

Randhir S. Judge F.L.I.A., LUTCF

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Judge For Yourself Inc.

Randhir Judge, F.L.I.A.,
LUTCF

368 Fairview Way
Milpitas, CA 95035
888.229.9080 8114
info@jfyfinancial.com
www.jfyfinancial.com

Dear Friends,

All of us at Judge for Yourself Inc. would like to wish you and yours a very happy and prosperous new year!

As you make new resolutions for the new year, it might also be a good idea to take a look at your financial resolutions and rethink your retirement game plan. In the wake of the turbulence in the financial markets, you may have to reconsider when and how you can retire. Included in this issue are a couple of interesting articles which will give you something to think about.

If you would like to look into safe investment solutions, please feel free to contact our offices.

Best Wishes,
Randhir Singh Judge

In this issue:

The Higher Education Opportunity Act

Federal Protection for Bank Deposits

Rethinking Your Retirement Game Plan

Ask the Experts

The Higher Education Opportunity Act



One of the big pieces of legislation that passed in 2008 was the Higher Education Opportunity Act (the Act). Aside from reauthorizing the Higher Education Act of 1965 for another six years, the Act includes many other provisions intended to improve college affordability, access, and accountability. Here are some highlights of this new law.

A new federally run college pricing website

In an effort to make it easier for students and their families to compare the cost of colleges in an apples-to-apples format, the Act directs the Department of Education to create a new website that will list up-to-date cost information on individual colleges, including tuition and fees for the current year, average price of attendance after grant aid, recent price increases, and changes in per-student spending, among other items.

The website will also include calculators that families can use to estimate their expected college costs

Cost considerations

According to a study released by student-loan lender Sallie Mae, 40% of parents and students said they paid no attention to cost when searching for a college.

Source: Sallie Mae, August 2008 study

based on income and family data, as well as the annual and total cost of attending a particular college. The hope is that this information will help students and their families during the college selection process.

A simpler financial aid application

According to remarks by U.S. Secretary of Education Margaret Spellings in a speech at Harvard University in October, 40% of college students—roughly 8 million students—don't apply for federal aid because the process is

too complicated. To address this problem, the Act directs the Department of Education to streamline the federal application, the FAFSA, over the next five years. To support this initiative, Spellings announced a revised form that has only 27 questions (down from 100), and stated that families will now learn how much aid they can expect to receive, as opposed to how much they are expected to contribute under the current system. The new FAFSA should be available for the 2009 application year.

Expanded Pell Grant and work-study

The Act increases the maximum Pell Grant, the federal government's largest financial aid program, from \$5,800 to \$9,000 per academic year. The Act also expands the community service opportunities available under the federal work-study program.

Graduate PLUS loans

The Act creates a six-month grace period for repayment of all graduate student PLUS loans disbursed after July 1, 2008. Under prior law, these borrowers had to begin repaying their loans as soon as they were no longer enrolled on at least a part-time basis.

Other provisions

The Act also includes many other provisions:

- A requirement that textbook publishers sell unbundled versions of textbooks that previously may have been bundled with expensive DVDs and CDs
- A new scholarship program for active duty military personnel and their families
- A requirement that private student loan lenders inform students of their less costly federal borrowing options
- An expansion of student loan forgiveness for individuals who work in certain public service jobs

Business coverage

The \$250,000 limit does not necessarily apply to non-interest bearing deposit accounts, such as payroll processing accounts used by businesses. The FDIC's Temporary Liquidity Guarantee Program, scheduled to expire at the end of 2009, gives banks the option of offering unlimited protection for such accounts. Check with your bank to find out what it provides.

Credit union coverage

The National Credit Union Share Insurance Fund (NCUSIF) offers protection, backed by the full faith and credit of the U.S. Treasury, for credit union accounts. The limits are similar to those of the FDIC: \$250,000 per individual account per institution.

Federal Protection for Bank Deposits

In the wake of turbulence in the financial markets and recent legislation, it's worth reviewing the legal protections available for assets held by banks.

What's protected?

Bank deposits are protected by the Federal Deposit Insurance Corporation (FDIC), an independent agency backed by the full faith and credit of the U.S. government. FDIC insurance covers both demand deposits, such as checking, NOW, savings, and money market deposit accounts, and time deposits, such as certificates of deposit (CDs). It covers both principal and any interest accrued as of the date that an insured bank closes.

FDIC coverage does not include mutual funds, stocks, bonds, life insurance policies, annuities, or other securities, even if they were

bought through an FDIC-insured bank. It also does not cover U.S. Treasury securities, though these are backed separately by the full faith and credit of the U.S. Treasury. Finally, the FDIC does not insure safe-deposit boxes, though if a bank were to fail, the FDIC would typically either arrange for transfer to another bank or notify you to retrieve the contents.

How much is insured?

The Emergency Economic Stabilization Act of 2008 temporarily increased the amounts that are FDIC insured at an individual bank or savings and loan. The legislation states that the increase in standard coverage is effective through December 31, 2009, though there has been widespread discussion of making the increased limits permanent.

The previous limit of \$100,000 per individual per bank was increased to \$250,000. The \$250,000 limit applies to single-owner accounts, such as those held in one person's name, those established for another individual (e.g., an UTMA or escrow account), sole-proprietor ("DBA") accounts, and accounts established for the estate of a deceased person.

**How safe is it?**

According to the FDIC, no depositor has ever lost a penny of funds that were covered by FDIC insurance.

You can't increase your protection just by opening multiple accounts in your name at the same bank (for example, splitting money between a checking and a savings account, or opening accounts at more than one branch).

What if I have more than \$250,000?

The simplest approach is to have accounts at more than one bank. However, your coverage at an individual bank depends on how accounts are owned; different types of accounts are insured separately. You can exceed the \$250,000 limit as long as the deposits represent different categories of ownership. For example, a joint account qualifies for up to \$250,000 of coverage for each person named as a joint owner. That coverage is in addition to the \$250,000 maximum coverage for each person's aggregated single-owner accounts at that bank. For example, a married couple with three accounts at one bank--they each have \$250,000 in an individual account, and they also have \$200,000 in a joint account--would qualify for insurance on the entire \$700,000.

The limit on the amount protected in one or more retirement accounts at one bank also is \$250,000; this is separate from the \$250,000 coverage of individual accounts. (Remember, however, that FDIC insurance applies only to deposit accounts, not to any securities held in an IRA or other retirement account.) An online calculator at the FDIC website, www.fdic.gov, can help you estimate the total coverage on your deposit accounts.

Additional safety nets

In some states, a state-chartered savings bank is required to have additional insurance to cover any losses beyond the FDIC limits. Some banks also may participate in the Certificate of Deposit Account Registry Service (CDARS), which enables a bank to spread large CD deposits among multiple banks while keeping the amount at each individual bank within FDIC limits. Paying attention to your bank balances and account ownership can help protect you in a worst case scenario.

Rethinking Your Retirement Game Plan

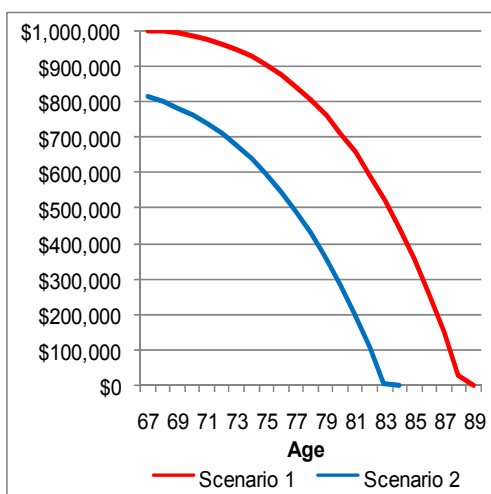
Periodic market downturns may result in significant investment losses, particularly within retirement accounts. If you are faced with this situation, you may have to reconsider when, or even if, you can retire.

The effects of a decline

Historically, the stock market has had its ups and downs. How any substantial market change impacts your retirement outlook may depend on how close you are to retirement. If you plan on working and contributing to your retirement savings for many more years, you may have time to recoup losses to your accounts due to poor investment performance. But if you're closing in on retirement or you're already there, a dip in your savings may affect how much you can safely withdraw and how long your savings can last.

To demonstrate, assume you and your spouse have \$1 million in retirement savings, expect an annual average rate of return of 7%, and estimate that you presently need \$100,000 annual retirement income for both of you to live comfortably, of which \$30,000 will come from Social Security. Presuming withdrawals increase by 3% each year to offset the effects of inflation, your savings will last about 22 years, as shown in the chart below (scenario 1).

However, a decrease of 14% in the value of your savings in one year shortens the duration of your savings by over 4 years (scenario 2). (This example is hypothetical and does not reflect a specific investment or strategy.)



What are your options?

If you're fortunate, even a significant decrease in savings may not impact your retirement income dramatically. You may have other sources of fixed income such as company-sponsored pensions, so you won't need to rely on your savings to provide much of your income. Or you may be able to offset the effect of diminished savings by spending less -- forgoing that planned cruise, putting off buying that new car, or making smaller gifts to children and grandchildren, for example. But if you rely on your savings for most of your retirement income, considerable investment losses of the magnitude recently experienced can require major lifestyle changes. Here are a few ideas to help you cope with the erosion of your retirement savings.

Continue working

You may have to delay the retirement party a little longer. Postponing retirement lets you continue to add to your retirement savings, which can offset losses caused by poor investment performance. Also, working allows you to delay withdrawing from your savings. That could allow more time for your retirement accounts to recover from investment-related losses.

Delay taking Social Security

Social Security may be the only source of fixed income you'll have in retirement. If you delay applying for benefits until your full retirement age, you can get as much as 30% more in monthly payments compared to taking benefits early. And, for each year you defer benefits past your full retirement age (between 65 and 67, depending on when you were born) to age 70, your benefit is increased by 8%. That could mean an additional \$500 or more in your benefit check each month--and that doesn't include annual cost of living increases.

Consider fixed income investments

Investments such as single premium immediate annuities (SPIAs) provide an income for the rest of your life, or for the combined lives of you and your spouse. However, while the income is dependable (subject to the claims-paying ability of the annuity issuer), you generally don't have access to the money you paid for the SPIA and you may not be able to change the amount of income payments or their duration once you've started.

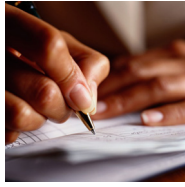
By 2016, the number of working people over age 65 is expected to increase by 80%.

Source: U.S. Bureau of Labor Statistics



If you delay your Social Security benefit, don't forget to sign up for Medicare at age 65.

Ask the Experts



Is my brokerage account protected?

Most brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC). Unlike the Federal Deposit Insurance Corporation (FDIC), which protects bank deposit accounts, the SIPC is not a government agency. Though created by Congress, it is a nonprofit corporation funded by its membership of broker-dealers registered with the Securities and Exchange Commission (SEC).

The SIPC helps return customer property, including securities and cash in brokerage accounts, should a broker-dealer or clearing firm experience bankruptcy, insolvency, or unauthorized trading in a customer's account. Should a SIPC member become insolvent, SIPC would ask a court to appoint a trustee to oversee transfer of customer securities to another firm, or act as the trustee itself.

SEC regulations also apply

The SEC also has provisions that can help protect investor assets. For example, the SEC

requires brokerage and clearing firms to segregate money and securities in customer accounts from their own proprietary assets and funds. This helps protect customers from being harmed by a firm's own trading activity. Also, firms are required to maintain a certain level of capital reserves to enable the firm to return customers' securities and cash in case of a financial failure. Finally, the SEC specifies that customer claims take precedence over other claims on a firm's assets.

What if a firm is liquidated instead of sold?

Securities registered in a customer's name (as opposed to being held in "street name," the most common method today) are returned to customers first. Assets held in street name make up what's known as the "fund of customer property." That fund is divided on a pro rata basis; assets are shared in proportion to the size of claims. Only if securities are still missing after the pro rata distribution would SIPC coverage be applied to make up the difference, up to the statutory coverage limit.

How much coverage does SIPC provide?

SIPC covers a maximum of \$500,000 per "separate customer," including up to \$100,000 in cash, at a given institution. As with banks, total coverage can be higher for multiple accounts at one firm. As long as accounts are held by what the SIPC considers "separate customers," each account qualifies for separate coverage. For example, a married couple could have two individual accounts with \$500,000 of coverage each, plus a joint account that would bring their aggregated potential coverage for that firm to \$1.5 million.

Categories of separate customers include:

- Individual accounts held by someone in his or her own name, or by an agent for another individual
- Accounts held jointly by two individuals with equal authority over the account
- Accounts held by executors, administrators, and guardians in the name of a decedent, an estate, or someone else (for example, a guardian for an UGMA account)
- Accounts held by a corporation, partnership, or unincorporated association

- Accounts held on behalf of a valid trust created by a written instrument (trust accounts are considered separately from those of an individual trustee)

Each of your retirement accounts at a given firm also generally is eligible for up to an additional \$500,000 SIPC coverage (including as much as \$100,000 in cash) if securities are lost or stolen.

In general, SIPC covers notes, stocks, bonds, mutual funds, and other shares in investment companies. It does not cover investments that are not registered with the SEC, such as certain investment contracts, unregistered limited partnerships, fixed annuity contracts, currency, gold, silver, commodity futures contracts, or commodities options. Remember also that SIPC does not protect against market risk or price fluctuations in securities.

Additional information and a brochure titled "How SIPC Protects You" is available at www.sipc.org.

Judge For Yourself Inc.
Randhir Judge, F.L.I.A.,
LUTCF
368 Fairview Way
Milpitas, CA 95035
888.229.9080 8114
info@jfyfinancial.com
www.jfyfinancial.com

Securities offered through
USAllianz Securities, Inc.
Member FINRA/SIPC. 5701
Golden Hills Drive, Minneapolis,
MN 55416. 888-446-5872.

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