

Don't Let a Natural Disaster Demolish Your Finances

It seems as though there's always a hurricane, tornado, earthquake, flood, fire, ice storm, or mudslide happening somewhere in the United States. While a storm or other natural disaster could destroy your home, business, or workplace and put you in financial straits, there are things you can do both before and after the event to help you recover quickly.

Pre-Disaster

Create a financial emergency kit

Put together a kit that contains some cash and checks, a list of important contacts (e.g., your insurance agent), and copies of important documents, including identification cards, birth and marriage certificates, insurance policies and inventories, wills, trusts, and deeds. Make sure your kit is stored in a safe, secure place in your home, is easy to reach and carry, and is water and fire proof. You'll want to stash enough cash (or a credit card) to pay for immediate expenses such as gas, food, and lodging.

Tip: While you're at it, you might also keep your most precious items in the kit, such as your photo albums and family heirlooms.

Protect your assets

Take some commonsense precautions to safeguard your home, business, car, boat, and similar assets against damage from wind, water, fire, or other damage. For example, install an emergency generator and paperless drywall, keep loose objects (e.g., grills and patio furniture) secure, cut down overhanging tree limbs, park your car in the garage, and invest in storm windows, doors, and shutters.

Take inventory

Create and maintain an inventory of your valuables, including appliances, electronics, furniture, clothing, jewelry, and artwork. Record models and serial numbers, and take pictures or a video of the items. This will help when it comes time to file insurance claims and purchase replacements.

Check your insurance

Make sure your insurance policies (e.g., homeowners, auto) include all the coverage you need, and understand that damage caused by natural disasters may not be covered under these general types of policies. You may need to consider buying separate coverage for hurricanes,

floods, earthquakes, or other disasters. Consult your insurance agent to determine whether you have adequate coverage given the likelihood of such events occurring in your area.

Post-Disaster

File insurance claims immediately

Contact your insurance agent and file claims as soon as possible. The quicker you do so, the sooner you can get back on your feet.

Protect your income

If you end up out of work, take advantage of any employee assistance programs that your employer may offer. Seek unemployment compensation from your state and ask about special job considerations for disaster victims. Find out if special unemployment benefits are available through the Department of Labor.

Get help from emergency sources ...

If you need immediate financial help, disaster relief funds and special programs (for example, housing assistance) may be available through the Federal Emergency Management Agency (FEMA) or your state and local governments, as well as the American Red Cross, United Way, Salvation Army, social services, and local churches.

... and from the federal government ...

Tax law allows taxpayers to deduct certain unreimbursed casualty losses in the year in which they are incurred, subject to certain limitations. In certain Presidentially declared disaster areas, individuals can claim the loss (again, subject to certain limitations) in the prior tax year by filing an amended return. Moreover, special relief (for example, bonus depreciation for business property) has been granted in the case of specific disaster events. Be sure to consult your tax professional about any tax relief that may be available to you.

... and get legal help, if necessary

If you experience legal difficulties, you may want to consider hiring an attorney who specializes in the complex area of natural disaster law.

Retirement Plan and IRA Limits for 2009



An increasing number of retirement plan and IRA limits are indexed for inflation each year. Some of the key numbers for 2009 are discussed below.

Elective deferrals

If you're lucky enough to be eligible to participate in a 401(k), 403(b), 457(b), or SAR-SEP plan, you can make elective deferrals of up to \$16,500 in 2009, up from \$15,500 in 2008. If you're age 50 or older, you also can make a catch-up contribution of up to \$5,500 to these plans in 2009, up from \$5,000 in 2008.

If your 401(k) or 403(b) plan allows Roth contributions, your total elective contributions, pretax and Roth, can't exceed \$16,500 (\$22,000 with catch-up contributions). You can split your contribution any way you wish. For example, you can make \$9,500 of Roth contributions and \$7,000 of pretax 401(k) contributions. It's up to you.

If you participate in a SIMPLE IRA or SIMPLE 401(k) plan, you can contribute up to \$11,500 in 2009 (up from \$10,500 in 2008). If you're age 50 or older, the maximum catch-up contribution to a SIMPLE IRA or SIMPLE 401(k) plan in 2009 is \$2,500, unchanged from 2008.

IRA limits remain the same for 2009

The amount you can contribute to a traditional or Roth IRA remains at \$5,000 for 2009, and the maximum catch-up contribution for those age 50 or older remains at \$1,000. You can contribute to an IRA in addition to an employer-sponsored retirement plan. But if you (or your spouse) participate in an employer-sponsored plan, your ability to deduct traditional IRA contributions may be limited, depending on your income. Roth contributions are also subject to income limits.

Contribution limits: 2009 tax year* (2008 limits in parentheses)		
Plan type	Annual dollar limit	Catch-up limit
401(k), 403(b), and 457(b)**	\$16,500 (\$15,500)	\$5,500 (\$5,000)
SIMPLE plans	\$11,500 (\$10,500)	\$2,500 (\$2,500)
Traditional and Roth IRAs	\$5,000 (\$5,000)	\$1,000 (\$1,000)

Contributions can't exceed 100% of your pay. If you participate in a 403(b) or 457(b) plan, special rules may allow an even greater catch-up contribution.

**\$5,500 catch-up applies only to governmental 457(b) plans.

Some other key numbers for 2009

For 2009, the maximum amount of compensation your employer can take into account when calculating SEP and qualified plan contributions and benefits is \$245,000 (up from \$230,000 in 2008).

The maximum annual benefit you can receive from a defined benefit pension plan is limited to \$195,000 in 2009 (up from \$185,000 in 2008).

And the maximum amount that can be allocated to your account in a defined contribution plan (for example, a 401(k) plan or profit sharing plan) in 2009 is \$49,000 (up from \$46,000 in 2008), plus age-50 catch-up contributions. (This includes both your contributions and your employer's contributions. Special rules apply if your employer sponsors more than one retirement plan.)

Income phaseout range for determining deductibility of traditional IRA contributions in 2009

1. Covered by an employer plan	
Single/Head of household	\$55,000 - \$65,000 (\$53,000 - \$63,000 in 2008)
Married filing jointly	\$89,000 - \$109,000 (\$85,000 - \$105,000 in 2008)
Married filing separately	\$0 - \$10,000 (same for 2008)
2. Not covered by an employer plan, but filing joint return with a spouse who is covered	
	\$166,000 - \$176,000 (\$159,000 - \$169,000 in 2008)

The Higher Education Opportunity Act



One of the big pieces of legislation that passed in 2008 was the Higher Education Opportunity Act (the Act). Aside from reauthorizing the Higher Education Act of 1965

for another six years, the Act includes many other provisions intended to improve college affordability, access, and accountability. Here are some highlights of this new law.

A new federally run college pricing website

In an effort to make it easier for students and their families to compare the cost of colleges in an apples-to-apples format, the Act directs the Department of Education to create a new website that will list up-to-date cost information on individual colleges, including tuition and fees for the current year, average price of attendance after grant aid, recent price increases, and changes in per-student spending, among other items.

The website will also include calculators that families can use to estimate their expected college costs based on income and family data, as well as the annual and total cost of attending a particular college. The hope is that this information will help students and their families during the college selection process.

A simpler financial aid application

According to remarks by U.S. Secretary of Education Margaret Spellings in a speech at Harvard University in October, 40% of college students--roughly 8 million students--don't apply for federal aid because the process is too complicated. To address this problem, the Act directs the Department of Education to streamline the federal application, the FAFSA, over the next five years. To support this initiative, Spellings announced a revised form that has only 27 questions (down from 100), and stated that families will now learn how much aid they can expect to receive, as opposed to how much they are expected to contribute under the current system. The new FAFSA should be available for the 2009 application year.

Expanded Pell Grant and work-study

The Act increases the maximum Pell Grant, the federal government's largest financial aid program, from \$5,800 to \$9,000 per academic year. The Act also expands the community service opportunities available under the federal work-study program.

Graduate PLUS loans

The Act creates a six-month grace period for repayment of all graduate student PLUS loans disbursed after July 1, 2008. Under prior law, these borrowers had to begin repaying their loans as soon as they were no longer enrolled on at least a part-time basis.

Other provisions

The Act also includes many other provisions:

- A requirement that textbook publishers sell unbundled versions of textbooks that previously may have been bundled with expensive DVDs and CDs
- A new scholarship program for active duty military personnel and their families
- A requirement that private student loan lenders inform students of their less costly federal borrowing options
- An expansion of student loan forgiveness for individuals who work in certain public service jobs

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Dave Williams is originally from Philadelphia, PA. He has been a "transplanted" Hoosier for the past 30 years. Dave strives to educate his clients on how to invest profitably and avoid loss by providing conservative options. He is dedicated to properly helping his clients reap the rewards of a well planned retirement. In addition, Dave is a well established speaker in Indiana and is committed to educating the community with his workshops on topics relating to conservative alternatives. Dave is a graduate of Indiana University with a BS in Finance. He is also a member of the National Ethics Bureau. He resides in Indianapolis with his wife of 28 years, 3 mini-Dachshunds, and is enjoying his granddaughter, Eilly.



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