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BCG Securities, Inc.

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March Market Commentary

The New Tax Package and Your Portfolio

On Dec. 16, 2010, Congress approved $801 billion in tax cuts and $57 billion for extended unemployment insurance. It includes other tax breaks, such as college tuition credit for some families, an expanded child tax credit, and the earned income tax credit. Here is how some of these changes may impact your portfolio.

Social Security Tax: The one-year payroll tax cut would reduce the Social Security tax to 4.2% from 6.2%. Although this was intended to increase consumer spending levels and stimulate the economy, a better option would be to increase your contribution to your 401(k) plan to match your employer's contribution, at a minimum, if you do not need extra cash in the near future. The contribution limit for 401(k) plans remains at $16,500 for those under 50, and $22,000 for for those age 50 or older.

Dividends/Capital Gains Tax Rates: Dividend and long-term capital gains taxes will remain at 15% for the next two years. Many had suggested selling securities in your portfolios that were projected to have huge capital gains before the end of 2010, since the capital gains tax rate was projected to increase to 20%. Now, you can sell your securities if your investment strategy dictates.

Estate Taxes: The new tax package sets new estate tax parameters with an exemption of $5 million per person, or $10 million per couple, and a maximum rate of 35% for the next two years. You should speak to your your financial advisor about creating an estate plan that will detail how you would like your assets distributed after you are gone, and who should act on your behalf should you become disabled.

Dividends are not guaranteed and are paid solely at a company's discretion. Please consult with your tax professional for specific tax advice.

The Ins and Outs of of Long-Term Care Insurance

When planning for retirement it would be wise to at least consider the purchase of long-term care (LTC) insurance. While not everyone needs LTC insurance, it is recommended that people educate themselves about the issues surrounding this type of coverage. There are a dizzying array of

In This Issue

Achieving the Proper Balance of Risk and Return

An important decision that every investor must make is determining the amount of investment risk to assume while maintaining a level of comfort. Risk is simply defined as the probability that the actual return for an investment will differ from that which was expected. It is possible that some or even all of an investor's original investment may be lost. In other words, there are no sure things in the investment world.

All investments contain some degree of risk; however, some investments are considered more volatile (riskier) than others. Low levels of uncertainty, or low risk, are usually linked to investments with low potential returns. On the other hand, investments with high levels of uncertainty, or high risk, are generally accompanied by high potential returns. The relationship between risk and return is such that one must be options and features you'll need to understand if you are thinking about buying such a policy.

What daily benefit will you need? The higher the daily benefit, the higher your premium. But you'll need to find a balance between daily benefit and cost. According to the 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs, the average annual cost for a private room at a nursing home in 2009 was $79,935. The national average for a semi-private room was $72,270. The national average for an individual living in an assisted living community was $37,572.

How long will benefits last? The typical stay at a nursing home is between three and five years, so make sure your coverage lasts for at least that long. Think about your own family's health history when choosing benefit periods. Does longevity run in your family or is there a history of family illness? Many policies offer unlimited benefits, although that obviously gets quite expensive.

What's the elimination period? The elimination period is comparable to the deductible on your other insurance policies. Your long-term care policy won't begin paying out for a certain number of days. Most policies start with a 30- to 90-day elimination period, but you can increase that. The longer the elimination period, the cheaper your premium. Consider, too, that you may be able to pay out of pocket for a limited amount of time**...MORE**

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BCG Securities, Inc.
600 Delran Parkway, Suite B
Delran, New Jersey 08075
(888) 394-BCGS (2247)
www.bcgsecurities.com

willing to accept greater risk if one wants to pursue greater returns.

A common misunderstanding among investors is that higher risk will lead to greater returns. According to the risk/return tradeoff, however, higher risk investments provide an investor with the possibility, not the certainty, of higher returns.

Consider the table shown at the end of this story which shows the periodic returns of three hypothetical investments. Investment A fluctuates very little from period to period. It has low volatility or a low amount of risk. However, this low risk is accompanied by low average returns. Conversely, Investment B has greater periodic fluctuations from one period to the other and has even lost money in one of the periods. On the flip side, Investment B's average return is higher than that of Investment A, corresponding to this higher level of risk. The riskiest investment of the three is Investment C, which has experienced a double-digit loss in one period. The returns for Investment C have also been periodically quite high, resulting in the highest average return of all three investments**...MORE**

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