



Horton Financial Services, LLC

Insights about choices
Volume 2, Issue 5
September—October 2004

Financial Choices

TM

But, He Didn't Die

This is a story about Steve and Judy. They worked very hard, Steve, in technical sales, and Judy as a homemaker and mother of their two pre-teen daughters, Sally and Brianna.

They started out with very little, but Steve was a successful salesman, and after about twenty years at it, well, they had a very nice home in a nice neighborhood, with a big mortgage, of course, living the American dream. The girls were in a private school, and Judy took them to school each morning in a stylish SUV.

Steve and Judy enjoyed entertaining their friends and neighbors in their home. They also utilized their membership in the country club often for club functions and special events. In nice weather, Steve and Judy would play a little golf, but it was more about socializing and having fun than winning a game. Life was good.

One evening Steve was driving home from a sales call he had made in a nearby town. He was in a pleasant mood, because of the nice sale that he had made in spite of the stormy weather that had suddenly rolled into the area. He had called Judy to let her know he was running a little late. Trying to beat the worst of the bad weather, Steve's green convertible hydroplaned in the turn of an exit ramp. The car went over the railing and fell some forty feet below.

Another motorist dialed "911". Paramedics were there very soon. Steve was unconscious, and apparently had broken bones by the way his body was twisted in the wreckage, and likely internal injuries, as blood was oozing from the mouth, nose, and an ear.

The first paramedic to examine him at the scene, said, "I don't believe he made it", as none of his vital signs appeared to be active. Then, at the last second before considering him dead and calling for the coroner, he felt a very faint pulse.

Five days later, Steve awoke, after extensive surgery to save his life. It was more than a week before he began to realize what had happened to him. On the tenth day he began talking, slowly and incoherently at first. Judy, the girls, their families, and extended families were thrilled. But, the progress reached a point and leveled off after several weeks. They learned he had some brain damage, as well as very compromised internal organs.

Steve had bought \$5,000,000 worth of life insurance to protect his family, so that if anything happened to him, they could continue to live in the same neighborhood, go to the same school, live in their same world.

Steve, at age forty, was moved to a nursing home. Within a few months, Judy sold both cars, their cabin cruiser, dropped the country club membership, and put the girls in public school.

She looked for a job, but they were married young, and she didn't have much in the way of job skills. Judy had essentially supported Steve's career. She did baby-sitting and waited tables to bring in what little she could, but it wasn't even enough to pay the utilities on their home, let alone the mortgage, food and transportation. She later settled into a customer service job at a call center. (continued on page two)



Raymond C. Horton, Sr.

The "*Financial Choices*" bi-monthly newsletter is dedicated to the idea of making good choices, financial or otherwise, and is distributed to our firm's clients, professional peers, potential networking professionals, and potential clients to inform and to strengthen relationships, present and future.

Would you rather own \$10,000 worth of:

- U.S. Savings Bonds
- Gold
- Silver
- Diamonds
- U. S. Currency
- Euro-Dollars
- Sand
- Water
- Trees
- Rent House
- Wal-Mart Stock

The correct answer for you will be determined by your reasoning and use of the asset.

In This Issue:

Page One:

- But, He Didn't Die
- Would You Rather Own...
- Wilshire 5000 Index

Page Two:

- By the way...
- Consumer Confidence
- Economic Commentary
- But, He Didn't Die
- Did You Know?
- Oil & Gas Schemes

Page Three:

- Rita's Quote corner
- Hot Ideas
- Medicaid Myths

Page Four:

- About Our Practice
- New Location
- For CPAs Only
- Sources

The Dow Jones Wilshire 5000 Composite Index...

Measures the performance of all U.S. headquartered equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used to adjust the index.

Therefore, the index is an excellent approximation of dollar changes in the U.S. equity market. The Dow Jones Wilshire 5000 is the best measure of the entire U.S. stock market.

It has risen almost 1,000 points in the last twelve months to almost 11,000 points, or about 10%.

By the way...

Funds placed in a Section 529 Educational Account grow tax-free until used for college.

Further, these accounts do not count as assets of the child that otherwise might limit his or her eligibility for acquiring certain educational grants.

The money is also out of the parents estates, thereby having a role in their estate planning too.

Consumer Confidence Index

The Conference Board's Consumer Confidence Index, which had been on the rise since April, declined in August. The Index now stands at 98.2 (1985=100), down from 105.7 in July. The Expectations Index dropped to 96.6 from 105.3. The Present Situation Index fell to 100.7 from 106.4. Buyers are more cautious.

Economic Commentary

Although setting no records during the last couple of months, the DOW JONES INDUSTRIAL AVERAGE managed a modest rise from 10,139 to 10,173 during August.

Don't expect any dramatic changes, other than slow and steady growth for the remainder of the year. At least that is what many market analysts are saying.

Did You Know?

- The "Junk Fax Prevention Act of 2004" passed the House of Representatives. The Senate version is to follow in September.
- A "blue moon" is the second full moon in any given month, which occurs about every six years.
- The U.S. had the lowest number of traffic fatalities (42,362) in 2003 since records began to be kept in 1966.
- A newly eligible person qualifying for Medicare benefits cannot be turned down for a Medicare Supplement policy.
- Generally, life insurance benefits are paid income-tax-free to the beneficiaries.
- Capital gains of a taxable mutual fund are taxed during the year declared, whether or not reinvested.
- Inflation has averaged 3.92% per year over the last fifty years. An investment of 5.68% in a 31% tax bracket would break even.
- The most risky place to live in the United States is anywhere in California.
- The Earth's annual population growth has been slowing since 1960, from 22% to a current ten year average rate of 10.7%.
- August 2004 had the most new housing construction in five months, and no small amount of devastation via hurricanes.

But, He Didn't Die...continued from page one...

She listed the house for sale, pricing it low for a quick sale. After expenses, she had little more than transition money after paying the nursing home. She went to the insurance agent to get the cash value from the life insurance policy. The agent was chagrined at not having sold them the protection needed in case of a disability.

Steve had \$5,000,000 of life insurance, but he didn't die, at least not until two years later. Judy and the girls were living in an efficiency apartment. The \$5,000,000 life insurance policy had long since lapsed for failure to pay the premiums. Judy had borrowed all of the policy's cash value, so there was no cash in the policy to support any non-forfeiture benefits. What little cash there was left in the policy earlier on was used to pay premiums until there was no more to support keeping the policy in effect.

This is a sad story indeed. However, if Steve's insurance agent had only sold him a disability income policy that would pay him up to 60% of his pre-tax earnings prior to his disability, income tax free, the family could have stayed in their own world. Sure, they would have cut out the non-essentials, like the country club membership, the extra car, and the boat, but they could have gotten by okay.

At Steve's eventual death, the life insurance policy, which Judy could have continued to pay, would have provided all the advantages of life that Steve planned for his family in his absence.

The insurance agent could have even made sure that the life insurance policy had a disability provision in it that would have paid the insurance costs to keep the policy in effect, and Judy would not have even had to pay premiums out of pocket from the disability income insurance.

This is a story about everything going wrong, but it really did not have to be that way. No, Steve could never be replaced, and no amount of money would bring him back.

It would, however, assure that the girls could afford to acquire a college education, without grants, loans, or scholarships. It would have assured that Judy could have had a life of dignity as a sign of the ongoing love of Steve. But, Steve didn't die, at least not right away. The End

Beware of Oil & Gas Schemes...

You might know that when something dramatic is happening in the economy, the crooks will come out of the woodwork to find a way to scam people. Now that oil is hovering around \$40 per barrel, unscrupulous persons concoct investment deals that are either unregistered without exemption, or unsuitable for the targeted individuals.

First, if it sounds too good to be true, your instinct is probably correct. Other red flags could be:

- **Undocumented claims of past profitability**
- **Extravagant claims of future profitability**
- **High pressure sales tactics**
- **Old or incorrect engineering or geological reports**
- **Withholding material facts about the Company**

Regulators in a number of States have taken action against investment promoters selling oil and gas schemes. The most aggressive have been Washington, Kansas, Kentucky, Ohio, Oklahoma, Texas, Wisconsin., California and Illinois.

Oil and gas investments can have considerable risk, and require due diligence for suitability. The scams and schemes are a small part of the Industry that become more prolific when prices are high. If you are concerned about a deal offered to you, you can call 1-800-372-8303 for the "fraud line" of the Department of Financial Institutions, Securities Division.

Rita's quote corner.....

- *I pushed the button and it didn't do anything, so I pushed it a second time and it did it again.*
- *The longer it goes on, the longer it goes on.*
- *If I had a nickel for every time I did my hair, I would have lots of nickels.*
- *You can lead a horse to water, but you can't make him like it.*
- *If I had it to do over, I wouldn't do it, but then I wouldn't have done it over.*
- *In response to a heavy rain... "It was a chunk floater".*
- *If the customer is always right, why is that?*
- *Men have 50% of the heart attacks; the rest are women.*

Hot Ideas !

You can change the future tax nature of your liquid assets in at least a couple of ways. You can place your interest-bearing money, like CDs and savings accounts, into annuities, either fixed interest, equity-indexed, or variable with sub-accounts. The annuities are tax-deferred until withdrawn, but penalties could apply, depending upon when you make withdrawals.

Another way is to take the same type of money and put it into a permanent life insurance policy. Not only does the cash build up tax deferred inside the policy, but the eventual death benefit is usually income tax free.

Also, "qualified" plans will give you tax-free build-up.

10 MEDICAID MYTHS

You probably know that Medicaid will pay for your long term nursing home care if you meet certain limitations on income and assets. But, most people misunderstand the Medicaid eligibility rules. This series, "10 Medicaid Myths," discusses the most common misconceptions.

Medicaid Myth # 2**"It's illegal to give away assets before I apply for Medicaid."**

Not true at all. In most cases, but not all, there is a "penalty" in the form of a waiting period imposed before you can qualify for Medicaid after making a gift, but there is nothing illegal about giving away assets to qualify for Medicaid. All you need to do is follow rules set out by the federal and state governments. Congress can change the rules at anytime, but has set in place the current rules that in fact allow gifts of unlimited size.

It is a crime to lie about or hide gifts you have made when applying for Medicaid benefits, but making the gifts is not illegal.

What is the penalty that is imposed for making gifts? It is a period of ineligibility, a specific number of months during which you cannot qualify for long term care under the Medicaid program after making a gift.

How long is the penalty period? That will be discussed in the next installment, Medicaid Myth # 3.

For more details and a free booklet on Medicaid Planning in Louisiana, and/or Estate Planning in Louisiana, please call my office and ask to speak to one of my staff, or just email your request to me.

Compliments of:

Joe Gilsoul, Attorney
 Board Certified, Estate Planning and Administration
 Member, National Academy of Elder Law Attorneys
 Weems, Schimpf, Gilsoul, Haines & Carmouche, APLC
 912 Kings Highway
 Shreveport, LA 71104
 318-222-2100
 joe@weems-law.com



Insights about
choices
Volume 2, Issue 5
September—October
2004

Horton Financial Services, LLC
120 North Hardwick Drive
Bossier City, LA 71111

Phone: 318-222-8600 or 888-897-8800
Fax: 318-222-4023 or 888-809-2100

Email: ray@hortonfinancial.com
rita@hortonfinancial.com
Jimbethea@hortonfinancial.com

Meeting Financial Challenges Every Day!

WE are on the web. Visit us
at www.HortonFinancial.com

About Our Practice

For almost forty years, we have been helping people solve financial problems. The slogan of Horton Financial Services is "**Meeting Financial Challenges Every Day**"!

Our firm is paid for distributing insurance and investment products, and the benefit of our counsel, but the nature of our business is "**planning**", working with each client, one at a time, to help them achieve certain financial objectives.

We have never focused upon our personal income, but upon doing the right thing for the client, always considering the income a by-product of our service.

We have impacted over 3,000 lives in a positive way over the years, and continue to grow our business one client at a time, typically upon referral from existing satisfied clients and contract holders.

Our pledge to you is that we will always strive to do the right thing for you, and to merit your trust and confidence.

Raymond C. Horton, Sr.

NEW LOCATION

Most of our clients are seen on their own turf, and a large number of them are out-of-town. That's why we hold licenses in thirty-six states. Moreover, with the Internet, much of our work is online. Our office is more a point of processing data, providing customer service, preparing recommendations and keeping track of our business. It isn't like we have huge machines processing people on a conveyer belt.

Approaching our fortieth year in the financial services industry, we decided that we could divert the commercial rent we have been paying all these years into our own property. Some decisions come slowly.

To enable us to buy the dream home, we decided, with enough space, we could put the office in the house. More and more professionals have been doing this in recent years. It just made good economic sense. 80,000 vehicles per day pass by.

In the event someone does need to come see us, once he or she steps inside, they aren't far away from the executive suite. State-of-the-art electronics and software contain everything we do for the client, including access to the client's account information, service opportunities, and planning solutions.



For CPAs Only

Certified Public Accountants can soon check the Continuing Professional Education credits seminar schedule provided by Horton Financial Services, LLC, by going to www.HortonFinancial.com, then to the 'Seminars' tab. Or, just give us a call.

Sources include:

- Wall Street Journal
- Fox Financial News
- The Shreveport Times
- Dow Jones
- National Assn of Ins. & Fin. Advisors
- American Health Insurance Assn.
- The Associated Press
- The National Underwriter
- Million Dollar Round Table
- Cable News Network
- Society Financial Services Professionals
- Reuters News Service
- Center for Disease Control & Prevention
- National Highway Traffic Admin.
- "Cartographies of Danger" by Monmonier
- Editorial knowledge