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# Did You Know...?

News you can use for your financial well-being

## April, 2007

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### Stocks Hit New Highs

Only five weeks ago stock markets around the world dropped sharply, the sub-prime lending troubles surfaced, and fear reemerged in the investing world for the first time in months. As of today, April 17<sup>th</sup>, the Dow Jones Industrials just touched an all-time high, and the Standard & Poor's 500 is at 6 ½ year highs. This was a "blink and you missed it" correction!

While our belief remains that the stock market will generate a 5-8% return this year, current market optimism puts risk right back where it was before the mini-correction. Bullish investors are betting on a "soft-landing" in the economy (slowing growth with no inflation), sub-prime problems remaining contained to isolated companies, and possible interest rate cuts by the end of this year. If all of these things happen, our forecast of single-digit stock returns in 2007 might be low. However, any deviation from this "goldilocks scenario" could generate corrections of the type we saw in early March.

In terms of market timing regarding additions to or withdrawals from stock investments, what we're likely to see in good or bad scenarios are moves of less than +/- 10%. Stock valuations are not stretched, and interest rates are back at "average" levels, so in the grand picture these concerns may be more "headline fodder" than true reasons to make allocation changes. The swings between optimism and pessimism create windows for timely additions and withdrawals, so let us know if you plan to experience either in coming months and we'll try to use the market environment to your advantage.

### ABC Trusts Are Not So Elementary

*By Heather Tremain, of Tremain and Hoffman, LLP*

Ensuring that a surviving spouse will be well cared for upon the death of the first spouse in a traditional "AB" or "ABC" trust is an estate planning technique that provides much peace of mind to many married couples. What these couples do not realize, however, is that the typical AB or ABC trusts usually are more rigid than necessary and do not offer the surviving spouse the flexibility he or she may prefer after the death of the first spouse.

AB and ABC trusts require that a couple's assets be divided into two or three separate sub-trusts at the death of the first spouse. In either case, the surviving spouse will have complete access to one of the trusts, but only limited access to the other(s). These limitations mean that a surviving spouse loses some control over much of the couple's assets and may be denied access to certain assets, be required to invest in certain ways, and be made to answer to the secondary beneficiaries.

The purposes of such trusts include lowering a couple's estate taxes and controlling who will ultimately inherit the assets. Most of my clients would prefer to give everything to their spouse at death and are not concerned about control. In those cases, the requirements and lack of flexibility found in traditional AB and ABC trusts are not necessary to achieve the positive tax results. The same tax benefits can be found by utilizing more flexible trust options that ensure a surviving spouse has financial freedom and complete access to the couple's money when needed and no irrevocable trust to deal with unless they chose to have one at the time of the first spouse's death.

*Please feel free to contact Heather Tremain, of Tremain and Hoffman, LLP to discuss your estate planning options. Ms. Tremain is a Certified Legal Specialist in Estate Planning, Trusts, & Probate, Board of Specialization, State Bar of California. She may be reached at (510) 835-3090, and looks forward to hearing from you!*

# Coaching vs. Advising

While officially I'm a Registered Investment *Advisor*, I like to think of myself more as a financial *Coach* for all of you.

The word advice conjures up the image of someone telling you how to do something, and then leaving you to do it alone. Coaching, in contrast, is a process of engagement where your coach is there providing continuous guidance to help you be successful.

As many of you have experienced, issues around money and the many ways it impacts your lives is an ongoing matter. Advice, as they say, is cheap, and you can certainly find plenty of free (and questionable) advice floating around in publications and on the Internet. But having a coach, a person who not only gives you the guidance but also stays with you to help you put that guidance to work, is what will make you successful.

Recently, I've been working with a number of you to help resolve cash flow issues (i.e. developing a budget, finding ways to fund savings to reach your goals, reducing taxes). While I believe that taking control of your money is at the heart of achieving financial success, this is not a quick and simple process. Often, it involves breaking bad habits, investing time in learning new techniques, and overcoming the frustration that often results from having to make difficult choices and tradeoffs.

As with any lofty goal (losing weight, starting a business, having a family), the key lies in your commitment to achieving success. With your commitment and my experience, we can tackle virtually any financial issues you may have.

## Timely Tidbits:

- Be sure to check out the new section of our website, "What's New". In this area, you'll find quick links to all of the newly added content on our website, and timely links to articles and information of interest. Click on the highlighted button on our main page at [www.KevinKennedyLLC.com](http://www.KevinKennedyLLC.com).
- If you paid more taxes for 2006 than you'd like, give us a call and we'll work with you to try to lower your tax bill for 2007. Act on this now, while there's still time in the year to make changes that will benefit you the most.

**Quote of the month:** "A good name, like good will, is got by many actions and lost by one." **Lord Jeffery**

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