



## MAKE

Nobel Prize-winning economist Joseph Stiglitz on Obama, the economy and how to reform our financial system

## GROW

Investment scenarios for 2010: six profit strategies for risky situations. Plus: the profit in water

## LIVE

Out-of-this-world hotels, the 10 best private clubs and how to keep your kids safe on the Internet

# Worth<sup>®</sup>

THE EVOLUTION OF FINANCIAL INTELLIGENCE

AFTER A STRONG 2009, SHOULD INVESTORS BE WORRIED?

ESSENTIAL QUESTIONS FOR YOUR FINANCIAL ADVISOR

THE RISE AND FALL OF WALL STREET'S MATH GENIUSES

GILT GROUPE'S KEVIN RYAN TAKES LUXURY ONLINE



WORTH.COM

# 04

VOLUME 19 | EDITION 01

# “Given all that has happened in the economy and our country, what is the most important strategic decision I can make?”

By Patricia C. Brennan, CFP®

**I believe the most important wealth management theme going forward will be to diversify your tax strategies just as you would your investment portfolio.** Little doubt exists that tax rates will increase, but that could change under different leadership. What seems certain today may not be the case 10 or 20 years from now. You want to structure your balance sheet to optimize tax-planning opportunities, but flexibility and choice will be key.

One important word of caution: Everything we do has a domino effect. Roth conversions in 2010 are a good example of this. In an effort to simplify an analysis, many online calculators are arriving at expensive conclusions that could be very wrong. I think there is a better way.

**First, apply a dynamic modeling approach to the “what ifs.”** Rather than assuming a flat marginal tax bracket, establish a baseline scenario to determine lifestyle needs, and model the sources of cash flow. Taxes will be calculated per year depending on where

the cash flow is coming from, as well as portfolio income and turnover. You can then apply various tools to reduce taxable income in the analysis to see the impact on your portfolio. The one-size-fits-all approach is dangerous because every family will be different—the same tool or set of strategies applied to one family’s scenario can create a completely different result in another’s. **Would it not be nice to see the potential impact for you on paper before pulling the trigger?**

For most clients, tax planning is a tool used to achieve the larger goal of wealth preservation and multigenerational growth, not a goal in and of itself. This will be especially important to keep in perspective if higher tax rates prevail. Diversify the tools you rely on so that cash flow can continue to support the lifestyle you want with as small a tax impact as is realistic. The future is unknowable, but one thing is certain: You worked hard for your money and deserve to keep as much of it as you can.®

## USE A MULLIGAN ON YOUR ROTH STRATEGY

Assuming it makes sense to convert in the first place, consider setting up more than one Roth conversion account to hedge against an uncertain future. You will owe ordinary tax on previously deducted IRAs, which could put you in a higher tax bracket. Instead of waiting, convert early in 2010, and depending on your portfolio allocation and risk tolerance, put different asset classes in their own separate accounts—for example: U.S. equities in one, international in a second, and bonds in a third. You have until the last filing deadline, October 15, 2011, to determine if the strategy still makes sense for you. If one or all of the accounts went down in value, it might make sense to undo the conversion—recharacterize—and reconvert at a lower value. It will not make up for the losses, but why pay taxes on money you no longer have? Before making any changes, please consult a qualified tax professional.

### ABOUT PATRICIA C. BRENNAN

*Candidates for the Philadelphia Business Journal and Barron's were determined by The Winner's Circle. Candidates were valued on criteria such as assets under management, revenues, experience, and record of regulatory compliance and complaints. Candidates were further vetted based on in-depth interviews and discussions with management, peers and customers, as well as professional achievements and community involvement. The Winner's Circle does not receive compensation from participating firms or their affiliates, financial advisors or the media in exchange for rankings. In addition to the criteria used for the Barron's article and the Philadelphia Business Journal, Wealth Manager magazine takes into consideration service to industry organizations and mentoring to others. Presented to 7 percent of wealth managers with five years of experience in the financial services industry, all professions within a market area. Each wealth manager was reviewed for regulatory actions, civil judicial actions and customer complaints. <http://www.fivestarpromotional.com/fiveStarAssets/pdfs/GenericResearchWM.pdf> Third-party rankings from rating services or publications are no guarantee of future investment success.*

*Working with a highly-ranked adviser does not ensure that a client or prospective client will experience a certain level of performance or results. These rankings should not be construed as an endorsement of the adviser by any client nor are they representative of any one client's evaluation.*

*The views expressed are not necessarily the views of Royal Alliance Associates Inc., and this material should not be relied upon as investment advice. There are risks inherent in all investments. Investors should seek counsel of their tax professional and investment advisor prior to making any changes.*

The Delaware Valley region is defined as the following counties: PA (Berks, Bucks, Chester, Delaware, Montgomery, Philadelphia), DE (New Castle), MD (Cecil) and NJ (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean, Salem).

**“Everything we do  
has a domino effect.”**

– Patricia C. Brennan, CFP®

### How to reach Patricia C. Brennan

New clients may contact me at 610.429.9050 to schedule an initial consultation.

#### I NEVER LEAVE HOME WITHOUT...

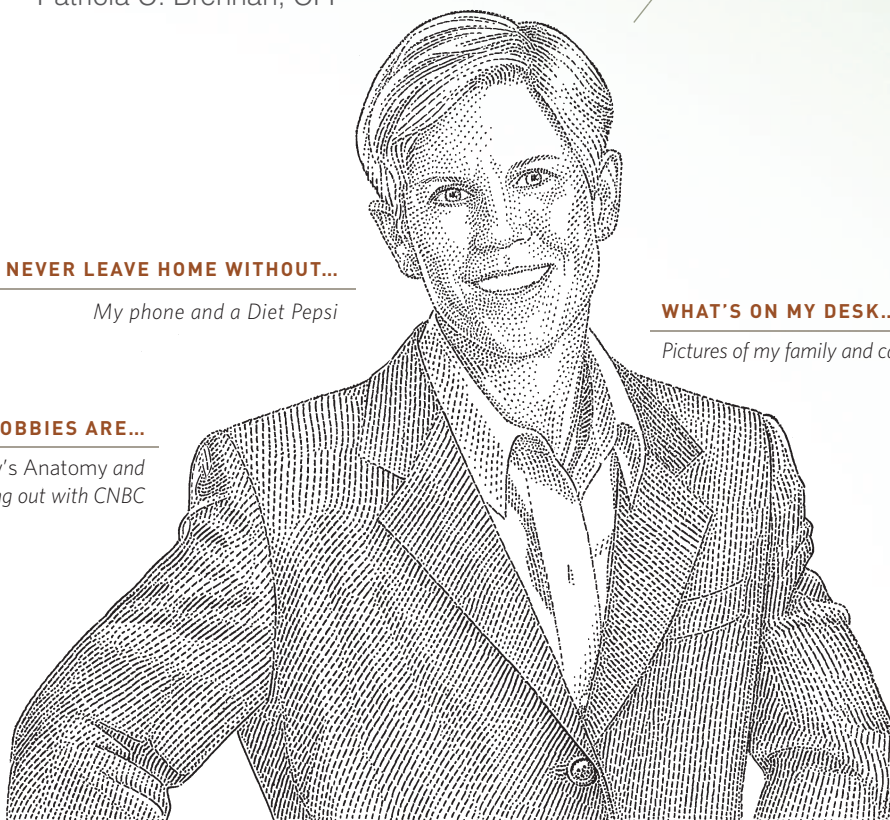
*My phone and a Diet Pepsi*

#### MY HOBBIES ARE...

*Watching Grey's Anatomy and working out with CNBC*

#### WHAT'S ON MY DESK...

*Pictures of my family and cases to review*



### About Patricia C. Brennan

A graduate of Georgetown University and a Certified Financial Planner, Patricia C. Brennan strives to communicate complex financial concepts in understandable terms. She has frequently been named one of *Barron's* top 100 women financial advisors, as well as one of its top 1,000 financial advisors in America (February 2009)\*. Other accolades include: one of America's top 100 independent advisors, *Registered Rep* magazine, November 2007; one of the 50 most influential women in wealth management, *Wealth Manager* magazine, April 2008; number two in the Greater Philadelphia Area, *Philadelphia Business Journal*, October 2008; and five-star wealth manager, *Philadelphia* magazine, November 2009.

Assets Under Management  
**\$234.7 million**

Minimum Fee for Initial Meeting  
**None required**

Minimum Net Worth Requirement  
**\$500,000**

Largest Client Net Worth  
**\$70 million**

Financial Services Experience  
**24 years**

Compensation Method  
**Asset-based and fixed fees; commissions (investment and insurance products)**

Primary Custodian for Investor Assets  
**Pershing**

Professional Services Provided  
**Planning and investment advisory services**

Association Memberships **Financial Planning Association**

Website **[www.keyfinancialinc.com](http://www.keyfinancialinc.com)**

Email **[pbrennan@keyfinancialinc.com](mailto:pbrennan@keyfinancialinc.com)**

Securities and advisory services offered through Royal Alliance Associates, member FINRA/SIPC. Advisory services offered through Key Financial Inc., a registered investment advisor not affiliated with Royal Alliance Associates.

Key Financial Inc. | 1560 McDaniel Drive, West Chester, PA 19380 | 610.429.9050



Patricia C. Brennan, CFP®, CFS  
*President*

---

**Key Financial Inc.**  
1560 McDaniel Drive  
West Chester, PA 19380  
Tel: 610.429.9050

Email: [pbrennan@keyfinancialinc.com](mailto:pbrennan@keyfinancialinc.com)  
[www.keyfinancialinc.com](http://www.keyfinancialinc.com)

REPRINTED FROM

**Worth**<sup>®</sup>

THE EVOLUTION OF FINANCIAL INTELLIGENCE

***About the Worth Leading Wealth Advisors***

*The Worth Leading Wealth Advisor admittance process is based on, but not limited to, the Advisor's experience, education, fiduciary status, compliance record, wealth management services, methods of compensation and scope of current business. In order to be considered for the Worth Leading Wealth Advisors Program, financial professionals must be willing to provide complete and full disclosure to investors so that independent analysts from Paladin Registry can thoroughly screen and evaluate their credentials, ethics and business practices. Once admitted, Advisors pay a fee to be included. Investors and potential investors are solely responsible for the decision to select particular Advisors.*