



OBSERVATIONS

Winter 2008

To: Clients and Friends of Moneta Group Investment Advisors, LLC

From:

There are exciting and positive changes afoot at Moneta Group!

After sixteen years in our current location, we have moved to our new home at Park Place and are 'open for business'. We have significantly improved our website, and more improvements—specifically designed with our clients in mind—are on the way. In July we terminated our relationship with a broker dealer based on our continuing efforts to focus on fee-based services, rather than commission-based products.

Another change, which you may have already noticed, is how we now describe the relationships we have with you, our clients. We used to say we provided 'financial planning,' but realized that didn't come close to explaining our unique, personalized services. Now we describe our relationship with you as that of being your family's chief financial officer. We think this better describes our commitment to helping you manage the myriad of financial issues that face you and your family in today's complex financial world.

We believe these changes—and others—have been positive and beneficial. But I want to share something important with you that *won't* change: our core values.

About a year ago, while all the changes I have mentioned above were in process, we decided to focus significant efforts on codifying our core values. We did this to ensure that, in the midst of all the external changes afoot, these important values would continue to guide us.

With the help of our client advisory board we designed a process giving every person at Moneta Group a voice in this effort. After 11 months of meetings, discussions, writings and edits, this is how we have chosen to present our core values to our clients and to the community. As a premier provider of life-long financial advice to successful families, our purpose is to build lasting relationships based on expert counsel and service that exceeds expectations and these values express that purpose.

We are passionate about what we do

In everything we do—for our clients, our community and our colleagues—we are committed to challenging the status quo: good enough is *never* good enough. We collaborate with internal experts, external partners and our clients, constantly evaluating our advice and services.

We act only in our clients' best interests

The quality of our work and our unwavering commitment to exacting and ethical standards guides all our decisions and practices. We deeply value confidentiality, respect for our clients' other advisors and integrity in all our interactions.

We deliver Raving Fan Service

We promise a lot and deliver more. Our clients and their goals are singularly important, and we are committed to providing them exceptional service. We seek out talented people, assembling a superlative staff chosen to support a system committed to these values, ones which govern every aspect of our practice.

I am proud of everyone who assisted in developing these core values. We are unwavering in our commitment to them. My expectation is that our values are, and will always be, consistent with your experience as a client of Moneta Group. We value your input. If any interaction you have with us does not exceed your expectations, I encourage you to call me immediately. I would consider it a favor, and an indication of your loyalty and concern for helping us be the very best we can be.

This issue of *Observations* focuses on retirement questions and we hope it will offer some fresh ideas to discuss with your individual advisors. We chose this subject because the consensus is that our clients are expressing a heightened interest and awareness of the importance of retirement planning. No matter your stage of life, this is certainly a subject worth exploring. We hope these articles give you food for thought.

Joe



Joseph A. Sheehan, CFP®, CFA



Social Security Benefits – Collect Early or Late?

by David Sadler and Kara Harmon

As clients approach retirement, a common question, particularly among younger retirees, is when to collect social security retirement benefits. Full retirement age for those born between 1943 and 1954 is age 66, but you are able to begin collecting benefits at age 62, albeit with a 25 percent reduction in benefits.

Collect Early or Wait?

A typical analysis looks at which alternative gives the highest cumulative benefits over the retiree's expected lifetime. The Social Security Association website even offers a calculator (<http://www.ssa.gov/OACT/quickcalc/when2retire.html>) to determine the cross-over point; the age at which you would have received more by deferring to age 66 and collecting the higher benefit. For example, a retiree who attains age 62 in 2007 could collect \$1,589 per month. However, if he waits until age 66, he would receive \$2,119. If he lives beyond 77 years and 11 months, he would receive more from Social Security by waiting until Full Retirement Age.

What's Wrong With This Picture?

This simple analysis overlooks an important fact. To fund a \$10,000 per month lifestyle, you can draw \$1,589 in Social Security income and \$8,411 from your portfolio, or the entire \$10,000 from the portfolio. Obviously, higher distributions leave less within the portfolio for future growth. Incorporating portfolio returns into the analysis extends the cross-over point to more advanced ages as illustrated below.

5% Rate - Age 87 Cross-Over

Present Value of SS Benefits	Collect at		Benefit/(Detriment) of Collecting Early
	Age 62	Age 66	
Age 65	\$68,999	\$0	\$68,999
Age 75	191,707	164,361	27,345
Age 85	266,210	264,155	2,055
Age 95	311,445	324,746	(13,301)
Age 105	338,911	361,534	(22,624)

7% Rate - Age 104 Cross-Over

Present Value of SS Benefits	Collect at		Benefit/(Detriment) of Collecting Early
	Age 62	Age 66	
Age 65	\$66,357	\$0	\$66,357
Age 75	169,874	139,230	30,644
Age 85	221,383	208,510	12,873
Age 95	247,014	242,983	4,031
Age 105	259,768	260,137	(369)

If income needs will be funded from IRA assets, the tax consequences of making additional distributions will extend the cross-over point even farther.

The financial benefit—or detriment—of waiting until Full Retirement Age to collect will depend on portfolio returns and how long you live. Retirement planning certainly would be easier if these two variables were known!

It's Not Only About the Money

A good advisor will also consider psychological influences. Today's retirees paid into the Social Security system during their entire working career. Aren't they all looking forward to collecting benefits? Maybe so.

But if you continue to be employed (or consult) beyond age 62, you should defer collecting Social Security until your earnings cease, because Social Security Benefits are reduced by \$1 for every \$2 earned over \$12,960 in 2007. When collecting at Full Retirement age, you can earn any amount without penalty.

Applying for Benefits

Once you have decided to collect, apply with the Social Security Administration up to three months prior to beginning benefits. SSA accepts applications online at www.ssa.gov, over the phone at 1-800-772-1213, or by visiting a local Social Security office. We typically recommend making an appointment. The Clayton Road location across from the St. Louis Galleria is convenient for many clients.

Having an appointment and all required documents will certainly make the process run more smoothly. The Social Security Administration requires the following documentation in order to process the application.

- Social Security Number
- Birth Certificate
- W-2 Forms or Self-Employment Tax Return for the previous year (if applicable)
- Military discharge papers (if applicable)
- Proof of U.S. Citizenship
- Direct Deposit information – name of bank and account number

Many factors and assumptions should be considered when deciding on the appropriate time to begin collecting Social Security benefits. Your Moneta Family CFO will help you make the right decision.





Gold Watch? No Thanks: New Thinking on Retirement

by Brad Koeneman, Principal

Sometimes we chase a vision of utopia only to find out when we get there that it's not what we expected it to be. That awareness has influenced most people's idea of retirement over the years, significantly changing how they view that plateau. A survey found that only about one out of eight retirees want to receive the gold watch and sit on the beach or play golf every day.

The issue is that human beings are hard-wired to be productive. We don't want to just sit around. Yet we do want to do what we want, when we want—and at a pace we are comfortable with.

A personal experience convinced me that retirement thinking has changed. At the beach while chaperoning our son's senior trip to Mexico (I should have my head examined for volunteering for that, although we managed to get everyone home safe...barely), I was reading *The New Retirementality*, Mitch Anthony's compelling book that makes many important observations about retirement.

All around me were successful parents in their 50s who were close enough to retirement to see it. You know how people make small talk about the book they see you reading? My experience that day was very different. One by one, as people stopped at my chair, they wanted *detailed advice* about their approaching "golden years." The next day, on the same beach, they asked even more specific questions.

This tells me that many people are excited, but also anxious, about this thing called 'retirement.' Deep down, they know there is more to retirement bliss than just having enough money to stop working. In fact, our clients are much more interested in *this* conversation than the return on investments in the past year.

In your work, if you find what you really love doing, there is no reason to quit doing it. A better, more satisfying option, is to find a way to change your time commitment, pace, or tasks to fit your life goals, and keep on 'working.' The real key is to find something you don't want to retire from. If you do, then you won't obsess over the idea of ending your career.

The end of the rainbow—when it means giving up the work that has helped to define you for many years—is often quite different than what you expect. Some describe retirement as a feeling of being on the sidelines of life after being a star player for many years. Some say they have lost their sense of identity. It goes from "Hi I'm Joe, CEO of Mega Industries," to "Hi I'm Joe." People also miss the camaraderie and sense of accomplishment they enjoyed during their working lives.

An eye-opening survey showed that more than 40 percent of those asked found retirement to be a difficult adjustment, compared to only 10 percent who said the same about getting married, and 20 percent who made that comment about becoming a parent.

Most retirees give a lot of thought to how much money they need for their retirement lifestyle, but little to how they will spend their most important assets: their time and energy. Many find that, in order to feel fulfilled, it is important to be productive. They find that sitting around is not natural. Without meaningful work, having leisure time often loses its appeal. In *The New Retirementality*, Anthony says "...first you become bored, then you become boring."

Being 'busy' is not enough. What is needed is a fulfilled life. Many of the most successful people see retirement as a time to begin a new chapter. They are seeking a new challenge to conquer and, for these folks, just volunteering is not the answer. The key is to find a cause they are passionate about. People will flock to causes that energize volunteers and help them feel important by best utilizing their personal skills.

Relationships are extremely important when entering this new period in life. This is a huge transition, and having close friends is an important safety net when difficult challenges arise—such as friends getting sick or passing away, a sad reality of getting older.

I know a CEO who sold his company, achieved fantastic wealth, and moved to Florida. The problem was that he burned his bridges in St. Louis and he and his wife had few friends in Florida. They are now 'Lone Rangers,' and are miserable. It's not just about the money.

While you are still working, leisure time is important. What is the point of never taking a break? Some people get to retirement and don't know how to relax. They end up driving themselves—and those around them—crazy.

One way to embrace retirement is to stay physically and mentally active, a critical element in a healthy, happy retirement. In the modern 'retirement community,' you can say goodbye to shuffleboard and hello to exercise classes in world-class gyms that nurture the body, and to continuing education that nurtures the mind. Aging becomes apparent mentally before it takes a toll physically, so it is important to keep learning. Exercise is also a good social experience, opening new avenues for friendships with like-minded people. It is especially true if one spouse is no longer able to participate as in the past. Experts say you can't expect to feel energetic if you sit around waiting to feel motivated to get moving. Just the opposite: you need the discipline of exercise in order to generate energy.

Housing options have changed dramatically in retirement communities. I grew up in a small town with an 'old folk's home,' a dreary place, sort of like the hospital in *One Flew Over the Cuckoo's Nest*, but not as nice. Current retirement living alternatives can be like living on luxury cruise ships, offering a myriad of activities, spas, and a happy hour, all right in your own community.

Many people are embarking on a 35-year journey without a road map. Don't enter retirement unprepared. Ask yourselves:

- What do we want to do with our time?
- What role will we have in our parents' (and children's) lives?
- How will we challenge ourselves?
- How will we define success?

The bottom line? Financial issues are clearly very important, but are by no means everything. Happiness comes from having the financial flexibility to work when you want and at the pace you desire, rather than from a total lack of work. Close, personal relationships are more important than money. Careful planning beyond just financial issues can go a long way.

If these ideas resonate with you, maybe this is the time to begin rethinking your 'golden years.' In his book Anthony emphasizes that the golden years aren't all about money, but are about feeling productive, enriched socially, and engaged in work and leisure activities that will continue to fulfill the human need to be part of an active, interesting community.

Take a moment to think about the answers to the questions posed above. Then sit down with your Moneta Family CFO to being planning for the next stage of life.



Understanding Basic Concepts

By Nancy Powers, communication manager

Talking About Moneta Group

One of the benefits of being a Moneta Group client may present a problem. Clients sometimes tell us that because of the trust and confidence inherent in their relationship with us, it can be difficult to articulate exactly *why* they feel secure in placing their confidence in a Moneta Family CFO—especially when talking with friends or colleagues.

What do you say when people ask why you're a Moneta Group client? How do you describe your relationship with your principal and your Moneta Group team? Can you explain 'Raving Fan' service, the hallmark of all our client relationships? If you tell friends, "You should talk to my 'investment guy,'" you're giving them only a tiny piece of the puzzle. If all you wanted was an 'investment guy,' there would be plenty of options.

Some Common Terms

Perhaps it's simplistic to define the differences between broker-dealers, for example, and Registered Investment Advisors (RIA). Maybe most of our clients already understand the difference between 'compliance' and 'full disclosure.' And maybe, because you experience its true meaning at Moneta Group, you assume everyone understands the meaning of 'fiduciary.'

To better help you explain to others why you have put your trust in us, we thought it might be helpful to provide some explanations that can help you talk about who we are and what we do.

Advisors versus Broker-Dealers

Brokers, although they are governed by rules and charged to offer clients only suitable investments, are essentially agents, and their main business is to accumulate trades and commissions for the companies they work for.

According to an article posted on www.businessweek.com in Robert Barker's *The Barker Portfolio* on August 5, 2002, that's not the case for RIAs. "Advisors, the law holds, must act as fiduciaries—putting clients' best interests before their own and disclosing any conflicts of interest. [I]nvestment advisers are expected to be on the client's side of the negotiating table in any deal."

But although some companies now offer advice along with trades, brokers aren't necessarily interested in registering as investment advisers. That's because they would have to do things differently. Most important, a broker would have to become a *fiduciary*, not an agent, and as such would have to disclose crucial information.

Fiduciary: What does it Mean to You?

Fiduciary doesn't simply describe someone who oversees your money. It means someone who enjoys a special relationship of trust, confidence or responsibility in his or her obligation to you and to others. As investment advisors, Moneta Group principals always sit on the same side of the table, acting as advocates for their clients, always putting the client's best interests before their own.

Compliance versus Full Disclosure

"Brokers can sell securities to customers from a firm's own inventories without revealing how the trade might benefit the firm," Barker says. Investment advisors, he notes, have to spell that out. Disclosure is different from compliance. Broker-dealers must follow regulations set by the SEC which govern their behavior. Yet full disclosure—a standard Moneta Group adheres to rigorously—is a different animal.

We carefully explain our fee structure, and we don't charge clients for trades or for any number of other services we offer as a matter of course. These points, among others, are fully disclosed in Moneta's ADV Part II.

We also clearly explain the business relationships we have with partners who may be involved in helping clients meet their financial goals. Barker points out that asset-based fees, rather than commission-driven trades, discourage unwarranted trading, a practice designed not to serve the client, but to earn extra money for the company. That's something our clients never need to worry about.

Always in Your Best Interest

Finally, your friends and colleagues might like to know that everything we do is done with three values guiding all our decisions and practices: We are passionate about what we do; We create Raving Fans and we always ask ourselves, 'Is this best for our clients?' If the answer isn't an unequivocal, "Yes!" we don't do it.





Seniors and Retirees: Beware of Financial Scams and Scammers

by Timothy J. Halls, CFP®, CFA

Some Seniors Are Targets for Financial Scams

Our retirees and elder citizens are increasing in number, increasing in wealth, and—disturbing but true—increasingly being fleeced by scam artists and other unscrupulous people purporting to be professional financial advisors.

The vast majority of financial service professionals are honest and ethical, but there are enough bad apples in the barrel to wreak havoc on the financial security of people who, quite often, can least afford it.

Missourians Warned by Carnahan

The situation has grown so alarming that Missouri Secretary of State, Robin Carnahan, mailed out a list of *Top 10 Threats to Missouri Investors*. Among them:

- **Free Lunch or Dinner Offers:**

Along with the free meal comes the promise of investments with “high returns and little or no risk.” It may sound obvious that this is too good to be true, but the folks hosting the seminars can be persuasive.

- **Variable and Equity-Indexed Annuities:**

These products frequently come with high fees and limited ability to access your money without ‘surrender fees.’

- **Oil and Gas Scams:**

The downsides of these investments are frequently understated, but the reality is that many are highly risky and unsuitable for smaller investors.

- **Prime Bank Schemes:**

These often promise high, tax-free returns. Promoters offer to let the ‘little guy’ in on exclusive investments from overseas banks. The only problem is: *Prime Banks of this type do not exist.*

- **Investing in Death Benefit Contracts:**

Brokers sometime sell the life insurance policy of a terminally ill patient (generally known as a “viatical”) for a price below that which is promised to be paid at death – offering a large return to the investor when the ill patient dies. Besides giving up a large ‘cut’ to the broker, advances in medical technology can mean your returns on this investment are in no way guaranteed. Plus, how comfortable are you in taking a financial interest in the death of a fellow human being?

Questionable Credentials

These unscrupulous practices and others are obviously not limited to Missouri. Fortunately, scams against the elderly are getting increasing attention. One big issue is the proliferation of so-called ‘experts’ who cater to the senior market, but are experts in title only.

The July 8, 2007 *New York Times* ran a cover story titled, “For Elderly Investors, Instant Experts Abound.” The story discussed how, particularly in the insurance industry, salespeople have been loading up on questionable credentials as a way of putting a title on a business card, one designed to impress gullible seniors.

The certification process to obtain these credentials is hardly rigorous. Consider the **Certified Senior Advisor** designation: It requires no college or high school degree, and no prior experience. The 24,000 people who have obtained this designation attended a three-and-a-half day course covering such topics as “Spirituality and Aging.”

According to the *New York Times* article, an actual multiple-choice question from the *Certified Senior Advisor* exam reads:

Which is **NOT** a sign or symptom of elder abuse?

- A. Untreated medical conditions or poor personal hygiene
- B. Unexplained disappearance of funds or valuable possessions
- C. Abrupt changes in a will or other financial documents
- D. Inappropriate or inadequate living conditions

Hmmm ... B?

Or how about the **Certified Retirement Financial Advisor** program, which also has no requirement for a college degree. The curriculum for this short-study designation includes the subject “Marketing Financial Services to Retirees.” In fact, the emphasis in many of these programs is on how to *sell* products to seniors, not on how to *help* them with their financial needs.

Designations You Can Trust

Compare the above programs to the **Certified Financial Planner** (“CFP”) designation. The CFP program is a 2-3 year training program that requires passing a 10-hour, 2-day exam. Applicants must have a college degree and a minimum of three years of work experience as a Financial Planner. When you compare these designations, it’s not difficult to choose who you would rather have advising one of your family members or loved ones.

It’s important to emphasize that most of the people working in the financial services industry are reputable folks who truly try to help their clients. But now, more than ever, be alert to those whose over-riding interest is earning high commissions, or, even more disturbing and dangerous, perpetrating downright fraud.



Observations

Last, but certainly not least...

As I hope you already know, Moneta Group was selected as the Schwab IMPACT™ 2007 Best in Business Award winner. I was extremely proud to be on stage with Peter to represent Moneta Group when the award was announced in Las Vegas on Oct. 30. This national recognition is a significant event in our history. This is truly the Academy Award for independent financial advisory firms.

We were nationally recognized by Schwab in its announcement in the *Wall Street Journal* on Oct. 31 and the news appeared in *Barron's*, on CNN Money.com, and in *Financial Planning*. We placed announcements in *The St. Louis Post Dispatch*, *St. Louis Business Journal* and *Ladue News* that same week and were featured on the *Ladue News* cover later that month. The response and enthusiasm has been amazing and we want everyone to know that Moneta Group has been recognized for its exemplary business practices. Earning this award is significant for several reasons:

- The awards selection committee is completely independent of Schwab. The judges this year were presidents of the national Financial Planning Association (FPA), the Investment Advisor Association (IAA), the Investment Management Consultants Association (IMCA), and Dan Leeman, retired partner of Boston Consulting Group.
- The application process is open to all Registered Investment Advisors—an important designation Moneta principals have—and that number is in the many thousands.
- The judging was based on both the philosophy of the firm, quantitative results that show the philosophy is working, the firm's commitment to its clients, and the attitude and aptitude of the people who are members of the firm.

This recognition confirms what we at Moneta have known for a long time. We have great people committed to providing extraordinary service to our clients, and what we do is unique in our industry. It is gratifying to receive this tangible, national, and public recognition of our commitment to serve you.

Moneta has participated in Schwab's Institutional Advisor program since 1994. Moneta recommends that its clients select an independent custodian and broker-dealer, including Schwab, to custody clients' assets and to execute brokerage transactions. Moneta clients currently have over \$5 billion custodied at Schwab. In addition, Schwab may recommend Moneta as a financial planner to its brokerage customers who request financial advice. As a result, Moneta has a substantial long-term relationship with the sponsor of the award. The application process for this award was free of charge and open to all registered investment advisors.

The Best in Business Award is an enormous tribute to everyone at Moneta, and we are extraordinarily proud to share it with the entire Moneta family; our employees, our business partners and especially with you, our clients. Your trust in us, your support of our business goals, and the high value you place on our Family CFO approach continue to be the keys to our success. The fact that more than 90 percent of the firm's new client relationships in the last five years have come from you, as client referrals, is something we are very proud of. In spite of this national recognition we intend to remain small and independent.

This news is just too good not to share. We are truly humbled and honored to be selected as Best in Business, and there is no question it is going to have a substantial impact on our business, and on every person at the firm, because at Moneta Group, creating Raving Fans is everyone's job. This award shows we are accomplishing that goal.

Thank you very much for all you have done and continue to do that made this award possible.

Joe

Moneta Group Investment Advisors, LLC is required by law to disclose all pertinent information on the firm's operation in an annual Summary Disclosure Statement. Free copies available to anyone upon request.

PROXY VOTING POLICY

Moneta Group Investment Advisors, LLC has adopted proxy voting policies and procedures reasonably designed to ensure that proxies we are authorized to vote are voted in our client's best interests. As a brief summary our policy requires Moneta principals to review proxy issues on a company-by-company basis and to analyze the economic impact these issues may have on the client's investment objectives. Moneta will give great weight to the views of management only when the issue involved will not have a negative impact on investor values. Our policy also outlines specific factors that a Moneta principal will consider in deciding how to vote proxies relating to director elections, corporate governance, shareholder rights and social and environmental issues. Our policy provides methods of resolving potential conflicts of interests such as requiring a second review by Moneta's compliance officer or disclosing the conflict to the client and obtaining the client's consent.

Moneta principals generally exercise voting authority for client proxies only if specifically requested by the client. For clients who have requested that their Moneta principal vote proxies in their accounts, your Moneta principal will provide you with a written summary of how votes were cast in your accounts with respect to mutual fund and/or public company proxies received by Moneta after August 6, 2005. You will be responsible for voting proxies in your account unless you notify your Moneta principal and your Moneta principal accepts proxy voting authority.

You may obtain a copy of Moneta's proxy voting policy online through our website at www.monetagroup.com. You also may call us at 314-726-2300 to request a copy from the Compliance Officer, or write to us at 100 South Brentwood Blvd, Suite 500, Clayton, MO 63105, Attn: Proxy Voting Compliance Officer.

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