



Parker Financial Services, LLC

Helping Biz Owners & Professionals Retire On Time

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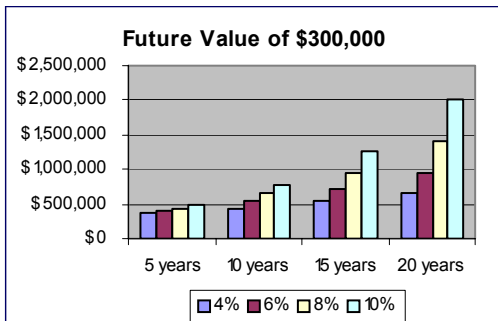
Ask the Experts

Asset Selection and Allocation--Keys to Investment Success

No matter what your financial goals are, setting an appropriate investment policy and choosing your investments wisely can help increase your chances of success.

Asset allocation drives portfolio returns...

As the chart below illustrates, investment returns are a key factor impacting a portfolio's future value, especially for long-term investment horizons, due to the power of compounding returns. For example, consider the following future values for a \$300,000 portfolio based on different annual rates of return. In this example, over a 20-year period, the difference between a 6% rate of return and an 8% rate of return amounts to \$436,147.



This is a hypothetical example and is not intended to reflect the actual performance of any specific investment, nor is it an estimate or guarantee of future value. Investment fees and expenses have not been deducted. If they had been, the results would have been lower. When making an investment decision, investors should consider their personal investment horizons.

Studies have shown that the choice of asset classes (e.g., cash, bonds, stocks, real estate, international investments, hedge funds, private equity) and asset allocation (the mix of different types of investments) are critical elements of portfolio performance. (Another potentially important factor is the investment strategy implemented for selecting specific investments, depending on whether an active or indexed approach is used.) Thus, care needs to be taken in establishing which asset

classes to hold, and in what proportions, as well as in choosing specific investments. However, keep in mind that asset allocation does not ensure a profit or guarantee against a loss.

... And helps manage risk

The importance of asset selection and allocation isn't limited to portfolio returns. Asset allocation may also help manage portfolio risk. Not all asset classes move the same way at the same time. By investing in assets that are imperfectly correlated, you may reduce the volatility of your portfolio returns.

Correlation is a statistical measure of the relationship between different investments or asset classes. Investments in the same asset class (e.g., different bonds) tend to have a higher positive correlation than investments in different asset classes (e.g., stocks versus bonds). Similarly, all else being equal, investments in the same geographic region or industry tend to have higher positive correlation than those that are unrelated by geography or industry. By diversifying your portfolio with investments that aren't highly correlated, you may reduce the volatility of your portfolio returns, as losses or low performance during a given time period in one asset class may be offset by higher performance in another.

Do you have the right asset allocation?

An efficient asset allocation strategy will lead to the creation of a diversified portfolio that minimizes risk for a given level of expected return or maximizes expected return for a given level of risk. A financial professional can help you organize and analyze the relevant data, select asset classes for investment, build an asset allocation plan appropriate for your personal situation, and implement a specific investment strategy. Over time your original asset allocation will change as markets fluctuate, so it should be re-examined periodically to see if it is still appropriate or whether it needs to be modified.





A financial aid award letter is the college's official offer of aid and contains:

- *The specific types and amounts of aid being offered*
- *The college's cost of attendance (this figure is different for each school)*
- *Your expected family contribution, which is calculated from the federal government's aid application and represents the amount of money you must contribute for the year for your child to receive aid*
- *A date by which the award letter must be returned*

Landing a Better Financial Aid Package

Your child has applied to several colleges, and the financial aid awards are starting to arrive in the mail. But when you open the envelopes, they're not what you expected--you were hoping for more generous financial aid packages. Is there anything you can do?

First, compare apples with apples

When comparing financial aid packages, make sure you look at what your actual out-of-pocket costs will be at each college, not just the total amount of aid offered. One college's aid package may seem inferior to another's at first glance, but ultimately may be better in the long run because it consists of more grants (which don't need to be repaid) than student loans. To determine what your out-of-pocket costs will be, subtract the total amount of grants, scholarships, and work-study offered from the cost of attendance at each school.

Example: College A costs \$25,000 per year and offers a total financial aid package of \$22,000, which consists of \$12,000 in loans, \$8,000 in grants, and \$2,000 in work-study. College B costs \$30,000 per year and offers an aid package of \$18,000, which consists entirely of grants. Even though College A's aid package is \$4,000 more than College B's, your out-of-pocket costs at College A would be higher: \$15,000 (\$25,000 - \$8,000 - \$2,000) versus \$12,000 at College B (\$30,000 - \$18,000).

Note, though, that an important consideration for you may be how much of those costs would be covered up front by student loans. An aid package offering generous student loans, even though they may be burdensome for your child to pay back, may be attractive to you if it means lower immediate out-of-pocket costs. So, in the above example, you may find College A's offer preferable because you'll need to come up with only \$3,000 right now versus \$12,000 at College B.

Getting a better deal

Let's assume you've compared aid awards and you're ready to zero in on one or two colleges that your child has his or her heart set on. Is it possible to request a more favorable aid package?

The answer is yes; a financial aid administrator (FAA) has the authority to exercise "professional judgment" to reduce the loan portion of your child's aid award and increase the grant, scholarship, and/or work-study

component. However, all circumstances aren't created equal. Your chances of prevailing are best in two situations:

- You have a special circumstance that affects your ability to pay (e.g., a recent job loss, prolonged unemployment, unusually high medical expenses, or some other situation that puts above-average constraints on your income and savings).
- Your child has been accepted at two competing colleges, and one has offered a more generous aid package than the other. In this case, you might try to play one college against the other. Although many colleges don't mind losing an applicant to a more (or less) selective college, they generally don't like to lose an applicant to a direct competitor.

If neither of these situations applies to you, you can still contact the FAA to plead your case; just keep in mind that you're not as likely to succeed.

The best approach

The process typically involves a polite business letter to the FAA, with a follow-up telephone call or meeting. Avoid calling first and complaining or otherwise engaging in threatening behavior--such tactics are likely to put your child's file in the "rejected" pile.

Instead, explain in positive terms how much your child wants to attend that particular college, highlight your child's accomplishments, and politely request if any additional grant, scholarship, or work-study aid might be available. Make sure to put your child's name at the top of all correspondence, and keep a copy for your records. Then follow up a week or so later with a telephone call. Thank the FAA for his or her time, then reiterate the main points of your letter. The key is to be persistent, but not to the point of being a pest.

Whether or not you're successful will depend primarily on the individual circumstances of the college. How much discretionary aid do they have available? Are they meeting their enrollment goals? Does your child possess the qualities that would make their school more diverse and well-rounded in a way that fulfills the college's needs? No one can predict the answers to these questions, which is why requesting a more favorable aid package can't hurt, as long as it's done the right way.

Choosing a Retirement Community

Perhaps you've seen ads for a new "over 55" luxury condominium development in your town. Or another winter of shoveling has finally convinced you that it's time to move to a warmer climate. You're looking forward to life in a retirement community, but with so many options, how do you choose the right one?

Beginning the search

The first step is to think about where you want to live, how you want to spend your retirement years, and what type of home you can realistically afford. All retirement communities are designed with the needs of older adults in mind, but they provide different living arrangements, activities, and services.

One option that's become increasingly popular is the "active adult" community. Usually centered around a fitness facility, a clubhouse, or a golf course, this type of community offers many social and recreational opportunities, such as clubs, meals, and walking trails.

Other retirement complexes are geared toward individuals who want flexible living arrangements and services. These complexes may contain a variety of housing types, including independent-living, assisted-living, and long-term care facilities. They often offer extended assistance with daily tasks such as shopping and housekeeping, and emphasize easy access to health care.

These are just two of the options--many others are available.

The cost of convenience

Homes available within retirement communities can be as diverse as the communities themselves, and range from small apartments in the city to luxury homes on the ocean. No matter which type of home you choose, make sure it will meet your needs both now and in the future. More and more homes in retirement communities are incorporating universal design features, a trend that's likely to continue. These features include one-level living, extra lighting, easy-to-open doors and cabinets, and security systems that make day-to-day living simpler and safer for people of all ages.

But the convenience of retirement living usually comes at a price. That price includes not only rental or mortgage payments, utilities, and insurance, but also any up-front or ongoing fees you'll owe. For example, a retirement community may charge a hefty fee for "buying

in" to the community. One ongoing fee you may need to factor in is a homeowners or community association fee that may add hundreds, or even thousands, of dollars to your monthly housing costs. In general, the higher this fee, the more services or amenities are included, but make sure you understand what you're getting for your money. And don't forget about taxes. Even states with no state income tax may have high property taxes, sales and restaurant taxes, or "hidden" taxes on luxury goods or investments. A financial professional or tax advisor can help you determine the impact taxes will have on your finances.

And so that there are no unpleasant surprises, you should also consider the potential for costs to rise. Living in a community where costs for housing and services are constantly on the upswing is at best annoying, and at worst, financially devastating.

Try before you buy

Popular communities often have waiting lists, so it's a good idea to do your homework in advance. Start with a visit. If you're traveling out of town, find out if the community you're visiting offers a special travel package for potential residents--many do. If you're searching locally, visit each prospective community at least two or three times. Make sure the property and homes are well maintained, and eat a meal or two in the dining room.

A checklist of questions to ask can come in handy when researching retirement communities. Here are a few items to include:

- Is the atmosphere casual or formal?
- What social, recreational, or educational activities are available?
- Is public transportation nearby, or is van service available?
- Are pets allowed?
- Are guests restricted?
- Are home maintenance or housekeeping services included, or available a la carte?
- Is medical care provided?

Most importantly, talk to residents and staff about their experiences. You'll get a much more realistic picture of life in a retirement community than you can glean from a brochure.

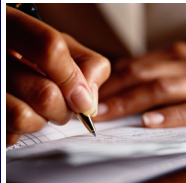


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Ask the Experts



Which is better: a cash incentive or 0% financing?

When auto manufacturers want to move certain models or generate more traffic in their dealerships, they'll typically offer new car purchasers a choice between a cash rebate and low-interest financing, sometimes as low as 0%. Which is the better deal?

For some buyers, the question is moot. While cash rebates are available to anyone, 0% financing is usually available only to those who have excellent credit and reach a certain income level. Further, special financing is often limited to loans with terms of 36 months or less. Shorter-term loans mean higher monthly payments, which may not fit into some buyers' budgets. In these cases, the cash rebate may be the only viable option.

If you do have a choice, though, the better deal depends on many factors, including the price of the car, the size of the rebate, the interest rates available for financing, and how much you're putting down.

For example, say the car you want has a price tag of \$20,000, and you're putting \$1,500 down. Your choice is 0% financing for 36 months or a \$2,500 cash rebate. You can get 36-month financing at your bank at 4.5%. With 0% financing, your total payments would be \$18,500. With the rebate, your total payments would be approximately \$17,134. In this case, you'd save \$1,366 by choosing the rebate.

Before you go to the dealer, find out if any of the cars you're looking at qualify for rebates or special financing. Unscrupulous dealers may not disclose incentives to you. And always negotiate the car price separately, before considering the rebate or financing--or any trade-in for that matter--as the dealer may bump up the car price to compensate for them.

