cards low (especially in relation to your credit limits)
- Pay off your debt
- Don't open new accounts you don't need

How do I dispute an unsatisfactory credit card purchase?

If you used a credit card to make what turns out to be an unsatisfactory purchase, you should first seek a refund or a replacement from the merchant that sold you the item. But if you have no luck there, you may have some recourse through the credit card company.

There are some requirements. First, you must have used the credit card to purchase the merchandise for personal (not business) use. Second, if you've already paid the credit card bill on which the sale is listed, the credit card company generally won't help you.

Additionally, the unsatisfactory purchase must have been made either with a charge card issued by the merchant or with a bank's card. If the item was not purchased with the merchant's own card, then the item must cost \$50 or more.

Further, unless you used the merchant's own card, the purchase must also have occurred within your home state or within 100 miles of your billing address. Catalogue sales, Internet sales, and orders placed by telephone may be

considered in-state purchases. State laws may vary, but these purchases are generally protected.

If you're unable to resolve the matter with the merchant, be sure to write the credit card company within 60 days of when the charge first appeared on your statement. Include in your letter your name, account number, information about the unsatisfactory item, and what you've done to try to resolve the matter with the seller.

The card issuer will usually investigate the matter, and you may withhold payment on the unsatisfactory merchandise until the matter is resolved. (Until then, no interest or late fees will be charged.) If the investigation reveals you are right and the merchant is at fault, you won't have to pay for the item or any finance charges on it. However, if the card issuer doesn't believe the merchant is at fault, you'll be expected to pay for the item. If you want to continue the dispute with the merchant, you'll have to do so in court.