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AVOIDING COMMON INVESTMENT MISTAKES

The elder law attorneys at Oast & Hook are frequently asked to assist our clients with estate, long-term care, and investment planning. Unfortunately, we often find that our clients have made significant mistakes in their investment planning. These mistakes jeopardize our clients' ability to provide for their support and to leave inheritances to their children. In some cases, these clients may run out of money needed for their support because of the investment mistakes.

For example, we recently met with a couple in their 80s to discuss their long-term care planning. The wife was in the early stages of Parkinson's disease. Their combined annual income was about \$30,000. They owned their home and about \$400,000 of investments. On the advice of their "commission-based" investment advisor, about 80% of their investments were in illiquid real estate investment trusts (REITs). This elderly couple was taking too much risk by concentrating their investments in one asset class, and they may suffer a significant loss when they sell the REITs to pay for the wife's care. Other elderly clients have invested too large a percentage of their investments in deferred variable annuities with significant withdrawal penalties.

To avoid investment errors, Oast & Hook recommends that our clients:

1. Put their investment and estate planning goals in writing. Although a professional advisor can assist the client with this responsibility, the client should not delegate this task to the professional. In making investment decisions, the client should not deviate from the client's stated goals and objectives, however, the client should annually review and revise these goals as necessary.
2. Obtain investment advice from "fee-based" advisors rather than from "commission-based" advisors. Commissions create conflicts of interest because a commission-based advisor is compensated for

making money from the client rather than for the client. Oast & Hook thinks that commissions were the reason that the elderly couple discussed above was advised to invest 80% of their funds in REITs.

3. Do not rely on their emotions. It will lead them to sell at market lows and invest at market highs.
4. Save. Save. Save.
5. Do not speculate. When clients play the market or day-trade, they are gambling on their ability to beat the pros. They will lose.
6. Do not invest primarily for "tax reasons." Tax shelters are frequently poor investments.
7. Do not consider the client's home as an investment. Think of it as a place where the client and the client's family live.
8. Reduce investment risks and increase returns by allocating investments among different asset classes, like large cap stocks, small cap stocks, REITs, foreign stocks, and bonds.
9. Monitor investment performance on a quarterly basis and re-balance their investment allocation annually.
10. Increase investment returns by controlling investment expenses and taxes. To accomplish these objectives, Oast & Hook recommends that our clients consider using index mutual funds or exchange traded funds. For larger accounts, Oast & Hook recommends separate account managers.

Oast & Hook thinks that a competent fee-based investment advisor can assist our clients in accomplishing their estate, long-term care, and investment goals. To assist our clients in establishing prudent investment policies, we have formed Oast & Hook Financial Services, L.L.C., a registered investment advisor. Oast & Hook Financial Services provides investment advice, but it does not manage money. For money management, Oast & Hook Financial Services refers our clients to experienced and competent money managers. Our job is to help the client develop the client's goals and objectives in a written investment policy statement, select appropriate money managers to implement the policy, monitor the performance of those managers, and to periodically review and update the investment policy statement.



All of us at Oast & Hook wish you a happy holiday season and a healthy 2010!

Ask Allie

O&H: Allie, we've heard the some animal lovers in Isle of Wight County, Virginia, have a special program for pets this holiday season. Please tell us about it.

Allie: Sure! A recent article in the *Daily Press* said that Waverley Traylor and his wife Margaret sponsor an annual goodwill effort called Santa Paws. People have been donating items for cats, dogs, fish, and reptiles at 16 different drop-off sites. Mr. Traylor is a retired Isle of Wight County Animal Control officer. In 2002, he noticed that there were programs to help families at the holidays, but no programs for pets. The Traylor's started Santa Paws anonymously that year and had five deliveries. Last year, the program helped 240 homes with 360 deliveries. This year the program is expected to help 350 homes with 500 packages, covering areas in nine cities and five counties, from Southampton County to Virginia Beach to Williamsburg. More than 120 volunteers will help pack up the donations this year. Families must be nominated by others to receive packages from Santa Paws. "We give a lot to people who are disabled or elderly," said Mr. Traylor. After the holidays, the Traylor's manage a year-round food bank for pets that helps families who can't afford to feed their pets. They want to ensure that pets do not have to go to shelters if at all possible. For more information on nominating families next year, or to volunteer to help, please visit the Santa Paws website at www.santapaws-foundation.com. I hope all of our readers are having a happy and safe holiday! Time to see what Santa left under the tree for me!

Announcement

The Alzheimer's Association will be offering a Family Caregiver Education Series. These programs will be held from 11:00 a.m. to 1:00 p.m. at the Bayside Library, 936 Independence Boulevard, Virginia Beach, Virginia. Brown bag lunches are welcome, and drinks will be provided. These programs are free to family caregivers. The first program is entitled "Safety in the Home and Away," and it will be held on Wednesday, January 13th. Please register at least two business days before each program by phoning Carol Gurioli at 757-459-2405 or e-mailing her at carol.gurioli@alz.org.

Distribution of This Newsletter

Oast & Hook encourages you to share this newsletter with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Oast & Hook, P.C. If you are interested in a free subscription to the *Oast & Hook News*, then please e-mail us at mail@oasthook.com, telephone us at 757-399-7506, or fax us at 757-397-1267.

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