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*"It is better to look ahead and prepare than to look back and regret."  
~ Jackie Joyner-Kersey ~*

**"A TRILLION HERE AND A TRILLION THERE – SOONER OR LATER IT ADDS UP TO REAL MONEY!"**

Well, the election is over and we have a new President and Vice-President. From our point of view, who won or not makes little difference.

Some of you may think that's a political statement, but we assure you it's not. See, all we can know is what we know. And here's what we know:

The US Government Is TRILLIONS Of Dollars In Additional Debt, Loans, Or Investments...

Compared to where we were only a few years ago, somehow the Congress has let the country add on TRILLIONS in new debts, loans or investments.

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(We used to not be able to say "investments" when it came to the US Government, and refer mostly to loans, but now, in effect, the Government owns entities like Fannie Mae and Freddie Mac, AIG, assorted brokerage firms, and hundreds of billions in basically worthless mortgage backed securities purchased in default, and so on.)

Remember, when Senator Everett Dirksen made the famous quote that, "A billion here, a billion there, sooner or later it adds up to real money?" Well, that was when a billion was serious money. Now our government only thinks in terms of double or triple digit billions, and remarkably as of the last 3-4 years, in TRILLIONS of dollars!

What happened? Well, you've got your basic two full-time wars combined with crashing home/mortgage markets, the stock market drop, PLUS

the Government taking the unprecedented step of taking over failed companies and securities.

The new federal debt level has been raised to 11.315 TRILLION dollars! Now a logical question to ask is where do we get all these TRILLIONS of dollars to lend or invest with?

Answer: We don't have it, so the Federal Reserve Bank just "prints" it. Although, "print" is the wrong word to use, since 99% of this new money is issued as electronic transfers. So in reality, the money is just a figment of a computer's hard drive. While there is no hard currency to go with this new issuance of money, it just as surely dilutes the value of existing dollars.

The term for this is: inflation. Which means: a continuing rise in the general price level usually attributed to an increase in the volume of money and credit relative to available goods and services. Translation: When there's more money in circulation, it will inevitably lead to inflation. Period. End of story.

Now the Congress has done a great job of telling you that you shouldn't worry about inflation because they've got things under control.

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And, proof of that is that inflation has been modest in the recent past, so it will remain this way. Same garbage they dished out during and after the Vietnam War when they said the massive printing of money we didn't have wouldn't make any difference. Yeah right.

A few years later, starting in the late 70's, the massive dilution of money eventually caused hyper-inflation, and led to 15% mortgages, 16% CD's and 21% business loans.

Don't believe us, or too young to remember? Just ask anyone who bought a home or borrowed money for their business in 1979. They remember exactly how those crushing interest rates placed so much stress on them that they'll never forget it.

Now, the Congress says that this new TRILLION dollars plus of bailout money, yes, over a TRILLION in new funding just since the summer, is mostly investments, so the public will get the money back, as opposed to just handouts or loans that may never get paid back.

No one knows if we will or won't get any or all of this new debt back. No one.

So, are we going to experience a repeat of the Jimmy Carter years soon? Will a 6% mortgage turn into a 16% mortgage? Will your savings account go from paying 3% to 13%?

Who knows? But, we do know that history is worth studying because it gives you clues. And the clues look very similar.

And what about the insane stock market? Anyone notice any fluctuations lately?

Well, the market too, is an unknown. The market has always made a comeback, so one planning technique that could be useful is "Dollar Cost Averaging". It's where you invest similar, regular and periodic investments into funds or stocks.

When the market takes a hit like this, and they are putting in the same amount of dollars each month, for example, they are getting 10-20% more shares for the same amount of money as compared to last month. While this method does not guarantee a profit, it does help balance out you purchase prices, and if the market moves in a general upwards progression, your average cost of shares may be lower than if you had bought them all in one or two purchases.

With all of that said, it's certain that the new President and Vice-President will have a true mess on their hands.

So what do you do? Plan like crazy!

If you want to talk about anything to do with your planning, your investments, insurance... NOW is the time for action! Don't hesitate and just CALL!

If you haven't been in for an update lately, please give us a call NOW! If your situation has changed since the last time we sat down and updated your plan, please give us a call! Don't procrastinate. Remember, anything you've done before now may need some fine tuning or changing! GET IN TO SEE US RIGHT NOW! WAITING AND PROCRASTINATING WILL PROBABLY BE A HUGE MISTAKE!

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## FINANCIAL TIP OF THE MONTH...

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### Is Filing Late Really An "Audit Proof" Tactic?

One of the great stories circulating about your tax return is that if you file late with an extension, that your odds of being audited are almost nil. The story goes that because the IRS chooses the returns they're going to audit as they get filed, and that by the time the late ones come in they've already used up their allotment of returns they can audit...so the late filed returns are safe from being examined.

Some people profess this is true, particularly some former IRS insiders who say this is how it works. Of course, the IRS and others disagree.

They say that ALL the returns are run through a formula that accounts for the type of return filed, income level, deductions and so forth, and that returns that achieve a certain "score" based on this secret formula are thrown into the "maybe" pile for being audited. These IRS folks say that it makes no difference when you file, if your return gets kicked out from this "grading" process, it gets kicked out.

It doesn't mean you're automatically audited if your return goes into the "maybe" pile, because a human reviewer will look at that pile and decide which ones look the juiciest for auditing.



Now, with so many opinions and insiders saying different things about this “audit proofing” method of filing late, we all have to realize that we truly don’t know what the IRS does or doesn’t do. Does filing late give you an edge? Who knows?

What we DO know that the best insurance is to do careful, year long income tax reduction planning by using EVERY legal strategy and loophole that you can, to maximize your tax savings...100% legally!

If you wait until tax time to do “tax planning”, you will be trying to close the barn door long after the horse is out. (In fact, by doing tax reduction planning at tax time, the horse isn’t just out of the barn, she’s in the next state by the time you close the door!) The best and ONLY way (in our humble opinion) is to do tax planning all year, BEFORE the end of the year, use all the legal methods of reducing your taxes, and not worry about whether you do or don’t get audited.

We also feel comfortable in saying that using legal tax reduction strategies isn’t necessarily going to kick your return in to the audit pile in and of itself. And even if the “friendly” folks at the IRS want to examine your return, they won’t be able to do anything except cause you a little wasted time and money going through the inquisition.

See, there’s no fear of being audited if you use tax planning techniques that the Congress has made into law. If you have done everything right, they can’t say or do anything except shake their heads.

So, bottom line, don’t listen to theories about magic tricks. Just do planning and follow the perfectly legal loopholes they give you!



“I can’t afford to give both of you a raise. You’ll have to settle it with a cage fight.”

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning is the only way to find the right answers for your situation! As with any financial issues, make sure you get the right information before making a decision! If you have any questions, we’ll be glad to help you!

## STORY OF THE MONTH!

(Note: The details of these stories have been changed to maintain confidentiality, and some compilations are used to accomplish anonymity.)

### “Don’t Try This At Home Yourself!”

Here’s an interesting story about a client who had a little bit of information, and armed with this info, almost cost himself his entire estate!

Ben was referred to us and made an appointment to come in and review his finances. Ben was a top executive at a local company and retired several years ago with a pretty nice size chunk of change in the “bank”. His wife, Ellen, had passed away when their kids were still in college, after a long fight with breast cancer. It took years for Ben to get back into the swing of life after Ellen died, and he never remarried.

He did, however, develop a relationship with a woman he knew from work, Mary Pat, and they became intimate companions. (The kids apparently did NOT like Mary Pat, and had little to do with her. When she came over on holidays and so forth, they were civil in respect for their dad, but were quite unhappy about the whole relationship.)

Anyway, Ben’s always been a “do-it-yourselfer” type of guy. He built his own shed in the yard, installed his own burglar alarm, replaced the windows himself, and so on. He liked reading and studying things and then doing them himself.

He was like this with his money as well. He bought all the magazines, watched the cable stations that talk about finances, listened to the Sunday afternoon call-in radio shows, visited every website and blog imaginable about money and finances. He uses tax return software to do his taxes, and even bought a “do-it-yourself” will/estate planning software package, and did his own documents without a lawyer.

Well, when he came in for his first appointment with us, he initially stated that the only reason he came in was for us to confirm that he had things set up correctly, and that he knew he was in proper shape, financially speaking.

Anyway, Ben showed us what he had done, and we agreed with him that he had everything set up correctly. Correctly, if you use the term to mean that he was set up to:

- Pay as much income tax as humanly possible!
- Lose most or all of his assets if something were to happen to his girlfriend or kids!
- Pay all kinds of penalties and gift taxes if the IRS looked at what he was doing!
- Get nailed big time if something unexpected were to happen!
- Go broke if he ended up requiring any long term care!
- Have his estate value eroded every year by not being properly diversified and not having a real opportunity to beat inflation!

And there was more. See, doing things himself, he had created a huge disaster, a ticking time bomb waiting to explode! For example, he had put a bunch of his CD's in his kid's names as joint owners with him, proudly explaining that these joint assets would not be subject to probate when he died, and would go directly to the kids. Well, that is sort of true, but it's a minor benefit compared to the potential problems this type of strategy can cause.

For example, one of his boys is part owner of a day care center. OK. So, let's say his son gets sued from some problem at the day care business and is found liable in court. A judgment would be issued and the joint accounts with Dad could be attached and lost to satisfy paying the judgment! (Ben was shocked to hear this, because he had read an email he received from a friend that said joint accounts are protected from attacks from creditors.)

Another problem. Ben had given his girlfriend some assets, and had them put into her name, with the "understanding" that if he were to die, she would transfer them to the kids. He declared this strategy was used by one of his golf buddies, and that he knew these assets would be out of his estate. As Jon Lovitz used to say on Saturday Night Live, "Yeah, sure. Yeah, she'll give the kids the money. Yeah, sure."

We could go on, because virtually everything Ben had done was dangerous to his wealth...

but we think you get the idea here. You cannot assume that information you get from TV shows, magazines, websites, blogs, emails, or husbands of your girlfriend's girlfriend is correct or complete! We'd rather see people with NO information as opposed to a little bit of inaccurate and incomplete knowledge.

This managing money deal is not something you should be trying yourself at home. This is not a place for amateur night! There are so many things that could go wrong, so many contingencies, so many options and choices...that it's just too difficult for untrained people to do this themselves, or even with some full time professionals who only know one area and don't integrate the entire picture into one cohesive plan!

We were able to go over all of Ben's finances with the help of an estate planning lawyer. We got Ben straightened out, and he's now legally saving hundreds of dollars a month in income taxes, has the correct amounts and kinds of insurance, has the titling of assets set up properly and safely, and so forth.

Once again, a lack of careful planning could have led to a certain doom! **PLANNING IS THE ONLY ANSWER!** While your situation might not be the same as Ben's, you shouldn't take that to mean your planning needs aren't just as critical! **PLANNING BEFORE TAKING ACTIONS IS THE MOST FUNDAMENTAL, AND IMPORTANT ELEMENT OF FINANCIAL SUCCESS!!** So make sure you take heed, and call us **BEFORE** making any moves!

(Note- Stories have been disguised to protect the identities of the people involved.)

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## DID YOU KNOW...

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(Our monthly feature of tidbits of news and info to make your life easier, your money work harder and so you're healthy all the time!)

### 1.) More demand for defibrillators -



Since the death of newsman Tim Russert, more people are realizing that the number one killer in America is sudden cardiac arrest. The most effective emergency treatment is a defibrillator. It increases the odds of survival from 2

percent to 50 percent. The odds are even better if the device is used within three to four minutes of a heart attack. No one knows if Russert could have been saved. There was a defibrillator at his NBC office, but it wasn't used until paramedics arrived. Defibrillator manufacturers such as Philips and Defibtech report that there has been a 30 percent increase in inquiries since Russert's death. Quoted in Newsweek, Philips spokesman Ian Race is not surprised. He says it's only natural to think of our own lives when someone we know passes away. In the near future, many of these callers will have a defibrillator in their own homes or offices. They cost about \$1,200 and are easy to use. According to an American Heart Association study, even an untrained sixth grader can operate one. Everyone should know CPR. When someone is in cardiac arrest, and there is no defibrillator, he or she needs prompt resuscitation by someone using CPR chest compressions. Doctors at UCLA School of Medicine say CPR is the only thing that will keep a patient alive long enough for the paramedics to arrive and defibrillate. The window of opportunity is tiny, only five to seven minutes before brain damage begins.

**2.) Portable hard drive has encryption software** - The Apricorn Aegis is a portable hard drive that has many uses. First, it is equipped with a sensor that authenticates its owner through fingerprints, with a swipe of the finger. If you worry about carrying sensitive information on a laptop, this small device will secure your data with real-time 128-bit AES hardware encryption. Its capacity ranges from 80 GB to 320 GB. The unit was named Best Portable Hard Drive with Encryption by InfoWorld 2008. It can be especially helpful for those who use multiple computers. They could store all of their data on one portable drive. It has a shockproof case and is priced at \$149 and up.

**3.) Lap kids at risk on the flight** - The airlines and the Federal Aviation Administration don't require babies under age 2 to travel in child safety seats. Cost is the main reason. The FAA says if parents have to pay for the child's seat, they might choose to drive instead, which is statistically more dangerous. Aircraft are designed to withstand tremendous g-forces, but humans are not. A 25-pound baby could be impossible for a parent to hold in an emergency, since g-forces could make the child up to four times heavier. Or the baby could be crushed by the parent's weight. To ensure that a baby or small child will be safe while flying, strap the child into a safety seat. Buy a seat for each child, including the baby.

## HEALTH TIP OF THE MONTH...

These tips are not for everybody and should not be taken as specific recommendations. Before you take any action regarding yours or anyone's health, we strongly suggest you consult a qualified physician!)

### Why a Drink a Day May Not Be Good For Everyone

Moderate drinking is associated with a lower risk for heart disease, according to the Journal of the American College of Cardiology. And it could reduce the risk of diabetes, dementia, stroke, and inflammation. These conclusions are generally true, but a review of hundreds of studies also shows that alcohol creates a risk for certain types of cancers.



An analysis of studies done by the World Cancer Research Fund and the American Institute of Cancer Research revealed that even moderate drinking increased the risk of mouth, larynx and esophageal cancers, particularly when combined with smoking.

Other data they assembled showed that two drinks a day every day was associated with up to a 10 percent higher risk of colon cancer in men, and a 5 percent to 7 percent increase in breast cancer risk among women. Alcohol was also linked to liver cancer. Doctors at Johns Hopkins Medical Centers however, caution that the way risk is reported may make it sound more serious than it really is. In one colon cancer study, only 56 of more than 10,418 study participants drank at least one drink per day and developed the disease.

Additionally, some data in studies is self-reported, and people may not remember very well. Furthermore, people who drink very much may not have a healthy diet, may have other health problems, or a family history of a certain type of disease.

While these studies do not disprove the benefits of moderate drinking, they do provide a basis for discussion with a doctor. Other risk factors for certain diseases can help the doctor determine whether a drink a day should be advised for an

individual. Never start drinking to take advantage of its benefits because they can be achieved in risk-free ways, such as exercise and diet. But if you enjoy an occasional drink, it probably does you more good than harm.



"My friend Andy is outside with his laptop. He wants to know if I can come out and blog."

## NOVEMBER 2008 CLIENT QUIZ

Q. Which would you rather have?

1. A credit of \$1000
2. A deductible expense of \$1000
3. A capital gain of \$1000
4. A deductible loss of \$1000

### Here's The October 2008 Quiz Question And Answer!

Q. The new 2008 Tax Law has tightened up the ability to do Roth IRA's. Now if you participate in an employer retirement plan, you cannot do a Roth IRA.

True False

A. False. If you are covered by a retirement plan at work, you can take a full IRA deduction if your modified adjusted gross income is less than \$85,000 (married filing jointly) or \$53,000 (single or head of household). A partial deduction is allowed until your adjusted gross income reaches \$105,000 if you are married filing jointly or \$73,000 if you are single or a head of household. Also, the opportunity to contribute to a Roth IRA is now phased out as your modified adjusted gross income rises between \$159,000 and \$169,000 if you are married filing jointly or \$101,000 to \$116,000 if you are single or a head of household.

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