

# Maine Values



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## Estate Planning: Should You Do It Yourself or Use a Professional?

*“Assembly required.” “It’s so easy, you can do it yourself.” These are phrases peddled by many of today’s manufacturers. And Americans are eating it up. The more convenient (and inexpensive) the product, the better. While this may work to your advantage if you’re putting together a dining room chair or a child’s toy, do-it-yourself estate planning is another matter.*

### The Upside

There are many Web sites devoted to helping Americans prepare an estate plan quickly and cheaply. Like any endeavor, it’s not right for everyone. However, the do-it-yourself approach does have its charms. Using an online tutorial or software program, you can request that certain accounts be transferred to your beneficiaries upon your death, allowing most of your funds to avoid probate – a potentially expensive and time-consuming legal procedure that can tie up your money for months. Using the correct terminology, you can make sure investments, life insurance, retirement savings and other wealth pass directly to your designated beneficiaries.

### The Downside

Online estate planning often works best for individuals who have a modest estate and are looking to create a simple will. However, the do-it-yourself method can cause problems even when crafting the most basic of wills. Estate planning is a process that requires precise language and legal proficiency. One slip-up – a wrong word, muddled sentence or missing phrase – can drastically alter your financial intentions and perhaps even cost your beneficiaries their inheritance. For instance, older adults often forget to plan for disability or incapacity when creating a self-prepared will. “What if you can’t care for yourself?” “Who will carry out your wishes?” Unfortunately, many downloadable estate plans contain flaws and don’t represent the entire scope of a well-prepared estate plan. It’s only when the document is presented to a professional that the errors are noticed and corrected.

**Seeking the expertise of a professional is recommended for everyone, but especially for anyone with a complex estate or a large degree of wealth.**

### Who Should Visit a Professional?

When planning for the financial futures of your loved ones, it’s best not to take any chances. Seeking the expertise of a professional is recommended for everyone, but especially for anyone with a complex estate or a large degree of wealth. A professional can draft your will according to your specific objectives, explain estate-tax laws and exemptions, designate your beneficiaries and offer advice – all in your best interest. You’ll have peace of mind knowing that your estate plan follows legal guidelines and that your wishes will be carried out according to plan.



# Investment Lessons from the Past Decade

*If you've been investing for the past 10 years, you've experienced one of the most turbulent periods in stock market history. From a return of 33.4% in 1997 to a stomach-churning -22.1% in 2002, stocks have given investors a wild ride.\**



However, market cycles are nothing new. Consider the following lessons in dealing with market volatility.

**Lesson 1: Don't chase returns.** As you can see from the accompanying chart, different types of investments take turns leading the market. In most cases, if you try to chase returns, you'll end up selling when the market is dropping and buying when prices are going up – exactly the wrong approach. For example, suppose you decided to sell all your domestic stocks at the end of 2002. You would have missed out on the chance to reap a 28.7% return in 2003.\*

**Lesson 2: Practice asset allocation.** By spreading your investments among different asset classes (typically, stocks, bonds and cash equivalents), you may help moderate volatility in your portfolio. If stocks are up, bonds may be down, and vice versa. When determining your target asset allocation, consider your goals, timeline and risk tolerance.

**Lesson 3: Diversify.** Consider spreading your investments among different companies, industries and/or investment styles within each asset class. For example, you may want to include some large- and small-capitalization stocks, value and/or growth stocks in the equity portion of your portfolio. In the bond portion of your portfolio, you might consider

including government and corporate bonds, as well as bonds of different maturities.

**Lesson 4: Consider systematic investing.** Also called dollar-cost averaging, systematic investing involves investing the same amount of money at regular intervals, regardless of what the market is doing.\*\* Dollar-cost averaging helps take the emotion out of investing, since you don't change your investment strategy in reaction to market fluctuations. You also purchase more shares when prices are low and fewer when prices are high. Over time, the average price you pay for shares may be lower than the average price of the stock.

## Review Your Portfolio

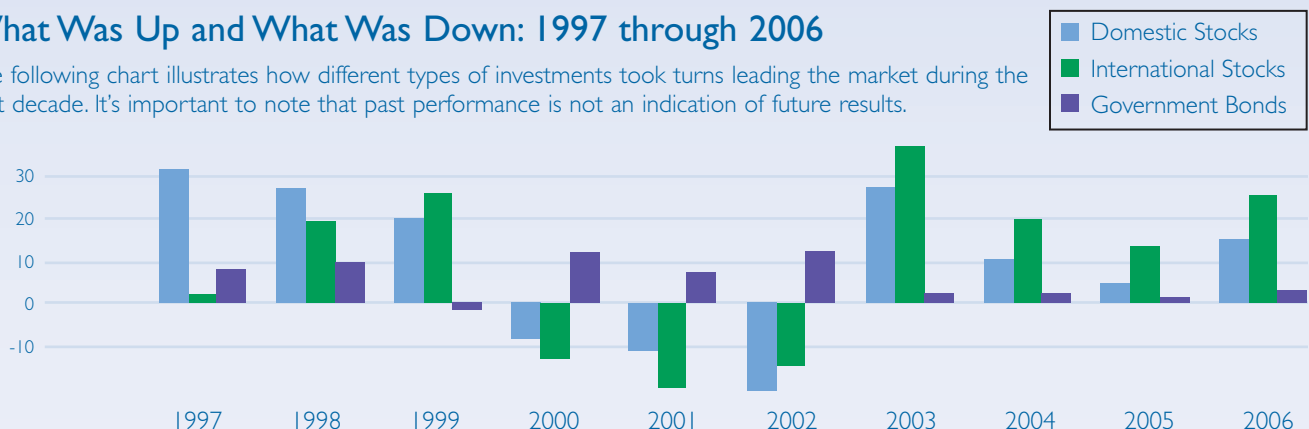
No one knows what the next decade will bring. But lessons from the past can help you prepare for the future. Lisa Rideout can help you review your portfolio and develop a suitable investment strategy.

\* Source: "Stocks, Bonds, Bills, and Inflation 2007 Yearbook," Morningstar®, Chicago. Based on large-company stocks as represented by the Standard & Poor's 500 Composite Index. Past performance is not an indication of future results. Individual investors cannot invest directly in an index.

\*\* Dollar-cost averaging cannot guarantee a profit or protect against loss in a declining market. Consider your ability to continue investing through market cycles.

## What Was Up and What Was Down: 1997 through 2006

The following chart illustrates how different types of investments took turns leading the market during the past decade. It's important to note that past performance is not an indication of future results.



\* Source: "Stocks, Bonds, Bills, and Inflation 2007 Yearbook," Morningstar®, Chicago. Domestic stock returns as measured by the Standard & Poor's 500 Index. International stocks as represented by the MSCI EAFE® (Europe, Australasia, Far East) Index. Bond returns as measured by intermediate-term (maturity near five years) U.S. government bonds. Individual investors cannot invest directly in an index.

# Investing in a Weak Dollar? Go Global

*Americans may bristle at the mere suggestion of being called weak, but that's exactly how the dollar looks on the global market. The greenback has fallen significantly in comparison to other major currencies, hitting all-time lows against the European Union euro in 2007.*

What does a weak dollar mean for the economy? U.S. companies that import raw materials may experience a decline in purchasing power and profit margins. Small U.S. companies that don't compete in the global marketplace may also suffer. Who stands to benefit? Large companies that export U.S. goods and have strong overseas sales, and international companies that operate around the world and sell in many different markets.

## Ups and Downs Overseas

Does a weak dollar make investing greener on the "other" side? Accepting the risk of investing in foreign markets comes with the potential reward of greater growth. Emerging markets (rapidly growing economies) in China, India, Brazil and other developing countries have boomed in recent years. From October 2006 through September 2007, emerging market mutual funds gained an average of 54.7%. The three-year return through September 2007 was 38%.\*

Because foreign markets don't necessarily move in tandem with the U.S. market, foreign investments may help diversify your portfolio and reduce volatility. However, the risks may be greater and costs may be steeper, since it takes more U.S. dollars to buy stocks and bonds overseas. Potential risks of investing internationally include:

- **Foreign exchange risk.** Shifting currency exchange rates may cause the value of your investment to rise and fall,

making it difficult to know when buying or selling may be in your favor.

- **International market risk.** Investing in overseas companies – especially those in developing countries – can be more volatile than investing in domestic companies.
- **Political, social or economic changes** may pose problems, such as added volatility.
- **Higher costs**, including transaction fees and sales charges, may also be tied to foreign investments.

Keep in mind that investing in different foreign markets can produce a range of risk scenarios. You may prefer the moderate risk of established markets such as Europe and Japan, or the greater risk of emerging markets in Southeast Asia or Latin America.

## Review Your Portfolio

No one knows if the dollar will make a comeback or continue to slide. As an investor, diversification may be your best defense.\*\* Kurt Garascia can help you explore domestic and global investment options that fit with your goals, timeline and risk tolerance.

\* Source: Reuters, [www.reuters.com](http://www.reuters.com), based on the Lipper Emerging Market Index Fund as of Oct. 4, 2007. Past performance is not an indication of future results.

\*\* Diversification cannot guarantee a profit or protect against loss in a declining market.

## Domestic and Foreign Index Returns as of Sept. 30, 2007\*

Index	Year-to-Date	1 Year	3 Years	5 Years	10 Years
S&P 500 (U.S.)	9.13%	16.44%	13.16%	15.46%	6.57%
S&P Latin America 40	13.02%	22.62%	19.08%	20.10%	8.14%
S&P Asia 50	32.57%	49.44%	33.38%	29.90%	N/A
S&P Europe 350	14.91%	27.40%	25.15%	25.91%	9.99%
S&P Japan 500**	18.56%	30.62%	25.28%	25.57%	N/A

\* Source: Standard & Poor's press release, Oct. 1, 2007. The S&P 500 is a large-company stock index generally considered representative of the U.S. market. The S&P Latin America 40 index is comprised of securities from major economic sectors in Latin America and Mexico. The S&P Asia 50 comprises four major Asian markets (Hong Kong, Korea, Taiwan and Singapore). The S&P Europe 350 covers about 70% of Europe's market capitalization. The S&P Japan 500 covers 500 Japanese companies. Past performance is not an indication of future results. Individual investors cannot invest in an index.

\*\* The S&P Japan 500 is measured in the Japanese yen.

# Sound Investing Includes Planning for Health Care

*Many U.S. companies are cutting retiree health benefits, leaving employees to cover more or all of their medical costs after retirement. Nearly one in five workers experienced cuts in retirement benefits from an employer in the past two years.\**

Surveys suggest employees do not realize their retirement security is in jeopardy. Many remain confident they will have enough money and are not adjusting investments to compensate for disappearing employer benefits and skyrocketing health care costs.

Even employees with retirement health benefits face shortfalls. On average, Medicare covers only half of expenses associated with health care for people who are over age 65.\*

## Make Health Care a Part of Your Plan

In retirement planning, people usually focus on 401(k)s, annuities, stocks and bonds, IRAs and mutual funds. But without a contingency for health care, money planned for golfing or that trip around the world could go to cover prescription drugs or a dental bridge. Protect your retirement security with these tips:

**Don't depend on Medicare for everything.** Most automatically qualify for Medicare Part A (hospital insurance) at age 65. It doesn't have a premium if you or a spouse paid Medicare taxes while working, but it does have deductibles starting at \$1,042 for hospital stays. Medicare Part B (medical insurance) requires a monthly premium of \$96.40 for most beneficiaries.\*\* Medicare Part D covers some prescription drugs with premiums ranging between \$0 and \$275 a year, depending on which drug plan you choose. Medicare doesn't cover dental care, hearing aids, eye care or long-term care.

**Invest in a health savings account (HSA).** Money in these tax-advantaged accounts can be used for costs not covered by insurance. HSAs are portable, and balances can be carried over each year. But an HSA can only be used with a high-deductible health plan (HDHP). Talk to your employer about offering this option or contact an investment expert for information about individual HSAs/HDHPs.



**Decide when you want to retire.** If you retire before age 65, you'll need your own insurance until you qualify for Medicare. Employers are required to continue coverage for 18 months after you've left, but you'll have to pay the full premium.\*\*\*

Or, you can buy a private policy. Generally speaking, the healthier you are, the less expensive it will be. More than half of adults ages 50-64 with private policies spend more than \$3,600 annually on premiums. Health insurance is critical for this age group. Without it, they are more likely to not seek medical care when sick, not fill a prescription and skip recommended follow-ups because of costs.†

\* Source: 2007 Retirement Confidence Survey, Employee Benefit Research Institute (EBRI).

\*\* Source: Centers for Medicare and Medicaid Services, 2007. [www.medicare.gov](http://www.medicare.gov).

\*\*\* Source: Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

† Source: The Commonwealth Fund Survey of Older Adults.

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