HFIS Hartfield Financial & Insurance Services, Inc.
Financial Services & Insurance Planning

REALIZE YOUR dreams & plans

May 2009

"Helping Families Preserve Their Wealth"

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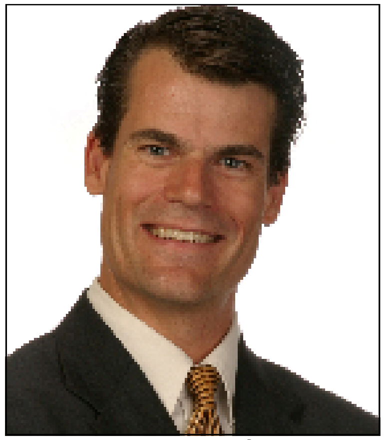
INSIDE THIS ISSUE:

Special points of interest:

- Starbucks Gift Card referral program: Anyone who gives a referral in the month of May will receive a Starbucks Gift Card. It's just my way of saying "Thank YOU"
- Stocks have best two-month run in seven years
- Data suggest improvement ahead
- Fed continues asset-purchase program
- Manufacturing contraction slows

Sources: MFS research.

"If we had no winter, the spring would not be so pleasant: if we did not sometimes taste adversity, prosperity would not be so welcome."
~ Anne Bradstreet, American Poet



Thomas J. Hartfield

Save Now or Save Later?

Most people have good intentions about saving for retirement. But few know when they should start and how much they should save.

Sometimes it might seem that the expenses of today make it too difficult to start saving for tomorrow. It's easy to think that you will begin to save for retirement when you reach a more comfortable income level, but the longer you put if off, the harder it will be to accumulate the amount you need.

The rewards of starting to save early for retirement far outweigh the cost of waiting. By contributing even small amounts each month, you may be able to amass a great deal over the long term. One helpful method is to allocate a specific dollar amount or percentage of your salary every month and to pay yourself as though saving for retirement were a required expense.

Here's a hypothetical example of the cost of waiting. Two friends, Chris and Leslie, want to start saving for retirement. Chris starts saving $275 a month right away and continues to do so for 10 years, after which he stops but lets his funds continue to accumulate. Leslie waits 10 years before starting to save, then starts saving the same amount on a monthly basis. Both their accounts earn a consistent 8% rate of return. After 20 years, each would have contributed a total of $33,000 for retirement. However, Leslie, the procrastinator, would have accumulated a total of $50,646, *less than half* of what Chris, the early starter, would have accumulated ($112,415).*

This example makes a strong case for an early start so that you can take advantage of the power of compounding. Your contributions have the potential to earn interest, and so does your reinvested interest. This is a good example of letting your money work for you.

If you have trouble saving money on a regular basis, you might try savings strategies that take money directly from your paycheck on a pre-tax or after-tax basis, such as employer-sponsored retirement plans and other direct-payroll deductions.

Regardless of the method you choose,

529 Lesson Plan:

Looking for a tax-advantaged college savings plan that has no age restrictions, no income phaseout limits, no residency requirements — and one you can use to pay for more than just tuition?

Consider the 529 savings plan, an increasingly popular way to save for higher-education expenses, which have more than tripled over the past two decades — with annual costs of more than $30,000 per year for the average private four-year college.[1] Named after the section of the tax code that authorized them, 529 plans (also known as qualified state tuition programs) are now offered in almost every state.

Most people have heard about the original form of 529, the state-operated **prepaid tuition plan**, which allows you to purchase

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units of future tuition at today's rates, with the plan assuming the responsibility of investing the funds to keep pace with inflation. It's practically guaranteed that the cost of an equal number of units of education in the sponsoring state will be covered, regardless of investment performance or the rate of tuition increase. Of course, each state plan has a different mix of rules and restrictions. Prepaid tuition programs typically will pay future college tuition at any of the sponsoring state's eligible colleges and universities (and some will pay an equal amount to private and out-of-state institutions).

The newer variety of 529 is the **savings plan**. It's similar to an investment account, but the funds accumulate tax deferred. Withdrawals from state-sponsored 529 plans are free of federal income tax as long as they are used for qualified college expenses.[2] Unlike the case with prepaid tuition plans, contributions can be used for all qualified higher-education expenses (tuition, fees, books, equipment and supplies, room and board), and the funds usually can be used at all accredited post-secondary schools in the United States. The risk with these plans is that investments may lose money, or may not perform well enough to cover college costs as anticipated.

In most cases, 529 savings plans place investment dollars in a mix of funds based on the age of the beneficiary, with account allocations becoming more conservative as the time for college draws closer. But recently, more states have contracted professional money managers — many well-known investment firms — to actively manage and market their plans, so a growing number of investors can customize their asset allocations. Some states enable account owners to qualify for a deduction on their state tax returns or receive a small match on the money invested. In 48 states, earnings are exempt from taxes.[3] And there are even new consumer-friendly reward programs popping up that allow people who purchase certain products and services to receive rebate dollars that go into state-sponsored college savings accounts.

Funds contributed to a 529 plan are considered to be gifts to the beneficiary, so anyone — even non-relatives — can contribute up to $13,000 per year

From page 1: Save

it's extremely important to start saving now, rather than later. Even small amounts can help you greatly in the future. You could also try to increase your contribution level by 1% or more each year as your salary grows.

Distributions from tax-deferred retirement plans, such as a 401(k) plans and traditional IRAs, are taxed as ordinary income and may be subject to an additional 10% federal income tax penalty if withdrawn prior to age 59½.

If you're dealing with an increase in questions about the complex nature of Stocks, Bonds and Mutual Funds, you owe it to yourself, to contact Hartfield Financial and Insurance Services, Inc., to schedule a personal confidential appointment where you will learn more about our custom designed asset allocation program, and how Thomas J. Hartfield can help you with your investment, savings and retirement planning needs.

You want more control over your retirement. You want to be able to help control your retirement anxiety. Our asset allocation strategy solution can help you do both. Remember it's a matter of control.

*This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return involve a higher degree of investment risk. Taxes, inflation, and fees were not considered. Actual results will vary.

What is an Annuity?

An annuity is a contract with an insurance company that is funded by the purchaser and designed to generate an income stream in retirement. It is a flexible financial vehicle that can help protect against the risk of living a long time because it provides an option for a lifetime income.

Two advantages of annuities are that the funds accumulate tax deferred and they can be distributed in a variety of ways to the contract owner.

There are many different types of annuities. Immediate annuities are designed to provide income right away, whereas deferred annuities are designed for long-term accumulation. Some annuities offer a guaranteed rate of interest, whereas others do not.

Annuities have fees and expenses, and they carry a certain level of risk. Any guarantees are contingent on the claims-paying ability of the issuing insurance company. Most annuities have surrender charges that are assessed during the early years of the contract if the owner surrenders the annuity. Typically, these surrender charges work on a sliding scale, with higher charges during the first several years of the contract and lower charges in the years before the surrender charges expire.

If the contract is surrendered before age 59½, the owner may also be subject to a 10% federal income tax penalty. The earnings portion of annuity withdrawals is subject to ordinary income taxes.

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(in 2009) per beneficiary without incurring gift tax consequences. Contributions can be made in one lump sum or in monthly installments. And assets contributed to a 529 plan are not considered part of the account owner's estate, therefore avoiding estate taxes upon the owner's death.

Major Benefits

These savings plans generally allow people of any income level to contribute, and there are no age limits for the student. The account owner can maintain control of the account until funds are withdrawn — and, if desired, can even change the beneficiary as long as he or she is within the immediate family of the original beneficiary. A 529 plan is also extremely simple when it comes to tax reporting — the sponsoring state, not you, is responsible for all income tax record keeping. At the end of the year when the withdrawal is made for college, you will receive Form 1099 from the state, and there is only one figure to enter on it: the amount of income to report on the student's tax return.

Benefits for Grandparents

The 529 plan is a great way for grandparents to shelter inheritance money from estate taxes and contribute substantial amounts to a student's college fund. At the same time, they also control the assets and can retain the power to control withdrawals from the account. By accelerating use of the annual gift tax exclusion, a grandparent — as well as anyone, for that matter — could elect to use five years' worth of annual exclusions by making a single contribution of as much as $65,000 per beneficiary in 2007 (or a couple could contribute $130,000 in 2009), as long as no other contributions are made for that beneficiary for five years.[4] If the account owner dies, the 529 plan balance is not considered part of his or her estate for tax purposes.

By comparing different plans, you can determine which might be available for your situation. You may find that 529 programs make saving for college easier than before.

Sources:
1. *The College Board*, 2009
2. As with other investments, there are generally fees and expenses associated with participation in a Section 529 savings plan. In addition, there are no guarantees regarding the performance of the underlying investments in Section 529 plans. The tax implications of a Section 529 savings plan should be discussed with your legal and/or tax advisors because they can vary significantly from state to state. Also note that most states offer their own Section 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. The tax-free qualified withdrawal provision of these plans is due to expire after December 31, 2010 unless new legislation is enacted by congress.
3. SavingForCollege.com
4. If the donor makes the five-year election and dies during the five-year calendar period, part of the contribution could revert back to the donor's estate.

W e e k i n R e v i e w : S t o c k s r i s e a s i n v e s t o r s g l i m p s e b o t t o m

For the week ended May 1, 2009

- **Stocks have best two-month run in seven years**
- **Data suggest improvement ahead**
- **Fed continues asst-purchase program**
- **Chrysler declares bankruptcy**
- **Companies beat estimates**
- **Manufacturing contraction slows**

In March and April, U.S. stocks logged their best two-month period in seven years as positive earnings news and economic indicators seemed to convince investors the bottom might be near.

This week, markets were volatile as fears of a swine flu pandemic rose, prompting countries to issue travel warnings. While stocks finished the week higher, they retreated a bit on Thursday and Friday amid profit disappointments from **Exxon Mobil**, **MetLife**, **Hartford Financial Services** and **MasterCard**.

U . S . e c o n o m i c n e w

First-**quarter indicators show the U.S. economy in dire straits…**
In the first quarter U.S. economic growth dropped at an annual pace of 6.1% amid a record slump in inventories and a further decline in the housing market. The decline in growth persisted in the first quarter despite the drop in gas prices and larger tax refunds, which helped bring an end to the worst slump in consumer spending in almost three decades. The economy contracted 6.3% in the fourth quarter of 2008. The first-quarter numbers cap the economy's worst performance in five decades.

Sources: MFS research; The Wall Street Journal; The Wall Street Journal Online; Bloomberg News; Financial Times.

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About HFIS, INC.

About Thomas J. Hartfield is the President and Founder of Hartfield Financial and Insurance Services, Inc (HFIS) and has been successfully helping clients meet their long-term financial goals for nearly 15 years. HFIS has built a name for itself as a trusted leader in Financial Services and Insurance Planning.

Hartfield Financial and Insurance Services prides itself on offering a highly customized approach to investing with comprehensive financial plans, access to thousands of investment products and a network of experienced accomplished professionals. As an independent company, Hartfield Financial and Insurance Services offers a vast menu of financial products & services, unbiased investment advice and has the ability to partner with other accomplished financial service providers.

Providing a complete menu of financial services, over the years clients have put their trust in HFIS to set up Tax Efficient Financial Plans, Qualified & Non-Qualified Retirement Plans, IRAs, 529 Plans, Living Trusts, Estate Plans and much more. Committed to building long-term relationships with clients, Hartfield Financial & Insurance Services offers in-depth frequent reviews, educational workshops, plus service and support that is among the best in the industry! As a result, the HFIS client base has grown to include a great number of highly successful professionals and business leaders. As specialists in retirement planning regulations and employee benefit programs, Hartfield Financial & Insurance Services has also built an impressive list of corporate clients.

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