

*The L'Esperance Group, LLC, A Registered Investment Advisor, is a full-service financial planning and employee benefits firm. We specialize in asset management, retirement planning for individuals and businesses, and protection planning. We provide these services in the Troy and Grand Rapids areas.*

*Our methodology takes a series of sometimes-complex issues and simplifies them. We utilize a Complete Planning system by integrating your legal, insurance, tax, retirement, and financial planning into one seamless process.*

*Please check out our Trusted Alliance Partners (TAP) program on our revamped web site. This is something we feel very strongly about in establishing our trusted partners for our clients' benefit in the future.*

## We want to hear from you.

The L'Esperance Group, LLC

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## 10 Ways To Ensure Your Retirement and Preserve Your Assets

- 1. Make sure you have a plan in place that includes systematic savings and payroll deductions (prior to retirement) for your retirement years.**
- 2. Be certain that as your goals change, your retirement scenario changes as well.**
- 3. Maximize tax savings through 401(k)s, IRA's, and other tax-deferred savings programs.**
- 4. Monitor your investment portfolio including your retirement plan. Make changes as necessary.**
- 5. Consider GUARANTEED investment vehicles such as: fixed annuities and equity-indexed annuities for a portion of your portfolio.**
- 6. Adjust your risk level to the appropriate level upon retirement. Why take any undue risk at this point in your life?**
- 7. Keep your CPA or other tax professional informed with what your financial representatives are suggesting. It may be important.**
- 8. Make sure your estate plan is updated and accurate.**
- 9. Read investment literature to ensure that your advisors are continuing to give you objective, up-to-date advice.**
- 10. Keep abreast of governmental changes such as those resulting from the Pension Protection Act in order to take advantage of them.**

Kelly L'Esperance has joined The L'Esperance Group, LLC as Principal on a full-time basis. She will head up the Employee Benefits Division and continue to work on the fixed-income side of our asset management division. She has several years of experience in this area and will split her concentrations between both divisions temporarily while we search for a producer. We wish her all the best and we are sure she will do an exceptional job!

### Personal Tidbit

*We would like to congratulate John & Ruth Fedor on a much anticipated and well-deserved retirement. We wish them well! -JB & Kelly*

## Preservation A Key Stage in Your Investment Life

Three stages make up every investor's life: accumulation, preservation and distribution. It might appear that the most work comes during the accumulation or distribution stage, but don't dismiss the importance of the preservation stage. It is during this phase that you must monitor your risk to ensure your investments are secure.

### **Manage your risk actively – not passively**

Keeping an eye on your risk activity can prevent unnecessary losses. Don't assume that everything will take care of itself without your involvement.

### **Eliminate your risk**

Do you really need to take on any additional risk at this point in your life? You have already accumulated assets. Consider guaranteed investment vehicles or investments that provide income for a part of your portfolio.

### **Diversification**

Consider different TYPES of investments to help overcome market volatility and uncertainty.

### **Allocate your assets (Asset Allocation)**

Be sure to "stick to the plan". Market timing and the next hot stock are not indicative of this. Be consistent and make sure you and your team of advisors develop an investment policy statement that satisfies everyone.



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## How Will the Pension Protection Act Affect You?

Whether you are far from retirement or currently enjoying your departure from the 9 to 5, the Pension Protection Act of 2006 (PPA) will affect you. Enacted by Congress last year, the Act changes requirements for defined-benefit pension plans as well as defined-contribution plans such as 401(k)s and IRAs. The provisions of the Act are meant to create a more secure retirement for us all.

### **New Requirements for Underfunded Defined-Benefit Pension Plans**

When a company's defined-benefit pension plan has liability that exceeds its assets, it is considered an underfunded pension plan. This can diminish the security of retirees, depending on the type of pension. While companies with defined-benefit pension plans can participate in the federal government's pension insurance program, known as the Pension Benefit Guaranty Corporation (PBGC), the program itself is under strain and suffering a decline in its own financial security.

With the enactment of the PPA, companies with underfunded pension plans are required to ensure that the plans become fully funded within seven years. This provides assurance to future retirees that their pension benefits will be available to them. In addition, companies with defined-benefit plans will pay increased premiums to the PBGC, ensuring that the program will be able to properly insure the plans.

While making defined-benefit plans more secure, along with other economic factors, the PPA may discourage companies from offering such plans. Companies such as General Motors have frozen their defined-benefit plans and instead are relying more on defined-contribution plans such as 401(k)s. Will the "new" Chrysler react the same way? If your company has a defined-benefit pension plan you may want to investigate how this act could affect your benefits.

### **Changes to Inherited 401(k) Funds**

Prior to the PPA, if you inherited 401(k) funds from someone other than your spouse, you would have been required to take the money and pay taxes upon inheriting it. For example, if you were the beneficiary of your parent's 401(k) plan and were entitled to receive \$250,000, you would be taxed as though you earned \$250,000 the year you received the inheritance. In contrast, if you were to inherit the money from an IRA, you would be able to roll the money into an "inherited IRA" to defer the taxes and earn interest on the funds. The PPA introduces similar allowances for beneficiaries of 401(k) funds.

Among the many retirement advantages provided by the PPA, you can now roll the inherited 401(k) funds to an "inherited IRA," provided that the IRA is newly established for these funds, the inheritance is in your name and not an estate or trust, and the transfer of funds is done by direct rollover.

If you have an existing 401(k) be sure to verify your designated beneficiaries, ensuring that they are named people rather than estates or trusts.