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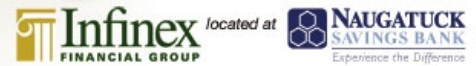
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Four Money Mistakes You Might Be Making
Investing in a Low Interest Rate Environment
Asset Protection Strategies Beyond Insurance
Can I provide annuity payments to my heirs
after I die?



SOLUTIONS

from InfineX Financial Group



Four Money Mistakes You Might Be Making



Three years after the economic crisis led many Americans to re-evaluate their financial picture, economic uncertainty is still the norm. While there's little you can do about the shaky economy, you can help stabilize your own finances over the long term by evaluating what you're doing right ... and wrong. There's no guarantee, but avoiding these four money mistakes may help you survive and ultimately thrive in any turbulent economy.

Mistake 1: Jumping on the bandwagon

Are you letting economic news--good or bad--control your financial decisions? For example, are you selling gold because you've heard that prices are at record highs or buying real estate because you've heard that prices are at record lows? Have you decided to pull most of your money out of the stock market because you've seen headlines warning of a possible financial crisis?

Unless you're basing your decisions on your own needs and circumstances rather than on the opinions or actions of others, you can't be sure you're doing what's right for you. Instead of jumping on the bandwagon, take a proactive, rather than reactive, approach to your finances, no matter what economic news you're hearing or what other investors are doing. Revisit your tolerance for risk and your own financial goals, and try to prepare yourself for a variety of scenarios. Avoid basing money decisions on emotion, or you may find yourself facing unanticipated consequences down the road.

Mistake 2: Only saving what's left over

Do you continue to worry that you're not saving enough? Do you routinely rely on credit rather than cash to pay for the things you want or need? Rather than blame your financial inertia on your income, look a bit deeper, because the real culprit may be the lack of financial priorities. If you don't know exactly how you're

spending your money and you haven't set financial goals, it's unlikely that you'll see much financial progress.

Go back to basics by preparing (or reviewing) your budget. If you tend to save only what you have left over every month, you can put yourself on a more disciplined course by having a fixed amount taken out of your paycheck automatically for retirement. Or, you can set up automatic transfers from your checking account to a savings or investment account.

Mistake 3: Not having an emergency fund

One lesson that you may have learned over the past few years is that the job market isn't stable. That's a major reason why one of your savings priorities should be an emergency fund. While it isn't glamorous, this underappreciated workhorse really pulls its weight during hard times. Having cash on hand that you can use for an unexpected expense, or to pay bills if you lose your job, is vital because it can help you avoid having to rely on credit or tap your retirement savings. If you don't have emergency savings to fall back on, a minor money shortfall can quickly turn into a major cash crisis.

Mistake 4: Not asking for help

Even if your finances are in good shape right now, you may be overdue for a checkup. Reviewing your finances is especially important during periods of volatility because it can help reveal potential strengths and weaknesses, and identify changes you might need to make to adjust to the current economic climate. And if you're already in financial trouble, don't let fear or shame prevent you from asking for help. Facing financial problems early may help you make a full recovery. Many creditors are willing to work with you, but this may be much easier while your credit is still good, and while you still have time to turn things around.

Investing in a Low Interest Rate Environment



Don't stop at yield

If you're tempted to seek a higher return, don't forget that yield alone shouldn't be your only criterion. In reaching for additional yield, you may be taking on additional risk. Also, if and when interest rates rise, the change may affect a bond's market value unless held to maturity. Don't hesitate to get expert help to assess whether you can increase your return without taking on more risk than you can afford.

Low interest rates create a dilemma. Do you accept a low return because you feel you must protect your principal? Or do you take on greater investment risk in order to try for a higher return? Here are some factors to consider in trying to balance those two concerns.

Consider laddering CDs

When yields on Treasury bonds began dropping, many investors were attracted to bank certificates of deposit (CDs). However, interest rates won't stay low forever; at some point you may want access to your money before a CD matures. One way to potentially achieve higher rates while retaining some flexibility is to ladder CDs. Laddering involves investing in CDs with varying maturity dates. As the shorter-term CDs mature, the proceeds can be reinvested in one with a longer term, which may have a higher rate. Over time, laddering may provide both the higher rates typically offered by longer-term CDs, and the ability to adjust as rates change.

For example, let's say Harriet Hypothetical wants to invest \$60,000 in CDs. She might put \$20,000 in a one-year CD that pays 0.5%, another \$20,000 in a three-year CD that pays 1.25%, and the final \$20,000 in a five-year CD that pays 1.75%. When the one-year CD matures, she reinvests that money in another five-year CD. When her three-year CD matures, she reinvests it in still another five-year CD. At that point, funds from a maturing CD will be available every year or two, but will earn the higher five-year rate. If rates are lower when a CD matures, she has the option of investing elsewhere.

Pay attention to costs

Low returns magnify the impact of high investing expenses and taxes. Let's say a mutual fund has an expense ratio of 1.00, meaning that 1% of its net asset value each year is used to pay operating expenses such as management and marketing fees. That 1% represents a much bigger bite out of your return when the fund is earning 3% than it does if a fund is earning 10%. At the higher number, you're losing only about 10% of your return; at 3%, almost a third of your return goes to expenses. If you prefer individual stocks, keep an eye on trading costs.

Note: Before investing in a mutual fund, carefully consider its fees and expenses as well as its investment objective and risks, which can be found in the prospectus available from the fund. Read the prospectus carefully before investing.

Think about your real return

Low interest rates may not be quite as problematic as they seem. Even if you're earning a low interest rate, your real return might not suffer too much if inflation is also low. Real return represents what your money earns once inflation is taken into account. With an annual inflation rate of 2.6%--the average over the past 20 years based on the Consumer Price Index--a bond that pays 3.5% would produce the same real return as a bond that pays 4.5% when inflation is 3.6% a year.

Compare interest rate and yield spreads

In general, long-term bonds pay a higher interest rate than bonds with a shorter term. However, the difference between long-term and short-term rates can change as investors assess changing economic conditions. For example, when it seems likely that interest rates will rise in the near future, investors often are reluctant to tie up their money in longer-dated maturities and gravitate to short-term debt. As short-term demand rises, the difference between the interest rates paid by different maturities can also increase.

The yields of various types of bonds can also change relative to one another. For example, when demand pushed U.S. Treasury yields to new lows in 2011, it widened the gap between Treasuries and corporate bonds. Such differences can create opportunities in one type of bond versus another.

Consider small changes

Your portfolio may not need a complete remake to seek a higher return. For example, if you're in Treasuries, you could move a portion of that money to municipal bonds. That might involve greater risk of default, but net returns might be boosted by the munis' exemption from federal income tax. Or a portion of your stock allocation could be shifted to dividend-oriented stocks, exchange-traded funds, or preferred stock.

Look for buying or selling opportunities

Interest rates also can be used to help evaluate equities. Some analysts like to determine the relative value of the stock market using the so-called Fed market valuation model. (Though not officially endorsed by the Federal Reserve Board, the method seems to have evolved based on a 1997 Fed report.) The model compares the earnings yield on the S&P 500 to the 10-year Treasury bond's yield. If the S&P's yield is higher, the market is considered undervalued. However, this is only one of many valuation models and shouldn't be the sole factor in an investing decision.

Asset Protection Strategies Beyond Insurance



These asset protection strategies generally involve transferring legal ownership of assets to other persons or entities, such as corporations, limited partnerships, and trusts. The logic behind shifting ownership of assets is fairly straightforward: your creditors can't reach assets you don't own.

You've worked hard to accumulate your assets and property; that's why it's so important to take measures to protect your wealth. Often, the simplest way to protect assets is by shifting the risk to an insurance company. But insurance may not provide all the protection you need or it might not be available, so you may need to consider other strategies.

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Shifting assets to a C corporation

The law views a C corporation as a separate legal entity. As such, business assets owned by a C corporation are considered separate from your personal assets, which will generally not be at risk for the liabilities of the business.

However, protection from liability may be lost if the business does not act like a business, such as when the business acts in bad faith, fails to observe corporate formalities (e.g., organizational meetings), has its assets drained (e.g., unreasonably high salaries paid to shareholder-employees), is inadequately funded, or has its funds commingled with shareholders' funds.

Shifting assets to other entities

A limited liability company (LLC), limited liability partnership (LLP), or family limited partnership (FLP) is a legal entity that can be used to separate business assets from personal assets.

An LLC is generally taxed like a partnership with income and tax liabilities passing through to its members (and not double-taxed as a C corporation), but it is viewed as a separate legal entity and can be used to own business assets, protecting your personal assets from business claims against the LLC.

If you have business partners, an LLP may protect you from the professional mistakes of your partners. That is, if one of your partners is sued for negligence, and the LLP is also named in the lawsuit, the partner sued may be liable personally for any judgment, but the LLP should protect your personal assets from the reach of any judgment creditor of the LLP.

An FLP is a limited liability partnership formed by family members only. Generally, a creditor can only obtain a charging order against the FLP, which allows the creditor to receive any income distributed by the general partner (who is usually a family member). It does not allow

the creditor access to the assets of the FLP. Although each of the entities discussed above are alike in that they can protect your personal assets, they are very different in other ways. Make sure the entity you choose satisfies all of your needs.

Shifting assets to a trust

There are many different types of trusts that can be used to protect assets. A protective trust may protect assets intended to eventually pass to another person. For example, you transfer assets to a protective trust naming yourself and another as beneficiaries. The trust allows you to receive only income from the trust, with no access to the trust principal. At your death, the assets are to pass to the other beneficiary. If you're sued, the creditor can only receive your right to trust income, but not the assets of the trust. These trusts usually contain a spendthrift provision that makes it difficult for creditors to reach trust assets to satisfy claims against trust beneficiaries.

The laws in a few states, such as Nevada, Alaska, and Delaware, enable you to set up a domestic self-settled trust. You can create this type of trust, transfer assets to the trust, and name yourself as beneficiary. The trust gives the trustee discretion over whether or when to distribute trust property or income to beneficiaries. Creditors can only reach property that the beneficiary has a legal right to receive. Therefore, the trust property will not be considered the beneficiary's property, and any creditors of the beneficiary, including yourself, will be unable to reach it.

Many foreign countries have laws that make it difficult for creditors to reach trust assets held in that foreign country. In order for a creditor to reach assets held in a foreign or offshore trust, a court must have jurisdiction over the trustee or the trust assets. Because the trust is properly established in a foreign country, obtaining jurisdiction over the trustee in a U.S. court action will not be possible. Thus, a U.S. court will be unable to exert any of its powers over the offshore trustee.

Protecting assets doesn't include fraud

Protecting your assets by legally repositioning them does not extend to actions intended to hide assets or defraud creditors. So, make sure you implement any asset protection strategy before there is any hint of trouble, and be sure to carefully document that you are doing so for sound business or other reasons.

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Can I provide annuity payments to my heirs after I die?

You may be able to provide income payments to your heirs for the rest of their lives through the use of a stretch annuity. A stretch annuity (also known as a legacy annuity) makes lifetime payments to the beneficiary you name in your deferred annuity contract if you die before the annuity start date (e.g., before you begin receiving regular annuity payments).

According to the rules regarding distribution of deferred annuity death proceeds, an annuity beneficiary other than the surviving spouse must receive the annuity proceeds within one year from the date of death. Often, the beneficiary will elect to receive the proceeds in a lump sum, subjecting all of the annuity's accumulated interest to income tax, significantly reducing the value of the beneficiary's proceeds. A better option might be to allow the annuity's death benefit to be paid over a number of years, in which case only a portion of each payment is subject to income tax and the balance of the annuity can continue to grow tax deferred.

Generally, most annuity issuers allow the beneficiary to elect how the proceeds are to be distributed. However, some issuers allow the annuity owner to determine how the annuity's proceeds are to be distributed. In either case, in addition to the lump sum payment, most issuers allow the proceeds of a nonqualified annuity to be distributed:

- Over a period not to exceed 5 years
- Annuitized over a period no longer than the beneficiary's life expectancy, including a period certain, such as 10 years
- As scheduled withdrawals based on the beneficiary's life expectancy according to the IRS life expectancy table

A stretch annuity may be most appropriate:

- For beneficiaries in a high income tax bracket who would pay substantial income tax on annuity earnings if received in a lump sum
- For beneficiaries who may be spendthrifts and might be better served by receiving systematic payments as opposed to a large, lump sum of money