PRIZM
FINANCIAL ADVISORS, INC.

Dean Zayed, JD, LLM, CFP®
President
dean@prizm-financial.com

Andy Andersen
Financial Advisor
andy@prizm-financial.com

1745 S. Naperville Rd., Suite 200, Wheaton, IL 60189 | P: 630.665.4848 | F: 630.665.4343 www.prizm-financial.com

Securities offered through Center Street Securities, Inc. (CSS), a registered broker-dealer, Member FINRA/SIPC. 2740 Old Elm Pike, Nashville, TN 37214, (888) 690-3580. Investment Advisory Services offered through Brookstone Capital Management (BCM), a Registered Investment Advisor. PRIZM Financial Advisors, Inc., BCM, and CSS are independent entities.

PRIZM PERSPECTIVE

SPRING 2015

Get These Decisions Right

The sheer number of financial decisions required to manage our finances can seem overwhelming. There are six basic financial decisions that can determine the course of your financial life:

1. How you earn a living. Sure, we all want to enjoy our work. But within that parameter, why not choose a job that will pay more than another? Your income is going to drive all your other financial decisions, so investigate your options:

- ❍ Are you sure you're being paid a competitive wage with competitive benefits?
- ❍ Do you have an outside interest or hobby that can be turned into a paying job?
- ❍ Can you get some additional training to help secure a promotion or qualify for another job? Read up on what jobs are expected to experience the highest growth rates and/or highest salaries over the next five years.

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To get a grip on spending, consider these tips:

- ❍ Analyze your spending for a month. Give serious thought to your purchasing patterns, trying to find ways to reduce spending.
- ❍ One of your most significant spending decisions will be your home. Many people purchase the largest home they can afford, often straining their budget, but purchasing a smaller home will reduce your mortgage payment as well as other costs.

Continued on page 2

Please Welcome Our Newest Advisor

I am very pleased to introduce Andy Andersen as our new associate and financial advisor. Andy has been a welcome and much-needed addition to help us manage the tremendous growth we have experienced over the last 15+ years. As we continue to grow, our singular goal remains the same: providing our clients with timely and sophisticated financial advice that makes a meaningful difference in their lives. Andy is an intelligent and hardworking financial professional who shares Prizm's goals and will undoubtedly add value to both our practice and our clients.

Andy Andersen joined Prizm Financial Advisors on February 2, 2015. He received a Bachelor of Applied Science degree from the University of Illinois at Urbana–Champaign in 2007, where he was also a Chick Evans Scholar. Beginning his career at AXA Advisors, Andy became a junior partner for the largest asset management team in Illinois, where he established the foundation of his financial advisory knowledge. He gained invaluable experience on the institutional side of the financial services industry while he worked for Goldman Sachs in New York as a Regional Consultant covering Manhattan and Long Island.

Andy has been working closely with me, shadowing my every move since he began working with us. I have been diligently mentoring him on Prizm's philosophy and overall approach to financial planning. Andy will help me and the entire Prizm team provide more service to both our existing and future clients. In case you're wondering, I am not going anywhere! I am more committed than ever to working with our valued clients. Because of this deep commitment and loyalty, we want to continue building the resources and personnel of our firm so that our clients continue to receive a high level of service and advice.

Many of our clients have already met Andy during recent meetings, and the feedback has been overwhelmingly positive. If you have not already met him, you will certainly have the opportunity at your next financial review meeting. I am excited to add Andy to our team and am confident you will feel the same way when you meet him. I know you will come to value his expertise and commitment.

Thank you for the trust you have placed in us, and we look forward to meeting soon.

Copyright © 2015. Some articles in this newsletter were prepared by Integrated Concepts, a separate, nonaffiliated business entity. This newsletter intends to offer factual and up-to-date information on the subjects discussed, but should not be regarded as a complete analysis of these subjects. The appropriate professional advisers should be consulted before implementing any options presented. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material.

Get These Decisions

Continued from page 1

- ❍ Prepare a budget to guide your spending. Few people enjoy setting or sticking to a budget, but a budget gives you a road map for spending your income.

3. How much you save. You should be saving a minimum of 10% of your gross income. But don't just rely on that rule of thumb. Calculate how much you need to meet your financial goals and how much you should be saving on an annual basis. If you can't seem to save that much, go back to your spending analysis and cut your spending. First, look for ways to reduce your spending by lowering the cost of your purchases. At some point, however, you may need to cut your discretionary spending.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than investments with lower rates of return. While you don't want to take on excessive risk, you also don't want to leave all your savings in investments with little growth potential.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. To keep your debt in check, consider these tips:

- ❍ Mortgage debt is acceptable as long as you can easily afford the home.
- ❍ Be careful about taking equity out of your home in the form of a home-equity loan. You might want to set up a home-equity line of credit for emergency use, but make sure it is only used for emergencies. It may also make sense to use a home-equity loan to pay off higher-interest rate consumer loans, but don't run up those balances again.
- ❍ Never purchase items on credit that decrease in value. If you can't pay cash, don't buy them.
- ❍ If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period. Compare loan terms with several lenders. Review all your debt periodically to see if less-expensive options are available.

6. How you prepare for financial emergencies. Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:

- ❍ An emergency fund covering several months of living expenses. Besides cash, that fund can include readily accessible investments or a line of credit.
- ❍ Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.
- ❍ A power of attorney so someone can step in and take over your finances if you become incapacitated.

Making the correct choices for these six basic financial decisions will help put you on the right financial course. If you'd like help with these decisions, please call. ❍❍❍

Retaining Financial Information

Feel like you're buried under an avalanche of paper? The steady accumulation of paper over the years can make even the most organized system seem uncontrollable. Some general guidelines on which papers to retain and which to toss include:

- ❍ Never throw away copies of your federal and state tax returns, records of gifts you made or received, deeds, birth certificates, or marriage certificates.
- ❍ Retain for at least six years any records that support tax deductions or taxable income. Those records include canceled checks, expense records, employment and other contracts, and tax-related forms such as W-2s and 1099s. Keep in mind that the Internal Revenue Service (IRS) has three years to audit your return, but can go back six years if substantial underreporting of income is suspected. There is no time limit if fraud is suspected.
- ❍ Keep the cost records until the asset is sold plus six years, such as brokerage statements reflecting the purchase and sale of securities, other records detailing the cost basis of investments, contributions to nondeductible and Roth individual retirement accounts, and purchase and sale documents for significant assets, such as homes, land, and cars.
- ❍ Monthly or quarterly statements can be thrown away once you receive an annual detailed listing of transactions at year end. Old annual reports, proxy statements, prospectuses, and promotional information can be tossed when you receive current information.

To assist your heirs, be sure to gather and record details about safe deposit boxes; life insurance policies; hospital, medical, and disability insurance; homeowners insurance; employee savings and stock plans; individual retirement accounts; credit cards; income tax records; real estate records; outstanding debts; children's accounts and trusts; savings accounts; investments; and advisers. Many of these records should not be kept at home, but you should indicate where the original documents are located. Make sure to note where birth, marriage, and military records are kept. ❍❍❍

Cut Financial Clutter

Financial clutter can cause more than stress. It can also cause you to lose money because of missed contribution deadlines, forgotten accounts, overlooked tax savings, and more. Below are six tips to help you cut the financial clutter.

1. Prepare an inventory. Set aside time for a financial inventory. First, make a list of all your financial accounts. Then gather all your financial paperwork in one place and organize it into three piles: One of things to keep hard copies of, one of things to keep digital copies of, and another of things to get rid of.

2. Shred, shred, shred. Much of the paperwork you've been hanging onto for years can be thrown away. Tax returns can usually be disposed of after three years, though in some cases (like if you're self-employed) you'll want to keep them for a longer period. Credit card statements can typically be shredded once you've confirmed there are no erroneous charges, and most receipts can be pitched right away, unless they're for a large purchase or for an item you plan to deduct from your taxes. Loan documents can be shredded once the debt is paid off.

3. Get a scanner. These days, there's no reason to keep hard copies of most financial documents. Invest in an affordable scanner and make digital copies of records you want to retain but don't need originals of.

4. When possible, consolidate accounts. Having numerous financial accounts is a major source of clutter. Do you really need multiple savings accounts at different institutions? Do you have several different 401(k) plans from old employers? Do you have half a dozen credit cards, but only use one or two? When possible, streamline and consolidate. Not only will this make things easier to manage, but you'll reduce the risk of forgetting accounts and eliminate extra fees.

5. Automate your finances. Reduce the amount of clutter coming in by signing up for online bank account and investment statements. However, because some banks may only allow you to access the past several months of statements, you may want to download the records and save them elsewhere. When possible, automate bill payment and paycheck deposits. You'll minimize the risk of late payments and avoid problems with lost checks.

6. Get an online vault and home safe. Personal computers can be compromised or stolen, so you may want to add an extra layer of protection by storing your financial information in a secure online vault. An added bonus? You'll be able to access your financial information from anywhere.

Of course, not everything can be stored online. A fireproof home safe is a good place to store original documents. Marriage and death certificates, deeds to your home, car titles, Social Security cards, and copies of your will are all items commonly stored in home safes. One word of caution if you have a safe — make sure your family will be able to access it in the event you die or become ill. ❍❍❍

Segregating Risk

Your willingness to assume risk with your investments is not necessarily a static concept. You may be less willing to take risk with investments designated for an essential financial goal, while you may be more willing to take risk for nonessential goals. However, those varying risk levels may be difficult to assess if all your investments are commingled.

For instance, assume you have three goals — to ensure you have enough funds to support yourself through retirement, to send your children to Ivy-league colleges, and to purchase a vacation home. The most crucial goal is to ensure you don't run out of money during retirement. Thus, you want a high level of assurance that you'll reach that goal, devoting a substantial portion of your resources to the pursuit of it. Your investments for that goal are likely to be somewhat conservative, especially as you approach retirement age. The next important goal is sending your children to Ivy-league colleges. You have more limited resources to devote to that goal, plus your children can still attend less-expensive colleges or pay part of the costs themselves. For that goal, you may be willing to assume more risk with your investments to increase the likelihood of reaching that goal. Your goal for a vacation home is clearly last, so you may have few resources to devote to it. For that goal, you may be willing to use very aggressive investments, since that may be the only way you can achieve that goal.

The point is that your willingness to assume risk is not static. It will vary depending on how important each goal is to you and how much you can designate to each goal. Commingling all your investments for all goals in one account may make it difficult to analyze your investments in this manner. Thus, you might want to set up separate accounts for each goal. ❍❍❍

FR2014-1117-0165

Estate-Tax Exclusion Opportunities and Challenges

The current estate and lifetime gift-tax exemption is $5.43 million for individuals in 2015. While this may appear to have taken off the pressure for careful estate planning — only 1% of U.S. estates are estimated to be larger than $5 million — the higher limits pose both opportunities and challenges for high-net-worth families.

Here are some estate planning considerations married couple should address:

Change charitable donations? — The single most obvious benefit of the higher estate tax exemption is that if planned properly, a couple you can now leave substantially more — $10.86 million — to heirs and relatives. This is most significant to those whose primary reason for charitable giving is to reduce taxes. Given the new law, reviewing your purposes and strategy should be your first priority.

Accelerate and increase gifting? — For couples who have exhausted the previous unified gift-tax exemption of $2 million, the $10.86 million limit represents an unprecedented opportunity to move assets out of their estates without taxation. Keep in mind, however, that the annual limit on tax-free gifts is only $14,000 in 2015, $28,000 if a couple splits their gift.

Trust or will? — The higher limit means you can avoid establishing trusts to remove greater funds from your estate. One disadvantage of testamentary transfers to beneficiaries is you lose control over how and when the funds are distributed. Wills must still pass through probate, which means there is the potential for considerable delay before your heirs gain access to the assets they may need to pay taxes or other bills. Wills also distribute assets without limitations as to the purposes they can be used for or when, such as reaching the age of majority or annual distribution amounts. Only trusts can establish these directions.

Understanding the portability provision — Under the portability provision, any credit that has been unused by a deceased spouse can be transferred to the estate of the surviving spouse.

For example, if a spouse's estate has used only $2 million of the $5.43 million exemption, the remaining $3.43 million can be applied to the surviving spouse's estate, raising its exemption to $8.86 million. But there are two important caveats: 1) It's not automatic. Even if an estate won't owe a penny in federal estate taxes, it must file a tax return to establish the transferred credit. 2) Portability does not apply to generation-skipping trusts, whose beneficiaries are grandchildren and great-grandchildren.

If the surviving spouse is predeceased by more than one spouse, the additional exclusion amount carried over to the surviving spouse is limited to the lesser of $5.43 million or the unused exclusion of the last deceased spouse.

Avoiding unintended disinheritance — Because estate laws are constantly changing, when it comes to dividing assets among different heirs, many wills and trusts rely on a formula clause that doesn't specify dollar amounts or percentages. For example, a document may simply say that children of the deceased are to receive the maximum amount allowed to pass to them free of federal taxes, with the remainder going to the surviving spouse. For an estate that is $5.43 million or less, this means the spouse is effectively disinherited. Adding further clarification in such cases is vital to ensuring that an intended beneficiary isn't left penniless.

Lower state thresholds — Be aware that more than a dozen states also levy inheritance taxes, and the threshold of taxability may be considerably lower than the federal level. ❍❍❍

FR2014-1117-0165

PRIZM FINANCIAL ADVISORS, INC.
Comprehensive Financial SolutionsTM
1745 S. Naperville Rd., Suite 200
Wheaton, IL 60189