



Financial Newsletter

Summer Edition

August 2012

Dear Clients and Friends,

We are pleased to introduce a new feature of our interface with you as we continue to provide services in investment management, tax, estate, and financial counsel. While we want these newsletters to be informative, we also hope that they will be an ongoing source for you to know more about us and the way that we conduct our business practices. This is part of our effort to provide the best possible services to you.

Why You Should Prepare a Financial Plan

By George M. Hiller, JD, LLM, MBA, CFP®



"The wisdom of the prudent is to give thought to their ways..."

- Proverbs 14:8

Crosswalk.com asked its readership the following question, "Do you have a financial plan?" Out of

2,000 respondents, 21% said yes, 52% said that they have no financial plan, and 26% said they intend to have a financial plan. This indicates that the majority of people do not have a financial plan. Why should you prepare a financial plan?

One of the things that a financial plan does is that it establishes your financial goals and priorities. Is it beneficial to have clearly established goals?

The Yale University graduating class of 1953 was asked the following question, "How many of you have clearly established goals for your life? Three percent of the class replied that they had clearly established goals. Twenty years later the group was surveyed again and it was found that the original 3% with clearly established goals had greater financial net worth than the remaining 97% combined.

What do you want to accomplish during your lifetime? The first step in the financial planning process is to identify goals that you want to achieve. The odds are that without specific financial goals and without a financial plan your income and net worth in later years will be significantly lower.

According to the Social Security Administration, Office of Research and Statistics, in a study of Income of the Population 55 or Older, 66% have annual incomes under \$30,000, 18% have incomes greater than \$30,000 and only 5% have annual incomes over \$60,000. What will be your future income if you do no planning?

The financial plan helps you to identify other important financial goals including the following:

- Savings and investment goals
- Education funding goals for children
- Survivor income goals for spouse and children
- Estate planning goals
- Charitable giving goals
- Income tax reduction goals
- Debt reduction goals

To achieve goals of any kind you need a path or course to steer you in the right direction. The financial plan is the guide to use to keep heading in the right direction.

A financial plan requires you to gather facts about your personal finances. These different bits of facts and information are used to put together key financial reports including a personal balance sheet listing assets and liabilities, an income and expense statement, an income tax estimate and other important financial reports. This process of fact-finding and gathering helps to identify strengths and weaknesses in your personal financial condition and initiates a higher level of awareness and informed decision making regarding your finances.

Once you have gathered facts and put together key financial reports you can then begin to analyze your financial situation. Part of this process involves looking into the future. Where will you be in five to ten years? Are you on track to achieve your long-term financial goals? If not, what do you need to do to arrive where you want to be at some future point? The financial plan is the document that allows you to address these important issues.

The purpose of the financial plan is to help you achieve your long-term financial goals. In addition to clearly

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establishing long-term financial goals and creating key financial statements, the financial plan should make specific recommendations designed to help you achieve your long-term financial goals and enhance your financial condition over time.

A financial plan covers many areas where expert advice can be a tremendous help. Investment and insurance considerations often benefit from expert advice and income tax and estate and gift tax laws are complex. You may need the services of a CERTIFIED FINANCIAL PLANNER™ (CFP®), attorney, accountant or insurance professional to help with your financial planning. In summary, the financial plan addresses the following important questions:

"What are your long-term financial goals?"

"Where are you now financially and where will you likely be in the future?"

"What do you need to do to achieve your financial goals?"

This process of establishing goals, gathering and assessing personal financial data and coming up with specific recommendations designed to help you achieve your financial goals is the heart of a financial plan.

Preparing a financial plan is active stewardship that pays off over time. Those who prepare a financial plan can reasonably expect to achieve higher levels of future income and net worth than if no financial plan is prepared. As a man sows, so shall he reap.

Watchful and Vigilant

By William M. Landers, CLU, CFP®



As the closing bell sounds on the month of July, our firm remains watchful and vigilant to react to the changes that continue to occur in economies and capital markets around the world.

The last 12 months were a difficult time to be an investor. The U.S. stock market, as measured by the S&P 500 Index, experienced a 12 month return of approximately 6.7% (for the 12 months

ending July 31). Generally, international markets did not fare as well. The MSCI EAFE index (a broad measure of international equities) for the 12 months ending July 31, finished down, at -11.8%.

Currently, we are walking a very fine line between protecting our client's capital and seeking long-term growth of assets. Both are crucial elements to helping investors realize their goals. To that end we have reduced our exposure to international equities and built our cash positions, while remaining invested in domestic equities and bonds. In simple terms, our indicators tell us that the international markets are in a declining trend, with the expectation that this decline will persist, while the domestic market appears to be in a rising trend currently.

We do not think that the U.S. market and the international markets will continue to diverge indefinitely; so we are watching carefully to see if they will converge on the upside or on the downside. We remain cautious.

We also exercise caution with regard to bonds. Bond interest rates are at historical lows. This means that, generally, bond values may be high. At current low rates even tiny movements in interest rates result in significant movements in bond values. We expect interest rates to rise someday, which will tend to reduce the value of existing bonds. The Federal Reserve has given assurances that they will keep interest rates low for an extended period.

Wealth management involves both preparation and diligence over time. While we remain prepared for more economic challenges ahead, we continue to work to achieve good stewardship for investors. To that end we remain watchful and vigilant.

It is our mission to provide high quality professional and objective financial counsel in the areas of investment management, estate and personal financial planning designed to help our clients improve their financial condition and achieve long-term financial goals.

Sincerely,
The George M Hiller Companies Business Team

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