

# Senior Accents

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Winter/Spring Issue 2010

## Prep Steps to Getting Your Estate in Order

The best estate planning begins early and is usually sparked or adjusted by major transitions in life – when a marriage is beginning or breaking up, when a baby’s on the way, or when a major career change or inheritance increases an individual’s assets or the assets of an entire family.

It’s important to coordinate financial planning with estate planning because what you do with your money today will have a direct impact on the estate your heirs will receive years from now. It all starts with basic spending and planning goals. Here’s a general road map to that process:

### Start with a trained financial planner:

Whether you plan to stay single, remarry or move in with a new partner, it’s good to get a baseline look at your finances as early as possible before estate planning can begin. A CERTIFIED FINANCIAL PLANNER™ professional can help you review your new current spending and savings needs, compare strategies to achieve long-term goals, such as college and retirement and give you critical tools to protect your assets and loved ones if you die suddenly.

### Talk with a trained estate attorney about wills and other critical documents:

True, there are software programs and other kit solutions available to write basic wills, powers of attorney and certain simple trust agreements. These packages offer short-term savings but have the potential for greater costs in the long run if you choose the wrong package or fail to follow all instructions to the letter. It makes more sense to coordinate your financial planner’s activities with an estate attorney who can tailor an overall estate plan specific to your needs.

Even if you are very young with few assets, get some solid advice in this area so you’ll be able to manage and adapt such planning as you age and your finances get more complex. It’s usually a good idea to revisit your estate plan every five years or whenever you have a major life change.

### Make a guardianship game plan for your kids:

It’s not enough to plan how money and assets will go to your children if you or your spouse die suddenly or are incapacitated. If your children are minors, it’s particularly important to make sure you and your spouse have a guardianship plan for their upbringing as well as any assets they may inherit. You should give your chosen guardians a road map on how to handle the assets you leave behind. You should also ask your proposed guardians before you name them, while you still have the chance to name someone else if your first choice is unable or unwilling to carry out that responsibility. If there are any trust or wealth issues that will become effective for your children once they reach adulthood, it’s important to establish an efficient legal structure, such as a trust created under your will for distributing those assets. A trust under your will would name a trustee who can train and guide your kids through that financial transition.

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# Prep Steps to Getting Your Estate in Order

## (continued)

### Plan for kids who have special needs:

If one of your children is disabled and is expected to need lifetime assistance of some type, then you should consult a qualified attorney to help you create a special needs trust. It will help protect your child from having to give up any public or social financial assistance as well as access to special doctors, medical help, specific prescriptions or treatments that could be taken away if they were to personally inherit assets that would disqualify them for these programs. When such assets are held in a properly designed special needs trust, they are not counted as the child's assets. The advantage is that those trust assets may still be used to support their housing or other personal living needs.

### Get solid insurance protection in place:

If you are married or are single with a child to care for, you really should consider purchasing insurance that will cover any eventuality. Not only will adequate life insurance benefit your family, but you and your family will also benefit from adequate health, property/casualty and disability insurance. If you're newly single, you need the best health coverage you can afford for yourself and your kids, but life, property, liability and disability insurance becomes doubly important, particularly if you failed to address those needs during the divorce. Even if your ex-spouse is cooperative with financial support, it's wise to insure yourself as if they weren't. A qualified financial planner should be able to review those options in detail.

### Review all your investments for primary ownership and beneficiary information:

While you are married, appropriate designation of property as separate, joint, or (if applicable) community property can provide legal, tax and asset protection advantages. In a divorce situation, even if you were advised correctly to change the names on assets you and your spouse were dividing between yourselves, you should perform a post-divorce review to make sure that the ownership names and beneficiary designations are indeed correct on those assets. And most importantly, to make sure all beneficiary information is correct.

### Plan for multigenerational issues:

For individuals and couples with elderly parents and/or young kids starting out on their own, it might be smart to do a multi-generational estate checkup at the same time. Why? Because in families with significant assets or other pressing financial issues involving businesses or dependents, each generation's wishes for the dispersal of shared or personal assets should be documented legally and shared with all the relevant parties. In some families, this may mean the future of a multigenerational family business, perhaps one of the most complex estate issues any family will face. For other families, the assets may consist mainly of cash, property and other investments, but similar problems can occur when all the parties aren't on the same page about who will get what, how and when they will get it, and who is in charge during the process.

### Activate trusts and other estate transfer mechanisms:

It is surprising how often estate attorneys and other people in the advisory process fail to get their clients to actually title assets in the name of living trusts and other mechanisms to transfer wealth. It's not enough to set these mechanisms up – get step-by-step instruction on what needs to be done to make them effective.

### Make sure your health and financial representatives know your wishes:

Often people tell a close friend or relative that they have been given power of attorney over health and financial decisions of a loved one, but there's no further effort to share those wishes or show them what their legal documents specifically instruct them to do. Both sides should go over this information as soon as the person agrees to be the other's representative.

*December 2009 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Ronald W. Barner, CFP®, ChFC®, AIF®, (724) 850-7005.*

# The Balancing Act: Retirement vs. College Savings

*Even as the economy begins its slow crawl back, college costs are continuing to rise – that means parents are continuing to fight a tough battle between funding college and funding their own retirements.*

In October, the College Board reported that the average published price of tuition and fees for in-state students at four-year U.S. public colleges was \$7,020 for the 2009-10 school year, up \$429 or 6.5 percent higher than a year ago. After adjusting for inflation, the average net price paid for tuition and fees by public four-year college students overall is lower in 2009-10 than it was five years ago – but higher than it was last year. Private four-year colleges saw a smaller increase of 4.4 percent or \$1,096, but for a much higher average annual tuition of \$26,273 for the school year.

Also in October, the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) also reported in October that American workers who held 401(k) accounts consistently from 2003 through 2008 suffered a 24.3 percent average drop in their account balance during 2008's bear market.

Despite these huge challenges, it's particularly important for parents to make retirement their first priority – kids can always take on loans and search for scholarship and grant funding to tide them over. Parents can offer help in a better economy, but the momentum lost in saving for retirement is much tougher to replace. But not so fast.

There are serious financial consequences to breaking into 401 (k) and other tax-advantaged retirement savings, and parents tempted to do so

should look for other alternatives. A July 2007 Country Insurance and Financial Services survey found not only that 25 percent of respondents thought it would cost less than \$50,000 to send a child to a four-year college (on average, public schools have surpassed that when you add room and board), but that nearly half believe that saving for college is more important than their retirement, which most qualified experts advise against.

Before you pick between yourself and your child by raiding your retirement accounts, here's what you should know:

## **You'll escape an early distribution penalty, but...**

Any withdrawals from an IRA you might take for your child or grandchild's education (as well as your own or your spouse's) can be withdrawn without the usual 10 percent penalty on early distributions before age 59 . But you really need to talk with a tax advisor or a personal finance expert like a CERTIFIED FINANCIAL PLANNER™ professional to determine whether your IRA withdrawals will have to be reported on your Form 1040.

## **You might hurt your kid's chances for financial aid:**

The entire withdrawal from an IRA -- whether taxable or not -- must be included as income on the following year's application for the Free Application for Federal Student Aid, or FAFSA. Family income does more to influence financial aid than the size of the family's assets, and dipping into your IRA can potentially damage your child's potential financial

# The Balancing Act: Retirement vs. College Savings (continued)

aid. Check with a trained financial planner expert in financial aid strategy before you make a move.

## Don't even consider a 'hardship withdrawal' from a 401 (k) plan:

Earlier this year, the Transamerica Center for Retirement Studies reported an increase in workers taking loans from their 401(k) and other work-based retirement savings. Eighteen percent of those surveyed reported they took loans from their retirement plans in 2007 compared to 11 percent in 2006. Yet keep in mind that while most plans provide an option for hardship withdrawal for emergency medical or funeral expenses, the IRS restricts use of those funds for home purchases or tuition expenses.

So what do you do? Besides talking to a tax professional, it makes sense to find time to speak with a CFP professional to take a look at your overall financial situation so you can possibly find alternatives to raiding your retirement. A trained planner can help you look over all the spending, saving and investment decisions you've made so far and seal up the leaks – then you can discover whether you have smarter options to pay your child's tuition. They include:

## Starting a search for scholarships and grants with your kid:

See if there are grants and scholarships not only in your community, but also within your industry. Understand what a prospective student's college choices might offer in terms of aid from its endowment. Also, some employers offer scholarships for their employees' kids. Start searching online, at the office and by phone for such aid.

## Fine-tuning your negotiating skills:

Parents need to become more aggressive about negotiating tuition, room, and board at colleges where either they or their children have been accepted. A financial planner with expertise in college planning can train parents to understand where those savings might be against the student's qualifications for getting into the program of their choice.

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# Even in Tough Times, Grandparents Can Still Help Their Grandkids Get a Good Financial Start

*Though grandparents are among the millions who have taken a big hit to their portfolios in recent years, careful planning can ensure a healthy contribution to the education and financial future of their grandchildren.*

The first step involves a talk between grandchildren and their adult children. According to 2008 research from The Hartford Financial Services Group, 65 percent of grandparents surveyed reported that they plan to contribute financially to their grandchildren's college education, but that less than one third of all survey participants talked with their adult children about those plans.

Statistics show the amount of money that changes hands between grandparents and their grandchildren is substantial even before the kids head off to college. Hartford reports that more than 40 percent of grandparents spend more than \$2,000 annually on their grandchildren before they reach 18 years old. And once it's time for the kids to head off to school, over half of grandparents who plan to contribute will give more than \$10,000, with a quarter of those planning to give more than \$30,000.

A visit to a CERTIFIED FINANCIAL PLANNER™ professional can help grandparents and their adult children coordinate a gifting strategy that makes sense. In the meantime, there are several options to consider:

**Talk:** Adult children and their parents might find it difficult to talk about money issues in general, but discussing a positive goal like funding a child's future can pave the way to make discussions later

about the grandparents' estate issues and end-of-life care a little easier to handle. But initially, these discussions will hopefully deliver a reality check. The Hartford survey points out that 60 percent of the grandparents surveyed believe that financial aid will be the most likely way their grandchildren will pay for college in an era where federal aid is declining and grants and scholarship cover only an estimated 15 percent of total college costs.

**Start Early:** While many families don't turn to relatives for help until there's an immediate need, earlier planning almost always produces better results. Grandparents already know that saving for a child's college education is easier if it starts at birth. The same is true for the next generation, so grandparents or adult children need to set a plan in place as early as possible for maximum benefit.

**Coordinate college support with overall estate planning:** Grandparents should look at their support for their adult children and grandchildren as an overall part of their estate strategy. A CFP professional, in concert with estate and tax experts, can help grandparents and their adult children settle a series of estate issues at one time, saving time, money and worry later.

**Consider the 529 plan option:** A 529 college savings plan is an investment vehicle operated by a state or educational institution designed to help families set aside funds for future college costs. It is named after Section 529 of the Internal Revenue Service Code, which created these plans in 1996. If parents have set up a 529 plan for their

# Even in Tough Times, Grandparents Can Still Help Their Grandkids Get a Good Financial Start (continued)

child, grandparents can contribute to that plan or they can set up their own 529 plan account with their grandchild as the beneficiary.

**Watch the Fees:** No matter what savings or investment options you choose, make sure you're not overpaying fees. A stock mutual fund may charge in excess of 1 percent of assets; you can certainly find quality mutual funds that charge less. Two good resources: Morningstar.com can provide you a general review of most mutual funds you might be considering. The second is the Security and Exchange Commission's online Mutual Fund Cost Calculator, which can help you determine how the fees and other costs associated with the fund will add up over time.

**Offer some investing training wheels:** Grandparents have a unique relationship with their grandchildren. They can teach without "lecturing" like their parents, and for that reason, they might consider setting up an investment account with a small balance that the kids can monitor and discuss under the supervision of the grandparent.

**Make the grandkids beneficiaries:** Naming your grandchild as the beneficiary of a retirement account or insurance policy can be a tax-smart way to provide financial support for college or possibly a first home.

*October 2009 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Ronald W. Barner, CFP®, ChFC®, AIF®, (724) 850-7005.*



# AARP Driver Safety Program

Complete this course to qualify for a discount on your auto insurance.

## Be Sure to Read This Before Registering for Class

First Commonwealth-sponsored AARP Driver Safety Programs help older drivers improve their skills and potentially prevent traffic accidents. Drivers over the age of 55 enjoy a substantial automobile insurance discount for completing this class every three years.

Beginning in 2008, AARP introduced a **four-hour refresher course that is available in limited areas to those individuals who qualify by having previously completed the full eight-hour course within the past three years**. The certificate you received upon completion of your last class will suffice as proof that you are eligible to participate in the four-hour class. First Commonwealth is pleased to offer this new four-hour refresher course in Hollidaysburg, DuBois and Vandergrift to those qualifying individuals. This classroom experience still addresses age-related physical changes, declining perceptual skills, safety considerations, and rules of the road, but in an abbreviated format.

AARP introduced new tuition fees in 2009, increasing the per person cost for the first time in recent history. **New fees are \$12 per person for those who have a current, valid AARP membership** (your AARP card must be presented to the instructor of the class as the membership number will now be included on your driving class certificate to qualify for the \$12 fee). AARP fees are \$14 for class participants who are not current members of AARP.

These valuable courses are at **no cost to our Senior Accent members**. Because these classes are so popular and class sizes are limited, **only mailed reservations are accepted on a first come, first served basis**. Upon our receipt of your registration request, a confirmation letter will be mailed to you. **In fairness to all, we do not accept telephone reservations.**

Non-Senior Accent members may register for our bank-sponsored classes and self-pay on the class date, but first consideration for enrollment will be given to our Senior Accent members.

If you wish to attend one of these four-hour classes, **be sure you have completed the full eight-hour version to qualify for this shorter refresher class**. Check with your auto insurance company to ensure your eligibility for a four-hour course if you are unsure of the timing of your class. Then, if you qualify, complete the registration form on this page and mail to: **First Commonwealth, Attn: Amanda Fisher, P.O. Box 400, Indiana, PA 15701.**

## PROGRAM LOCATIONS

### WINTER/SPRING SCHEDULE

#### DuBois

Wed. • April 14

9:00 am – 1:00 pm

First Commonwealth Bank  
2 E. Long Ave. (Board Room)  
Sr. Rita Kartavich, Instructor

#### Vandergrift

Tues. • April 13

9:00 am – 1:00 pm

First Commonwealth Bank  
Kiski Office  
Columbia & Grant  
Bob Susini, Instructor

#### Hollidaysburg

Thur. • April 22

9:00 am – 1:00 pm

First Commonwealth Bank  
The Meadows Office  
Route 220 and N. Juniata St.  
Bob DeWeese, Instructor

## AARP DRIVER SAFETY PROGRAM RESERVATION FORM

**\*YOU MUST BE A CURRENT SENIOR ACCENT MEMBER AT THE TIME OF REGISTRATION AND ON THE CLASS DATES.**

1. I am a current Senior Accent Member.  Yes  No
2. I am a current AARP Member.  Yes  No
3. I have previously completed an 8 hour driver safety course.  Yes  No

Name \_\_\_\_\_ Birthdate \_\_\_\_\_  
AS IT APPEARS ON YOUR CURRENT VALID DRIVER'S LICENSE

Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

2<sup>nd</sup> Name (IF APPLICABLE) \_\_\_\_\_ Birthdate \_\_\_\_\_  
AS IT APPEARS ON YOUR CURRENT VALID DRIVER'S LICENSE

I / We will attend at...  DuBois  Vandergrift  
 Hollidaysburg

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