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ClassicMoneyTalk

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NORKUM WEALTH MANAGEMENT, INC.

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When Should You Start Social Security?

You can start your Social Security benefits as early as age 62 (sooner if disabled) or as late as age 70. Depending on when you start your benefits, as much as 20% can be added to your after-tax income during retirement. Your starting time depends on individual circumstances — tax bracket, pre-tax qualified retirement money, marital status, spouse's age and whether or not you have dependent children. In what follows, I'll assume the "average" retirement-minded person.

Social Security is a promise — not a guarantee — of the federal government, and contrary to bleak projections by some, there is little likelihood you'll be denied your benefits.

Social Security benefits are determined by the payroll taxes paid on your lifetime earnings. A spouse is entitled to the greater of what he/she qualifies for on their own or 50% of their spouse's benefits.

Even though some of your Social Security benefits may be subject to ordinary income taxes, they receive preferential treatment. The benefits are also adjusted for inflation each year. By taking benefits at age 62, you'll get 80% or less of the normal retirement age amount; by waiting until age 70 your benefits can be double the earlier amount. The

annual growth rate for postponing has been about 8%, plus cost of living adjustments. Also, by starting early or late, you affect spousal and widow/widower benefits.

To determine when you should start Social Security benefits, we must review two other potential sources of income you'll have in retirement: pre-tax qualified retirement money you have in a 401(k), 403(b), IRA, etc. Since money in these plans has not been taxed, you will pay taxes on 100% of the pre-tax contributions and earnings when you withdraw the money. Since you got a tax break for building retirement savings, the government penalizes you for withdrawing the money prior to age 59½. Also, the tax rules require that you start minimum withdrawals and pay the taxes no later than age 70½. Unlike Social Security, qualified retirement money receives no preferential tax treatment.

The "average" retirement-minded couple may have other non-qualified money: CDs, stocks, bonds, mutual funds, annuities, real estate, etc. Generally, taxes have already been paid on the principal invested, leaving only the earnings yet to be taxed. In some cases, you may get preferential tax treatment on these earnings, e.g., capital gains, dividends, tax-free

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***** **The Guide to Social Security Benefits** *****

Should you start early? Should you delay until 70?

When you start is a major financial decision!

Call us today at 704.895.0070 for more information!

As a registered financial planner, Richard R. Norkum offers securities and advisory services through Jefferson Pilot Securities, a registered broker/dealer. Member NASD/SIPC. He is president of Norkum Wealth Management, Inc., which is neither a subsidiary of nor controlled by Jefferson Pilot Securities. Jefferson Pilot Securities Corporation and its representatives do not offer tax or legal advice. You should consult your individual tax or legal professional regarding your individual circumstances.

MoneyTalk With Rich

I recently read an article in the July issue of *Senior Market Advisor* about a survey that was recently taken. Three hundred adults over the age of 60 and retired were surveyed about their thoughts on their finances. I wanted to share some of the highlights of the survey with you.

- More than 70% gave themselves a score of 7 or higher on a personal financial wellness scale of 1 to 10.
- 75% say they are doing as well or better financially than they expected at this stage of life.
- The percentage of adults surveyed who describe themselves as being in less positive, or even poor, personal financial condition is quite small.
- Over half the adults say they are either not very, or not at all concerned, about their retirement finances. Instead, they are at a stage of life when they plan to think of nothing more pressing than enjoying themselves and using their time as they wish.

Herein lies the big story. Those who have a plan for managing their retirement income are less concerned about their future financial condition. In fact, half of those surveyed who have a financial plan expect to be in better financial condition in 5 years.

The study went on to say that the majority of those who aren't worried about their financial future is because they have a professional advisor. So it's really an affirmation that those who plan and use professional advisors are enjoying their retirements with their family.

Are you?

—Rich

Estate Planning Isn't Just for the Wealthy

You've worked hard, accumulated assets and been diligent in saving for a comfortable retirement. Now it is important to implement a plan to protect those assets in the event something were to happen to you.

Estate planning is critically important in the development and implementation of a plan that facilitates the distribution of your assets in the event you become incapacitated, or ultimately, at death. Having an estate plan can help ensure that your money and other assets are distributed as you choose. Some people wish to leave their assets to loved ones. Other individuals may wish to designate their assets to a particular charity. Without an estate plan, you have no say on who gets what. What's more, your property may go to others such as the state and federal government.

Estate planning is not just for the wealthy. Proper planning may be important to individuals with a wide range of financial situations. In fact, it may be more important if you have a smaller estate, as final expenses will have a much greater impact on your estate. Your plan may include many different components including power of attorney, wills, trusts, life insurance and gifting.

Power of Attorney — A written document that authorizes a particular person to perform certain acts on behalf of the person signing the document.

Will — A will is a legal document that lets you state how you wish your property be distributed after you die, who will administer your estate and who will be the guardian of any minor children.

Trust — A trust is a separate legal entity that hold your assets that are then used for the benefit of one or more people.

Life Insurance — A contract between the owner and a life insurance company that can provide proceeds to a beneficiary at the death of the insured. Life insurance can play an important part in estate plans.

Gift — A gift is a transfer of property that you make during your life to family, friends or charities. Gifting can be personally gratifying as well as an effective estate planning tool.

For help determining which estate planning vehicles are right for you given your age, your financial situation and your desire to preserve your assets for the benefit of others, call Rich today at 704.895.0070.

Welcome Aboard, Robin!

Robin Gelfont is our new Administrative Assistant and will concentrate on keeping the office running smoothly and will continue to provide you with the *classic care* you are accustomed to.

Robin resides in the Ballantyne area with Ronnie, her husband of 16 years and their two daughters, Brooke, 9, and Rocky, 4.

Originally from New Jersey, Robin moved to the Charlotte area from Boca Raton, Florida, where she owned a very busy, upscale catering business. Prior to that, she was the VP of a dot-com company for nine years. She

was responsible for prospecting, training the sales force, managing the sales office and creating new programs for products being introduced into the market.



Robin grew up around the insurance industry as her father was one of the key players in a Connecticut-based insurance company.

Welcome Aboard, Robin!



Senior News You Can Use

For Social Security retirement benefits, nine out of ten people age 65 or older receive monthly benefits. The key question is, "When should I retire, now or later?". There are three typical scenarios to consider.

1. Workers can retire as early as age 62 but with permanently reduced benefits. There are more monthly benefits payments because they will begin sooner.
2. Workers can begin collecting benefits at full retirement age (FRA) — age 65 and 10 months in 2007. This age is gradually increasing and will reach age 67 for those born in 1960 and later. At FRA and later, there is no reduction of benefits based on current earnings.
3. Workers can delay retirement until age 70 to earn delayed retirement credits (DRCs). The DRC for people

at FRA or older in 2007 is 7.5%. It will increase to 8% for those born in 1943 and later. A survivor's benefit is the only Social Security benefit that will include DRCs the worker earned.

The table below illustrates the difference between electing permanently reduced benefits at 62, waiting until FRA, or delaying retirement until age 70.

Workers need to consider their own needs and circumstances when determining their retirement date, including health, life expectancy, income needs, health insurance costs and personal investments. There isn't one answer that fits everyone. Please call Rich at 704.895.0070 if you have any questions.

Year of Birth	1945
Age 62 in 2007:	\$1,137 <i>(1,500 x 75% reduction)</i>
Age 66 (FRA):	\$1,500
Age 70:	(\$1,500 x 32% DRCs — 4 years at 8%)

Source: Retirement Weekly, Vol.5, No. 18

When Should You Start SS?

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bonds and tax-deferred annuity earnings. This non-qualified money will incur minimal future taxes.

When to use your money under the conventional wisdom does not consider Social Security, but for maximum tax efficiency, these benefits must be considered when timing how you use your retirement assets. If you coordinate the timing of when you take Social Security and your qualified retirement money, you can boost your after-tax income in retirement by as much as 20%. Take your qualified money first, delay Social Security benefits as long as possible, and defer taxes on the earnings on your other money.

If you would like to stretch your retirement money by 20%, call Rich at 704.895.0070 today!

Fast Facts

Take a look at these interesting statistics on the lifestyle choices that the senior population makes:

9.1 million — Estimated number of seniors 65+ who are military veterans.

5 million — Number of seniors age 65+ who have jobs.

73% — Percentage of seniors age 65+ in 2004 who have at least a high school diploma.

19% — Percentage of seniors 65+ in 2004 who had earned a bachelor's degree or higher level of education.

47,000 — Number of seniors 65+ who were enrolled in college in 10/04.

56% — Percentage of seniors age 65+ who were married in 2004.

Source: U.S. Census Bureau

BY THE NUMBERS As of 7/2/2007

As of the end of June — The S&P 500 finished with a +7.0% gain YTD (total return) as of 6/30/07, its best Jan-June performance since the stock index gained +11.8% in 2003.

(source: BTN Research).

From this point forward — The 2nd half of the year (i.e., the months of July-December) has produced at least a +10% total return for the S&P 500 in 5 of the last 12 years. The stock index gained +12.7% in the final 6 months of 2006 *(source: BTN Research).*

Down then up — In the last 20 years, the S&P 500 has suffered 31 separate 1-week losses of at least 4%. The stock index has rebounded with a 1-week gain of at least +4% within 4 weeks of the loss 55% of the time *(source: BTN Research).*

The turtle wins — A 40-year-old investing a static \$500 twice a month earning 7% will accumulate \$510,000 in a tax-deferred account by age 60. A 50-year old investing a static \$1,000 twice a month earning 7% will accumulate \$344,000 by age 60. For the 50-year old investor to catch up by age 60 with the 40-year old, he/she will need to increase the \$1,000 amount by 2.5% per year and achieve a 12.8% annual rate of return.

This calculation ignores the ultimate impact of taxes on the account which are due upon withdrawal, is for illustrative purposes only and is not intended to reflect any specific investment or performance. Actual results will fluctuate with market conditions and will vary (source: BTN Research).

Oil trivia — Worldwide demand for oil is expected to reach 88 million barrels a day by the 4th quarter 2007, i.e., 1 billion barrels of oil will be consumed on average every 11½ days *(source: Wall Street Journal).*

Source: American Skandia, a Prudential Financial Company.

Rocky's Summer Excuses



I hope everyone's summer is going well and that everyone had a great 4th of July. My 4th was extra spicy this year thanks to the fine folks at Wild Texan and their generous selection of the most innovative pyrotechnic displays available to all just south of the NC border. All my neighbors were very impressed this year when I brought out the Mighty Caesar, the first roman candle over 4 feet — it came with its own shoulder harness! No injuries, only a few blown minds!

My father had a great holiday also. He spent it with Libby visiting friends up in Cape Cod. A quick reminder to the folks who attended my "office meeting" while he was out, please don't mention the complimentary beverages served or the client who showed up in a cape and a plate of jello shots. If pictures were taken, I will insist any images of me standing on my father's

desk in a cape were manipulated with one of those advanced photo editing programs that all the kids are using.

If you did not make it, there will be another "meeting" the next time my father takes a vacation. He's a hard worker and I'm sure he'll need a break soon. But while the summer continues heating up and while my father is still in town, there are a couple of other opportunities to "meet" and have a good time. One event I participate in may interest some, and others, it may not, but I would still like to share.

Every Thursday during the summer, starting at 5:30 p.m., downtown Charlotte hosts "Live After 5," an event that showcases a new band and provides a social atmosphere for the many folks working downtown to let loose a bit with fellow friends. Since I am the Membership Director for the Charlotte

Jaycees and since we co-sponsor the event, I use the opportunity to share with folks a little bit about who we are and why we are the greatest young person's organization. For those of you who do not know, the Jaycees stands for the Junior Chamber and focuses on the individual development of future role models and leaders in this community.

So if any of you decide to take a Thursday night flight uptown to enjoy the fiesta, stop by and say hello and take a complimentary picture with a snowman, or a new character we provide each week. I'll even give you a free Jaycees pen. I know, I just blew your mind.

— Rocky

We're on the Web!
www.ClassicApproach.com

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