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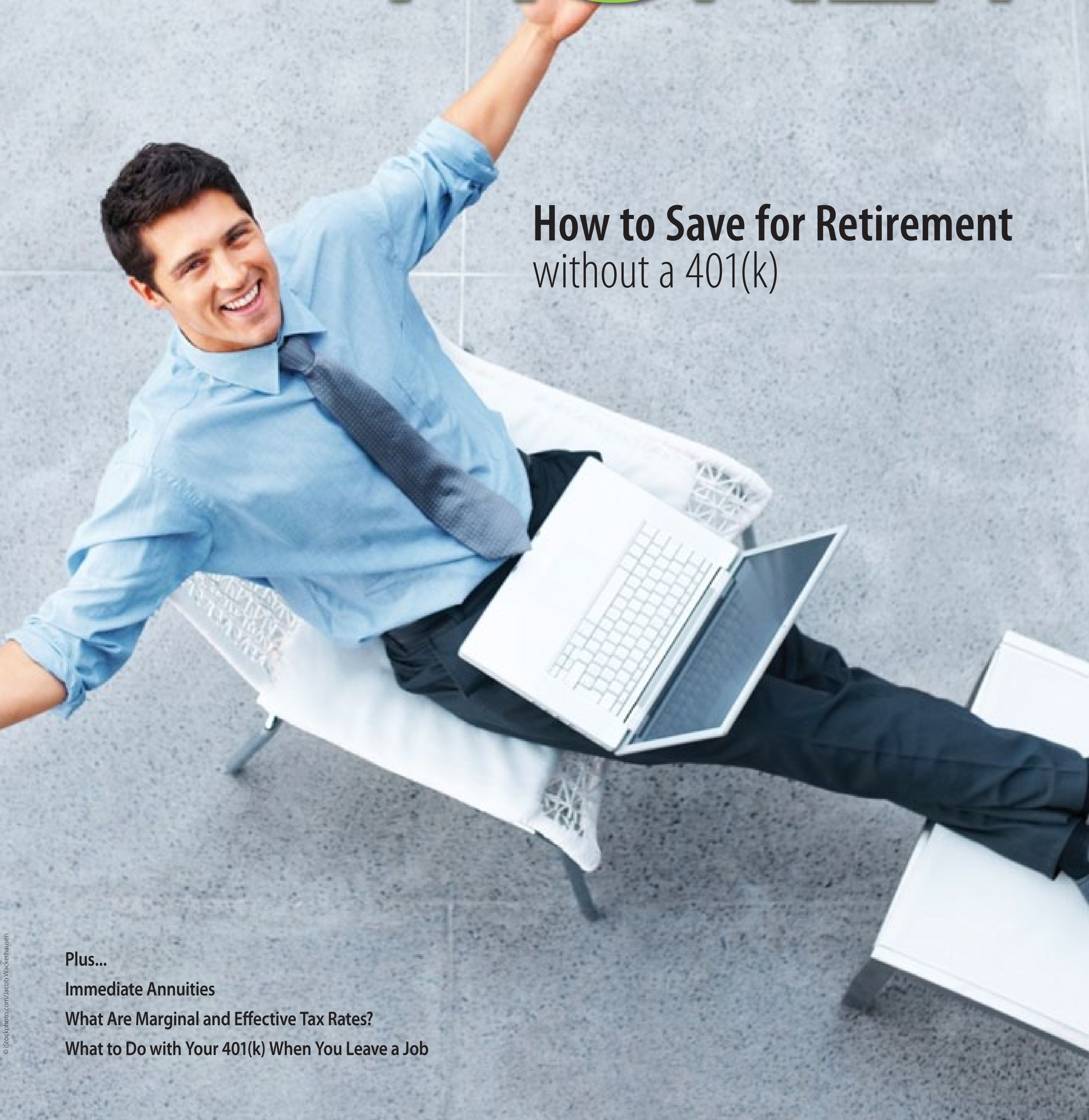
FINANCIAL GROUP
FINANCIAL PLANNING & INVESTMENTS

EYE ON MONEY

SEP OCT 2013



How to Save for Retirement without a 401(k)

Plus...

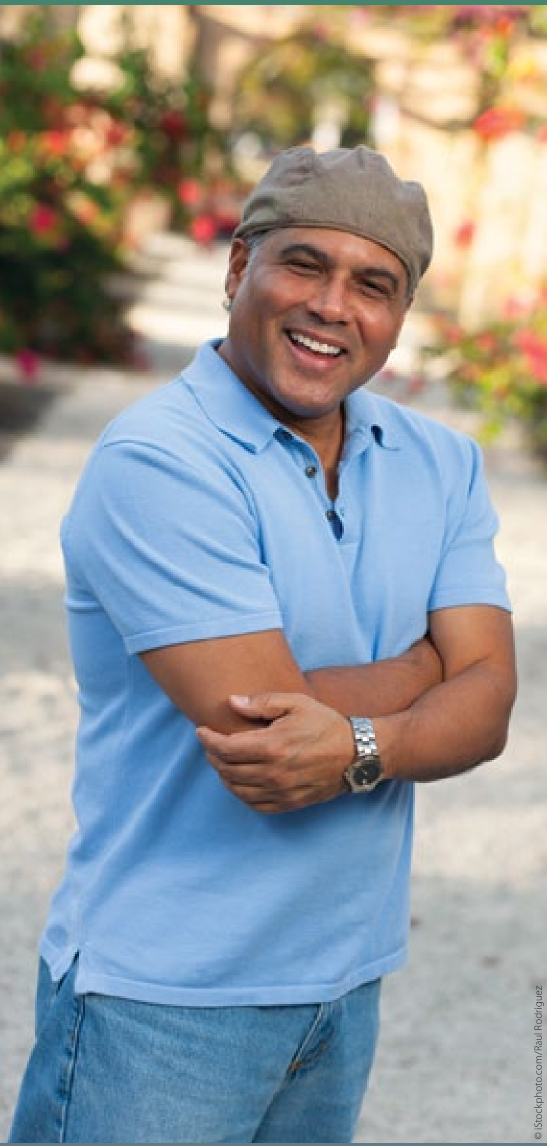
Immediate Annuities

What Are Marginal and Effective Tax Rates?

What to Do with Your 401(k) When You Leave a Job

Estate Planning Reminders

It pays to check up on things from time to time!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tax

Don't forget to plan for state estate taxes.

Think your estate is safe from estate taxes because of the recent changes in federal law? You may want to think again if you reside in one of the states with an estate or inheritance tax. While individuals can now exempt $5.25 million (double that for married couples) from federal estate and gift taxes, several states have estate and/or inheritance taxes with much lower exemption amounts.

docs

Plan ahead for incapacity.

There may come a time when you are not able to make financial or medical decisions for yourself due to an accident, illness, or aging. Creating a few legal documents now can help ensure that these decisions are made by a person of your choosing rather than the court's choosing.

Consider creating a durable power of attorney for finances, a durable power of attorney for health care (also known as a health care proxy), and a living will. You may also want to consider setting up a living trust.

POA

Check whether your financial institutions will accept your power of attorney.

Some financial institutions use their own power of attorney forms and may not readily honor one created elsewhere. Your estate planning professional can provide guidance about how to handle this situation.

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UP FRONT

FEATURES

FYI

LEAVING A JOB?
WHAT TO DO WITH YOUR 401(K)

Should you cash out your savings, transfer them to an IRA, transfer them to your new employer's retirement plan, or keep them right where they are? Here are a few considerations.

Cash out your retirement savings. Tempting as it may be to cash out your old 401(k), this is rarely the best choice. Here's why. When you take a lump sum distribution from a 401(k), you give up the tax deferral on your savings. The taxable portion of the distribution, which may be all of it if you have a tax-deferred 401(k), will immediately be subject to income tax. And if you are under age 59½, the taxable portion will also be subject to a 10% tax penalty for an early distribution, unless an exception applies. Depending on your type of 401(k) and your tax bracket, as much as 49.6% of your savings may be lost to federal taxes alone in the year of the distribution, leaving you with a greatly diminished nest egg. Unless you absolutely need the money now, you are generally better off choosing one of the other three options.

Transfer your savings to an IRA. This move avoids immediate taxes and the early distribution penalty and preserves the tax-favored nature of your savings. Your tax-deferred savings can continue to grow tax-deferred, and your Roth savings can continue to grow potentially tax-free.

IRAs are a great option if you are looking for more investment choices and greater control over your savings. While a typical 401(k) plan offers twenty or so mutual funds, IRAs offer many more investment choices and investment types, including mutual funds, ETFs, stocks, bonds, and other types of investments.

Plus, IRAs offer you the ability to withdraw your money at any time, unlike a 401(k) which usually will not allow withdrawals unless you have left the company, become disabled, reached age 59½, or are experiencing a financial hardship. (Withdrawals from IRAs or 401(k) plans are generally subject to income tax, and a 10% tax penalty if made before age 59½.)

> *
>
> When moving your 401(k) savings to an IRA or a new 401(k) plan, be sure to use a trustee-to-trustee transfer. Withdrawing the money yourself creates a needless tax hassle.

Transfer your savings to your new employer's 401(k) plan. Your new employer's plan may permit you to transfer your savings to its plan (the plan administrator can let you know), thus avoiding immediate taxes and the early distribution penalty and preserving your savings' tax-favored status.

This option may be the way to go if you think you may want to borrow (without tax or penalty) from your savings down the road and your new employer's 401(k) plan permits loans. Loans are not permitted from IRAs.

Be sure to evaluate the plan's investment options before deciding to transfer your savings to it.

Leave your savings in your former employer's 401(k) plan. If you are happy with the investment choices in your old 401(k), maybe this is the option for you. Like the two previous options, leaving your savings right where they are avoids immediate taxes and the early distribution penalty and preserves the tax-favored nature of your savings. But first you should check with your plan administrator to find out whether the plan will permit you to stay. If you have less than $5,000 in your account, you may not be allowed to leave your savings in the plan. ■

Deciding what to do with an old 401(k) is an important decision. Please ask your financial advisor for advice.

PLEASE NOTE: Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.

Important Dates for College-Bound Seniors

AUGUST–SEPTEMBER

Sign up for the SAT and/or ACT tests if you haven't already taken the tests or if you are not satisfied with your scores.

Narrow down your college choices. Visit your selected colleges. Download their applications and financial aid forms.

OCTOBER 1–FEBRUARY 15

Gather your letters of recommendation and write your essays. If you need to submit an essay or recommendations from your teachers with your applications, there is no time like the present to get started.

Apply to your chosen colleges. Application deadlines vary greatly, so it is important to find out the due dates for your specific colleges.

BEGINNING JANUARY 1

Submit your Free Application for Federal Student Aid (FAFSA). The application is used to determine your eligibility for federal student aid, as well as state and college aid in some cases. The application is available at **www.fafsa.gov**.

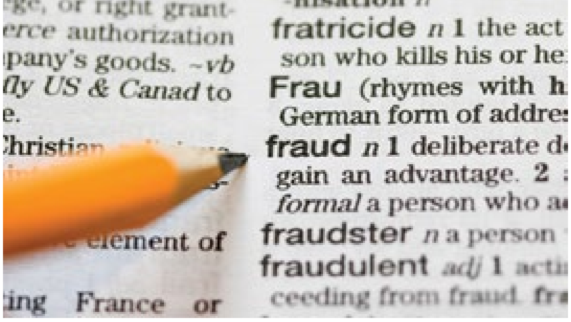
MID-MARCH–EARLY APRIL

Colleges notify students of their decisions around April 1.

GENERALLY BY MAY 1

Make your final choice. You will usually have until May 1 to accept a college's offer of admission. Check with your college for the exact date. ■

Please consult your financial advisor about how to save and pay for college.



HOW TO AVOID FRAUD

The Federal Trade Commission, the nation's consumer protection agency, offers the following tips that may help you avoid fraud.

Know who you're dealing with. Try to find a seller's physical address (not just a P.O. Box) and phone number. With internet phone services and other web-based technologies, it's tough to tell where someone is calling from. Do an online search for the company name and website, and look for reviews. If people report negative experiences, you'll have to decide if the offer is worth the risk. After all, a deal is good only if you get a product that actually works as promised.

Know that wiring money is like sending cash. Con artists often insist that people wire money, especially overseas, because it's nearly impossible to reverse the transaction or trace the money. Don't wire money to strangers, to sellers who insist on wire transfers for payment, or to anyone who claims to be a relative or friend in an emergency and who wants to keep the request a secret.

Read your bills and statements. Scammers steal account information and then run up charges or commit crimes in your name. Dishonest merchants bill you for monthly "membership fees" and other goods or services without your authorization. If you see charges you don't recognize or didn't okay, contact your bank, card issuer, or other creditor immediately.

After a disaster, give only to established charities. In the aftermath of a disaster, give to an established charity rather than one that has sprung up overnight. Pop-up charities probably don't have the infrastructure to get help to the affected areas or people, and they could be collecting the money to finance illegal activity.

Talk to your doctor before you buy health products or treatments. Ask about research that supports a product's claims—and possible risks or side effects. In addition, buy prescription drugs only from licensed U.S. pharmacies. Otherwise, you could end up with products that are fake, expired, or mislabeled—in short, products that could be dangerous to your health.

Don't send money to someone you don't know. Not to an online seller you've never heard of or an online love interest who asks for money. It's best to do business with sites you know and trust. If you buy items through an online auction, consider using a payment option that provides protection, like a credit card.

Don't agree to deposit a check and wire money back. By law, banks have to make funds from deposited checks available within days, but uncovering a fake check can take weeks. You're responsible for the checks you deposit. If a check turns out to be a fake, you're responsible for paying back the bank. No matter how convincing the story, someone who overpays with a check is almost certainly a scam artist.

Don't reply to messages asking for personal or financial information. It doesn't matter whether the message comes as an email, a phone call, a text message, or an ad. Don't click on links or call phone numbers included in the message either. It's called phishing. The crooks behind these messages are trying to trick you into revealing sensitive information. If you receive a message like this and are concerned about your account status, call the phone number on your credit or debit card or your statement and check on it.

Don't play a foreign lottery. It's illegal to play a foreign lottery. And yet messages that tout your chances of winning a foreign lottery or that claim you've already won can be tempting. Inevitably, you have to pay "taxes," "fees," or "customs duties" to collect your prize. If you must send money to collect, you haven't won anything. And if you send any money, you will lose it. You won't get any money back either, regardless of promises or guarantees. ■

How to Save for Retirement without a 401(k)

No retirement plan at work? No problem. Here's how to save for retirement on your own.

Don't let not having a 401(k) or other workplace retirement plan hold you back from saving for retirement! You can easily open your own financial accounts—some are very similar to workplace retirement plans—and begin saving for retirement in no time flat. Here are a few ideas to get you started.

Contribute to an IRA. An individual retirement account (IRA) is generally the first place to consider socking away some money for retirement. IRAs are financial accounts that are easy to set up and readily available through brokers, mutual fund companies, and financial institutions. They offer a wide range of investment options and, more importantly, tax benefits similar to those offered by workplace retirement plans.

There are two types of IRAs available to individuals. The traditional IRA and the Roth IRA. Each type offers different tax benefits.

With a traditional IRA, the money you contribute may be tax-deductible and your investment earnings are not taxed until they are withdrawn from the IRA.

With a Roth IRA, your contributions are not tax-deductible, but your investment earnings grow tax-free and can be withdrawn tax-free once you reach age 59½ and your account has been open for at least 5 years. High-income individuals, however, are not eligible to contribute to Roth IRAs due to income limits on this type of IRA. Fortunately, there are no income limits preventing high-income individuals from contributing to traditional IRAs.

Assuming you are eligible to contribute to either type of IRA, are you better off deferring taxes until retirement with a traditional IRA or paying taxes now so that your withdrawals are tax-free in retirement with a Roth IRA? The answer will depend in part on whether you think you will be taxed in retirement at higher or lower rates than you are now.

In general, traditional IRAs tend to be a good choice for individuals who are currently taxed at high rates and can reduce their current taxes with a tax deduction for their contributions. Roth IRAs are often the way to go for individuals who expect to be taxed at higher rates in retirement and who have many years remaining before retirement to let their investment earnings compound tax-free. Because everyone's situation and financial goals are different, it is a good idea to consult your financial advisor about which type of IRA suits you best.

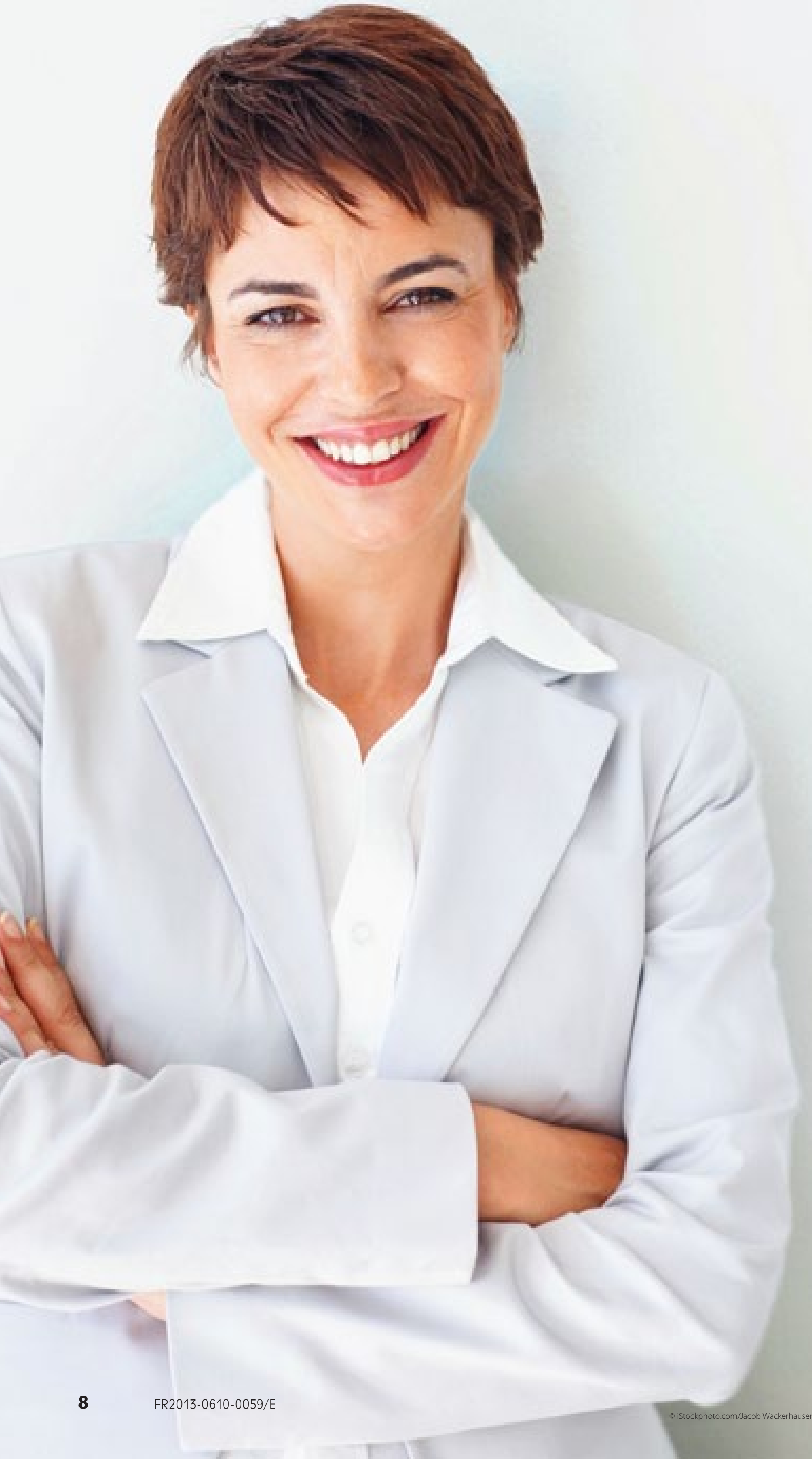
The IRS limits the amount of money you can contribute to an IRA each year. For 2013, the maximum contribution amount is $5,500 for individuals under age 50 and $6,500 for individuals age 50 or older. Depending on your income, the maximum contribution amount for a Roth IRA may be lower. Also, your IRA contributions must not exceed your taxable compensation from work or self-employment for the year.

No compensation? No problem. As long as you are married, your spouse has

50%

of workers in small businesses do not have access to retirement benefits through their employer.

Source: U.S. Bureau of Labor Statistics



IRAs

offer tax breaks that can help your savings grow faster than in a taxable account.

TRADITIONAL IRA

Contributions are tax-deductible if you (and your spouse, if you are married) are not covered by retirement plans at work or if your income is under a certain amount.

Investment earnings grow tax-deferred. Earnings and deductible contributions are taxed as ordinary income when withdrawn from the IRA. Withdrawals prior to age 59½ are generally also subject to a 10% tax penalty.

ROTH IRA

Contributions are not tax-deductible, but can be withdrawn tax-free at any time.

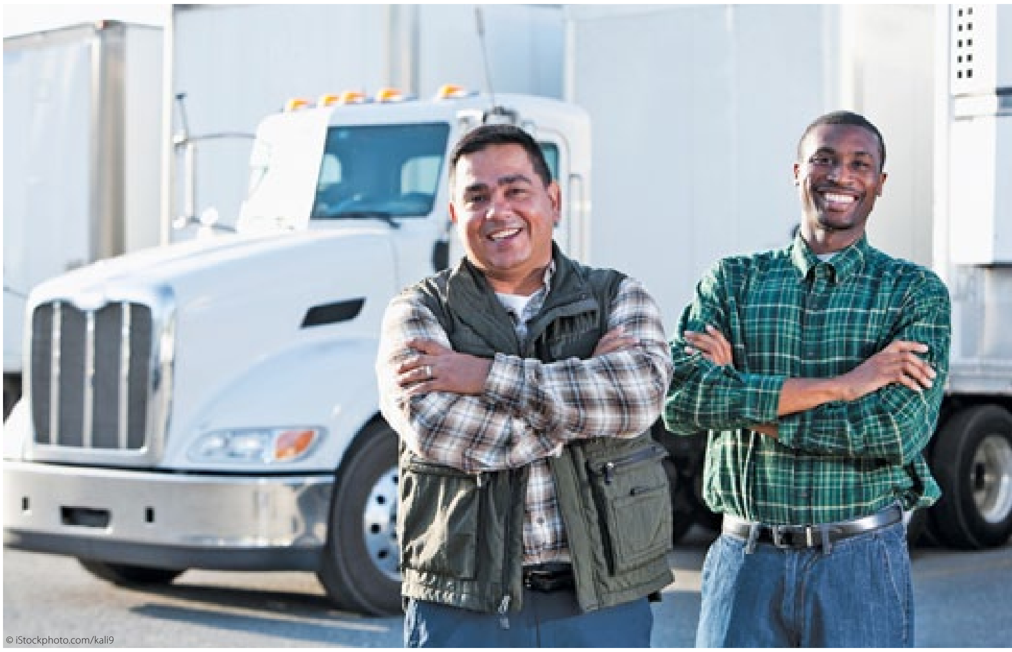
Investment earnings grow tax-free and can be withdrawn tax-free once you reach age 59½ and the IRA has been open for at least 5 years. Earnings withdrawn sooner are generally subject to income tax and a 10% tax penalty.

To contribute to a Roth IRA, your modified adjusted gross income must be under $127,000 ($188,000 if married filing jointly). Married persons who file separately and live with their spouse at any time during the year cannot contribute if their income exceeds $10,000. (2013 limits) taxable compensation, and you file a joint tax return, you can contribute to an IRA. This feature makes an IRA an ideal account choice for stay-at-home spouses, as well as for workers whose employers do not offer retirement plans.

Start a business retirement plan. If you are self-employed or own a small business, consider starting a business retirement plan. They are generally low cost, easy to set up and manage, and readily available from brokers, mutual fund companies, and financial institutions. They offer income tax deferral on your personal contributions and investment earnings and a tax deduction for amounts that your company contributes. And get this—they generally allow much higher contributions (about nine times higher in some cases) each year than personal IRAs allow.

Among the various types of retirement plans available to small businesses and self-employed individuals, the SIMPLE IRA, SEP IRA, and solo 401(k) are among the easiest to establish and manage. A brief overview of the three retirement plans is provided on page 10. Your financial advisor can fill you in on the details and help you decide which plan is right for you and your business.

Use regular investment and savings accounts. Although IRAs and small business retirement plans are great places to save for retirement, their annual contribution limits may not allow you to sock away enough income each year. To supplement what you save in tax-favored accounts, consider directing some of your income to regular investment and savings accounts.



Determine how much to save. How much of your income should you save each year for retirement? 15%? 25%? 50%? The answer will depend on several factors, including your current age, your retirement age, how much you have saved so far, your income level, and the rate of return on your investments.

In general, the older you are when you begin saving for retirement, the more you may need to save each year in order to stand a good chance of reaching your goal of a secure retirement. For example, while someone in their twenties may be able to contribute 10% to 15% of their income every year, someone in their mid-forties without pensions and retirement savings may need to save 30% to 40% in order to be able to afford to retire at their normal retirement age. If those percentages seem daunting, keep in mind that pushing out your planned retirement age from, say, age 66 to age 70 so that you have four extra years to save may significantly decrease the amount you need to save each year.

How much you earn should also enter into the decision of how much to save each year. Typically, higher income individuals need to save a greater percentage of their income each year than lower income individuals whose Social Security benefits will replace a larger chunk of their incomes.

The rate of return on your investments also generally enters into the decision of how much to invest each year. Of course, your investment returns are a factor that you cannot control, but you may want to consider that stocks have historically offered higher long-term returns than bonds which have offered higher returns than cash investments. So if you plan to invest solely in conservative cash investments, you may need to invest more each year than if you invest in a mix of assets that includes stocks. Please note that past performance is not a guarantee of future results.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Business retirement plans
are an easy, tax-favored option for self-employed individuals and business owners.

SIMPLE IRA

An easy, low-cost alternative to a 401(k).

Funded by employee and employer contributions.

Employees may contribute up to $12,000 in 2013; $14,500 if age 50 or older.

Can be opened by any self-employed individual or business with 100 or fewer employees that does not maintain another retirement plan.

SEP IRA

Funded by employer contributions only.

Employers may contribute 0% to 25% of each eligible employee's compensation, but no more than $51,000 in 2013.

Can be opened by any self-employed individual or business.

SOLO 401(k)

Funded by employee and employer contributions.

The total employee and employer contributions must not exceed $51,000 in 2013; $56,500 if age 50 or older.

Can only be opened by self-employed individuals and businesses without employees, other than spouses.

Easier to administer than a regular 401(k) plan.

Ask your financial advisor about how much you should be investing every year for retirement given your situation and your goals.

Spread your investments around. One benefit of using IRAs and regular investment accounts to save for retirement is that they typically offer a much wider range of investment options than a 401(k) plan. While a 401(k) typically offers twenty or so mutual funds, IRAs and investment accounts generally offer thousands of mutual funds, exchange-traded funds (ETFs), stocks, bonds, and other types of assets. This gives you the freedom to choose the investments that suit you best.

Before you begin choosing individual investments, it is a good idea to give some thought as to how you will divvy up your investments among stocks, bonds, and cash. The proportions you decide on are known as your asset allocation.

Choosing an appropriate asset allocation is an important step in saving for retirement because it is one of the most effective ways to manage risk in an investment portfolio. Why is this? The returns from stocks, bonds, and cash do not always move in the same direction at the same time. For example, if the stock market is dipping, bonds may be taking off or at least not dipping to the same degree. As a result, spreading your investments among the various asset classes can help smooth out your investment returns.

It is also important to spread your investments around within each asset class in order to reduce risk. For example, rather than investing in just one or two hot stocks, choose investments from different industries, different-sized companies, and different regions, so that the impact of a downturn in a particular company, industry, market capitalization, or region is not felt so strongly in your overall portfolio.

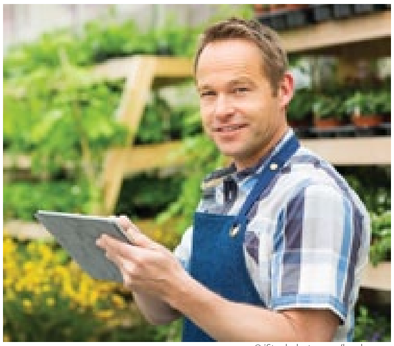
Mutual funds and exchange-traded funds make diversification relatively easy to achieve. These types of investments typically own dozens, if not hundreds, of individual stocks and bonds. By investing in just a few well-chosen funds, you can spread your investments among the asset classes that are appropriate for you, as well as among a diversified group of securities within each asset class.

Periodically check your progress. It is a good idea to review your progress toward your retirement goal at least once a year. If you are on track, great! If not, you may want to adjust your individual investments or the amount you invest for retirement each year.

Also check whether your asset allocation is still in line with the percentages you orginally chose. Over time, the actual percentages will shift due to differences in performance. When this happens, you either have more risk or less potential for high returns than you originally intended. Returning your portfolio to your target allocation can help manage risk and keep your investment plan on track.

Consult your financial advisor. Don't let not having a workplace retirement plan hold you back from saving for retirement. There are plenty of excellent alternatives available to individuals who are saving on their own.

The first step is to consult your financial advisor. Your advisor can help you choose the accounts to use, the amounts to save, and the investment mix that has the potential to move you toward a secure retirement. ■



PLEASE NOTE:

- *Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.*
- *Asset allocation and diversification do not ensure a profit or protect against loss in declining markets.*
- *All investments are subject to risk.*
- *Bonds are subject to credit, inflation, and interest rate risk. When interest rates rise, bond prices generally fall, and vice versa. The effect is usually more pronounced for longer-term securities.*

What on earth are marginal and effective tax rates?

FINANCIAL PUNDITS AND ADVISORS LIKE TO TOSS AROUND phrases like “marginal tax rate” and “effective tax rate”. Have you ever wondered what those phrases mean and what your marginal and effective tax rates are? Here are the answers.

First up, marginal tax rate. Your marginal tax rate is the tax rate that will apply to your next dollar of taxable income.

To determine your marginal tax rate, you need to know two things: your taxable income for the year and your tax filing status (unmarried, married filing jointly, etc.). Your taxable income is your total income for the year, reduced by your deductions and exemptions. If you expect your taxable income to be about the same as last year’s income, check last year’s federal tax return for your taxable income. You’ll find it on Line 43 of 2012's Form 1040.

With taxable income and filing status in hand, look for your marginal tax rate in the federal income tax table on page 13. For example, if you are unmarried with a taxable income of $150,000, your marginal tax rate is 28%. This means that the next dollar of income you receive from wages, taxable interest, taxable retirement plan distributions, alimony, and certain other types of income will be taxed at 28%.

Your marginal tax rate is handy information to have for financial planning purposes. Let's say you want to estimate the federal tax impact of withdrawing another $1,000 from your tax-deferred 401(k). If your marginal tax rate is 28%, the federal tax cost would generally be $280 (28% of $1,000). Or say you are still working and are considering contributing another $5,000 to your tax-deferred retirement account. A contribution of that amount would reduce your federal income tax for the year by $1,400 (28% of $5,000). Handy information indeed.

Your marginal tax rate, however, reveals just part of your tax picture. After all, you only pay your marginal tax rate on the portion of your taxable income that falls within that tax bracket. Returning to the example, you pay 28% just on the amount of your taxable income that exceeds $87,850. Income under that amount is taxed at the rates shown in the federal income tax table on page 13.

For an unmarried taxpayer with a taxable income of $150,000, the federal income tax calculation goes like this:

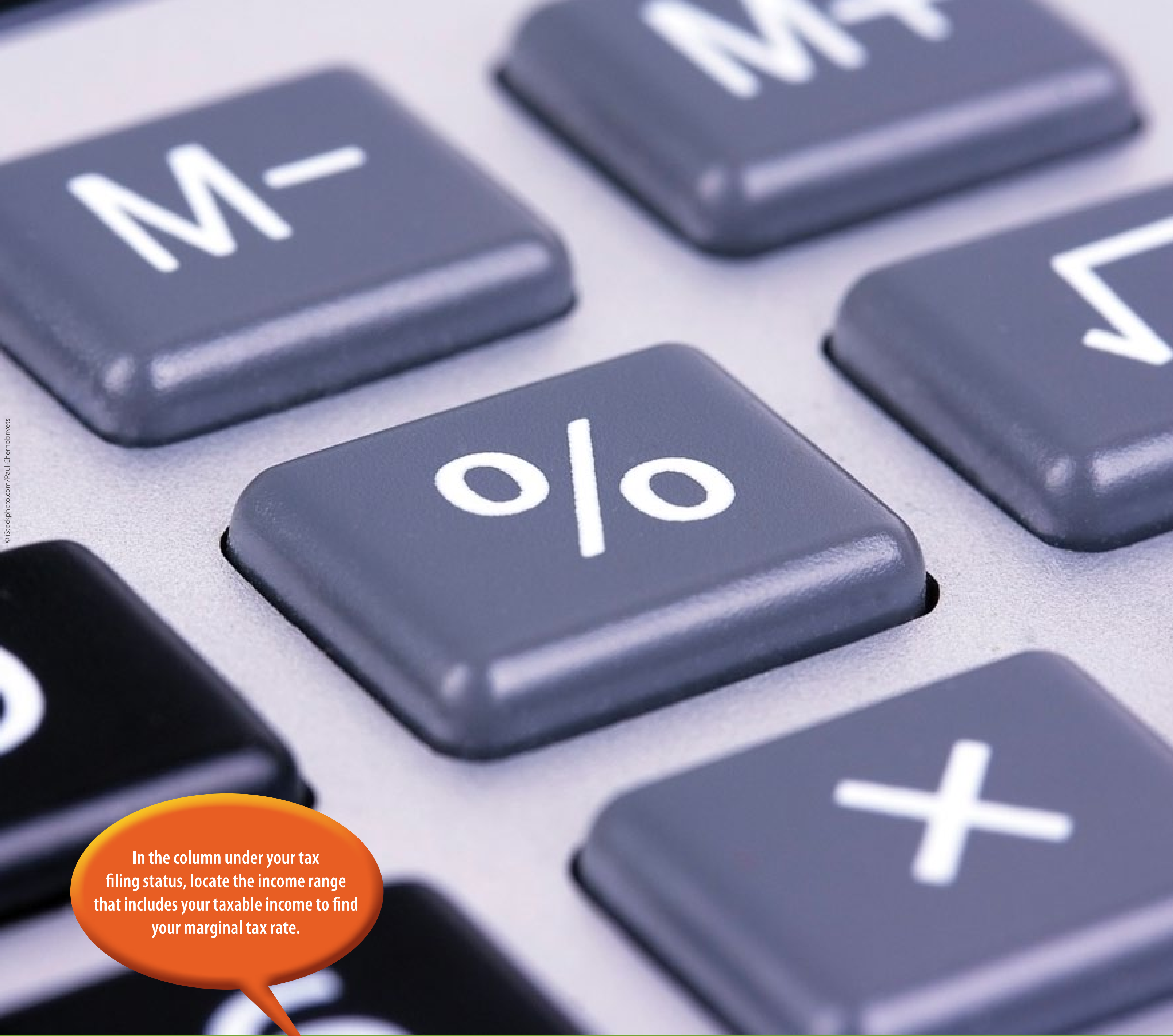
10% of	$ 8,925 (amount in the 10% bracket)	$ 893
15% of	$ 27,325 (amount in the 15% bracket)	$ 4,099
25% of	$ 51,600 (amount in the 25% bracket)	$ 12,900
28% of	$ 62,150 (amount in the 28% bracket)	$ 17,402
	$150,000 taxable income	$ 35,294 Federal tax

But knowing that you paid 10% on the first tier of your taxable income, 15% on the next tier, and so on, does not give you a very clear picture of your tax situation. You need a single percentage that tells you how much of your taxable income goes to federal income taxes each year. You need your effective tax rate.

Your effective tax rate is generally calculated by dividing your total federal income tax for the year (Line 61 of Form 1040) by your taxable income for the year (Line 43 of Form 1040). Voila! You have your effective tax rate—a percentage that expresses how much of your income actually goes to federal income taxes once all of your deductions and exemptions are factored in. (Please note that the effective tax rate is sometimes calculated using adjusted gross income or other income measures instead of taxable income.)

You can take the effective tax rate calculation a step further, if you'd like, and add your state, local, and payroll taxes (Medicare and FICA) to your Federal income tax amount, and then divide the total by your taxable income to arrive at the effective tax rate that reflects all of the taxes on your income.

Of course, the easiest and most accurate way to determine your marginal and effective tax rates is to ask your tax advisor! ■



In the column under your tax filing status, locate the income range that includes your taxable income to find your marginal tax rate.

2013 Federal Income Tax Table

Marginal Tax Rate	Unmarried Taxable Income	Married Filing Jointly or Surviving Spouse Taxable Income	Married Filing Separately Taxable Income	Head of Household Taxable Income
10%	Not over $8,925	Not over $17,850	Not over $8,925	Not over $12,750
15%	$8,926–$36,250	$17,851–$72,500	$8,926–$36,250	$12,751–$48,600
25%	$36,251–$87,850	$72,501–$146,400	$36,251–$73,200	$48,601–$125,450
28%	$87,851–$183,250	$146,401–$223,050	$73,201–$111,525	$125,451–$203,150
33%	$183,251–$398,350	$223,051–$398,350	$111,526–$199,175	$203,151–$398,350
35%	$398,351–$400,000	$398,351–$450,000	$199,176–$225,000	$398,351–$425,000
39.6%	Over $400,000	Over $450,000	Over $225,000	Over $425,000

Create a Stream of Income with an Immediate Annuity

"WILL MY RETIREMENT SAVINGS LAST as long as I do?" Like many retirees, you may have concerns about prematurely depleting your savings during retirement. Fortunately, there are ways to reduce the risk of running out of money. One of those ways is to purchase an immediate annuity that pays you a steady stream of income guaranteed to last for the rest of your life.

An immediate annuity is an insurance contract that typically works like this. You pay a lump sum to an insurance company, normally at or near retirement, using part of your retirement savings. Soon after that, the insurance company begins making income payments to you on a regular basis. The insurance company guarantees that it will continue to pay you an income for as long as you live or, if you prefer, a specified number of years. The guarantee is based on the claims-paying ability of the issuing insurance company.

The amount of income you receive each month (or whatever frequency you choose) will depend in part on the amount of your upfront payment, your age, the income options that you choose, and your type of immediate annuity—fixed or variable.

If you choose a fixed annuity, you will know right from the start how much income to expect each month. The amount of each payment will not waver, regardless of what the markets are doing. This may be the way to go if you are looking for a predictable stream of income.

Keep in mind, though, that fixed payments are susceptible to inflation, meaning that their purchasing power will decrease over time as the prices of goods and services rise. To help combat the effects of inflation, fixed annuities typically offer the option to have your payment amount increase a specified percentage each year.

A variable annuity offers the potential for increasing income payments built right in. If you purchase this type of annuity, you will choose from among several investment portfolios how you want your premium invested. The value of your income payments will depend on how well your investment portfolios perform. Your income payments may be higher in some periods; lower in others. Over time, though, your income payments may exceed those of a fixed annuity, due to the presence of potentially higher-return assets, such as stocks, in your chosen investment portfolios.

It is important to remember that variable annuities are long-term investments and are subject to market risk, including the possible loss of principal. Before buying a variable annuity, please obtain a prospectus from your financial advisor and read it carefully. The prospectus contains important information about the annuity and its investment portfolios, including investment objectives, risks, charges, and expenses.

While buying an immediate annuity can be a smart move for many retirees, it is not the right move for everyone. Here are a few things to consider before making a move; your financial advisor can tell you more.

Immediate annuities make the most sense for retirees who are looking forward to many years in retirement in which to receive income payments. If you think that you are near the end of your life, perhaps due to your age or a serious illness, an immediate annuity is generally not the way to go.

When you buy an immediate annuity, you generally lose access to the premium that you paid for it. So rather than use all of your savings to purchase an annuity, it is generally wise to keep some of your savings in savings and investment accounts that you can easily draw on to cover large expenses, such as a new vehicle, major home repairs, and large medical bills. Plus, keeping some of your savings in savings and investment accounts offers the potential for growth and the opportunity to leave the remainder to your heirs.

If you are concerned about whether your retirement savings will last as long as you do, talk to your financial advisor. Your advisor can help you devise a retirement income plan, and determine whether an immediate annuity should be part of that plan. ■

 FR2013-0610-0059/E

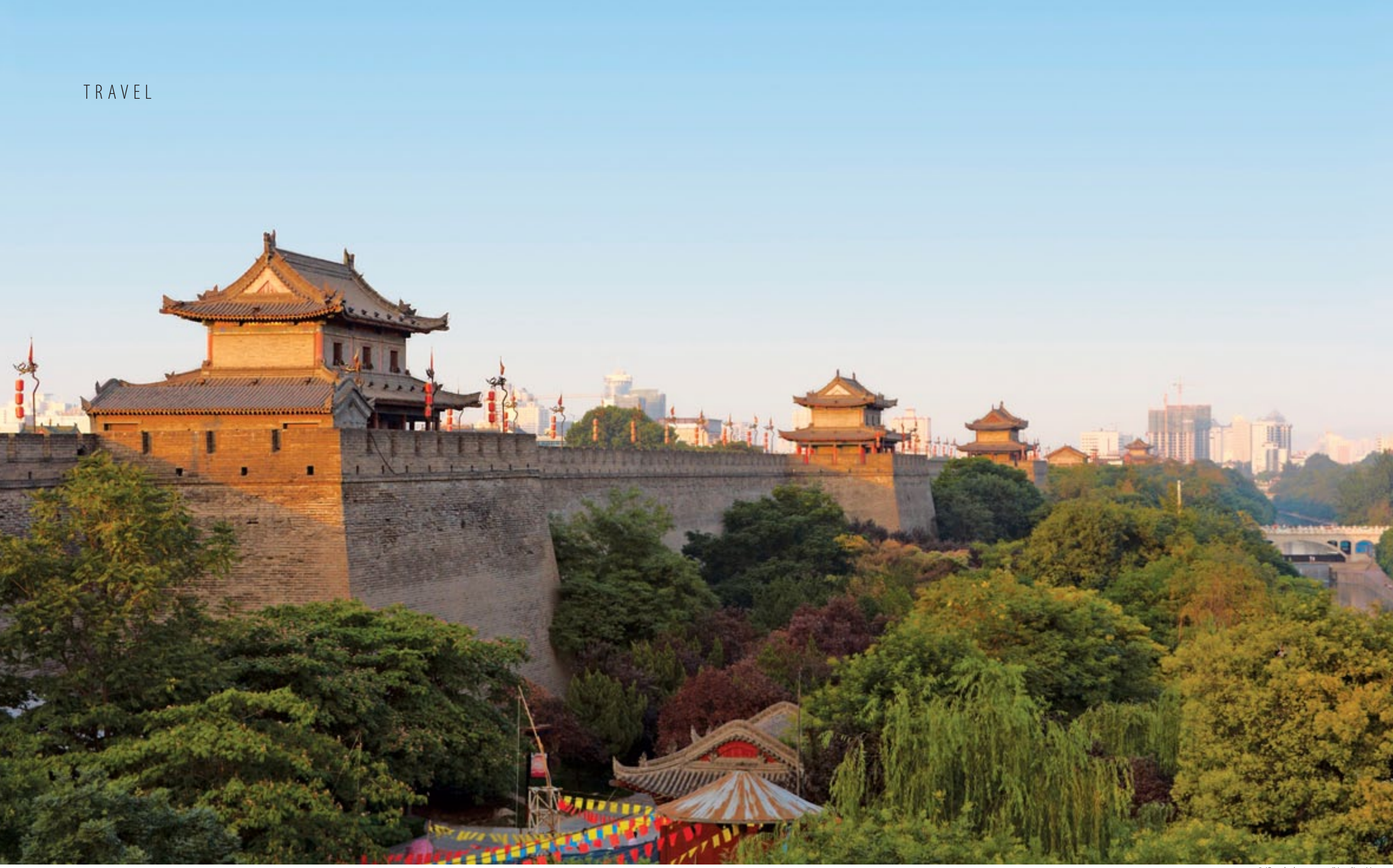
Types of Immediate Annuities

FIXED

- A fixed immediate annuity makes fixed income payments for life or a period of your choosing.
- The income payment amount remains stable regardless of how the markets are performing.
- Ideal for someone looking for a predictable stream of income.
- Fixed payments are susceptible to inflation. Adding an inflation-adjustment option can help minimize the impact.

VARIABLE

- A variable immediate annuity makes regular income payments for life or a period of your choosing.
- The income payment is tied to the underlying investments that you choose, which results in fluctuating payment amounts. The amount will be higher in market upswings and lower in market downturns.
- Ideal for someone who is willing to accept some market risk in exchange for the potential of an increasing payment.



XI'AN | Minority Report

BY BRIAN JOHNSTON

AT STREET STALLS, RAISINS AND pistachio nuts tumble in piles, and candied fruit gleams in the light of overhead lanterns like Ali Baba treasures. Rosy-cheeked women in headscarves wander past, shopping bags bursting with vegetables, while men in white caps gossip under the trees. Grilled skewers of savory lamb tempt passersby with hot aromas. At dusk, the call to prayer wavers down shadowy alleys and over rooftops whose tiles are darkened with age.

The call is soft and almost hesitant, quickly drowned out in the traffic and tumult beyond the old town. Still, the faithful have been called to prayer here for fifteen centuries—nearly as long as Islam itself. The old town is infused with a promise of the Middle East: the smells from its eateries, the clothes of its inhabitants, the swooping Arabic calligraphy on mellow walls. It's only when you round a corner and see a pagoda, eaves upturned with long-tailed dragons, that you are reminded that you're right in the heart of China, in the ancient city of Xi'an.

Once an imperial capital under eleven Chinese dynasties, Xi'an is peppered with pagodas, towers, tombs, and marvelous museums. Its fabled terracotta army, standing guard over the tomb of the ancient emperor Qin Shihuang, is the reason most visitors come to town. During the seventh-century Tang Dynasty, Xi'an—then known as Chang'an—was possibly the biggest city in the world, at the height of its prosperity and sophistication. It also stood at the start of the Silk Road, a trading route that headed west as far as ancient Persia and Rome.

It was along the Silk Road that Islam came to China with traders and merchants in the mid-seventh century, making Chinese Muslims among the oldest Islamic communities in the world. As Arab and Persian traders intermarried with the local population and converted others to Islam, a distinctive Islamic minority group now known as the Hui emerged. These days, the Hui have been greatly assimilated with the majority Han Chinese, but remain distinctive in their white caps or headscarves, their refusal to eat pork—the most common meat in China—and their continuing Islamic faith.

The Hui live right in the heart of the old city, one of the most wonderfully evocative neighborhoods in China. Many a tour group flies in and sees nothing but the terracotta army, and in doing so misses out on a truly delightful surprise—a living remnant of China's ancient past far more fascinating than any dead emperor's tomb.

Ancient walls (left) encircle the city of Xi'an, China. Dumplings in bamboo steamers (below) entice passersby at an open-air food stall.

The old city center isn't hard to find: look for the massive walls. The city fortifications are the most extensive and best preserved in China, standing forty feet high and running for eight miles around Xi'an, punctuated by four superb gateways at the four points of the compass. At the center of this ring, where roads from each gate intersect, stands the Bell Tower, the city's iconic landmark, now surrounded by a swirl of modern traffic. But turn to the west: just down the road rises the Drum Tower, a wooden pagoda atop of a stone archway that was built in 1380 to house massive drums used as an early warning system against invasion. Gaze down from the ramparts, and Xi'an's marvelous Muslim quarter unfolds to the north, almost all the way to the city walls.

The first thing apparent from above is that Xi'an's imperial grid system of streets is abandoned here to a series of higgledy-piggledy alleys, some so narrow that upturned eaves on either side almost kiss each other. The Muslim quarter is also on a much more human scale than the rest of the city, which features the massive fortifications of ancient times and the equally massive malls and avenues of the twenty-first century. The atmosphere is that of a venerable country town, though perhaps one with a booming population: in the evenings especially, it seems half Xi'an descends on the Muslim quarter for some very pleasant R&R in a neighborhood crammed with open-fronted restaurants, street stalls, and shops.

Beiyuanmen, the street that runs straight north from the Drum Tower, is one of the most charming. Paved with soft grey flagstones and lined by old wooden houses and trees hung with red Chinese lanterns, this is where locals come out for an evening gossip and where the rest of the city turns up to rummage in the shops and, most of all, enjoy the street food. Roujiamo, which features shredded meat wedged between two pieces of steamed bread, is the local equivalent of a hamburger. Nuts, seeds, and preserved fruits are other preferred

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nibbles, as well as a local specialty known as eight-treasures pudding, made from glutinous rice cooked up in little pots in street stalls, then sprinkled with sugar and sesame seeds.

Restaurants also tempt on either side, their open fronts displaying pyramids of skewered meats, grilled in huge numbers for the finger-licking pleasure of passersby, or served up with a large round of flat bread to those who linger at rickety outdoor tables. You'll find an endless variety of noodles: flat noodles (mianpi), buckwheat noodles (hele) often eaten with sesame paste, and laingfen noodles shaved off a huge block of bean-starch jelly and dished up with chili sauce. Steamed dumplings are a popular late-night snack, while early in the morning larger fist-sized dumplings are enjoyed for breakfast.

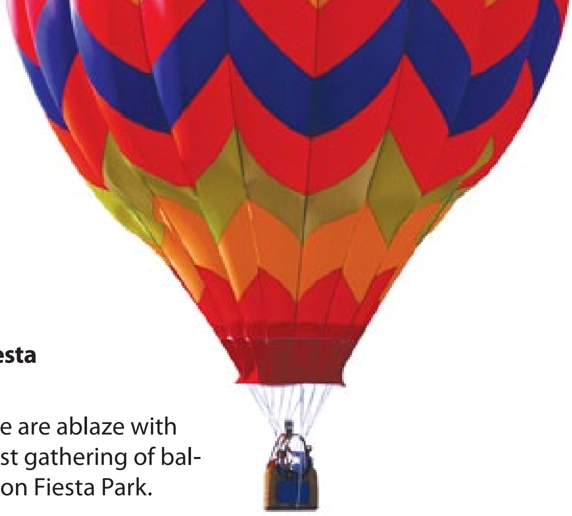
From considerations of the flesh to those of the spirit: the chief sight in the Muslim old town is Xi'an's Great Mosque. Established in 742—though the current buildings are mostly from the eighteenth century—this is one of the oldest and most famous mosques in China. While the mosques of northwest China tend to be in the traditional Islamic style, the mosques of eastern China almost entirely rely on Chinese architecture. This is certainly the case in Xi'an: expect a series of symmetrical, interconnected courtyards with traditional Chinese gardens, pagodas with painted eaves, and elaborate stone archways. You might almost be in a Chinese temple, until you notice the absence of dragons on the eaves, the Islamic decorative motifs, and stone tablets in Persian and Arabic that mark each building.

It's worth lingering in this large and tranquil space in the middle of the old town hubbub. Fountains splash and bamboo rustles; the giggles of neighborhood children float from beyond the walls. The Chinese architectural character of this mosque is at first disconcerting, then intriguing, and ultimately rather marvelous. But the Islamic spirit of the place makes its presence felt for those who pause a while. Ancient books in Arabic line the walls of the library. Calligraphic scrolls feature Chinese blessings on one side, verses from the Koran in Arabic on the other. The triple-tiered pagoda in the central courtyard serves as a minaret; imams drift across the courtyard, and the faithful wander into prayer, greeting each other with double handclasps.

Finding your way to and from this mosque, hidden deep within the Muslim quarter's rambling alleys, is all part of the fun. For sure you'll get lost, but it hardly seems to matter. Maybe you'll come across the covered laneways that resemble a Middle Eastern bazaar. You can buy just about anything here from Muslim prayer rugs and shawls to Islamic-style daggers and blue porcelain: wonderful pieces of a distant culture in the heart of China. ■

FESTIVALS THIS FALL

From hot air balloons and Ferraris to funk rock and folk music, festivals are in full swing this fall from coast to coast. Here's a sampling of what is being offered for your entertainment.



Albuquerque International Balloon Fiesta
Albuquerque, NM • October 5–13, 2013

The clear desert skies over Albuquerque are ablaze with color each October as the world's largest gathering of balloons lifts off from Albuquerque's Balloon Fiesta Park.

Austin City Limits Music Festival
Austin, TX • October 4–6 and October 11–13, 2013

Two weekends. Eight stages. Over 130 bands. Zilker Park in Austin is the place to be for fans of rock, indie, soul, folk, and electronic music, as some of the biggest names in the music world take to the stages.

Bumbershoot: Seattle's Music and Arts Festival
Seattle, WA • August 31–September 2, 2013

Featuring regional performers and international superstars, the nation's largest urban arts festival—music, film, comedy, dance, and more—takes place over the Labor Day weekend at the Seattle Center.

Fall Festivals
Bend, OR • Downtown Bend • October 5–6, 2013
Boulder, CO • Downtown Boulder • September 13–15, 2013
Crystal Lake, IL • Downtown Crystal Lake • September 28, 2013
Falls Church, VA • Cherry Hill Park • September 7, 2013
Monroe County, IN • Marci Jane Lewis Park, Ellettsville • September 19–21, 2013

All across the country, communities are celebrating the fall season with festivals featuring music and artisan booths, food and fun!

Folk Festivals
Johnson City, TN • November 7–10, 2013
Richmond, VA • Richmond's riverfront • October 11–13, 2013

Revel in the music of a wide range of folk and Americana artists, from pickers and twangers to singers and gospel wailers, at a folk festival this fall.

Houston International Quilt Festival
Houston, TX • George R. Brown Convention Center • October 31–November 3, 2013

Attended by more than 60,000 people last year and featuring more than 1,000 booths and 500 exhibitors, the International Quilt Festival in Houston is the largest annual quilt show in the world.

Library of Congress National Book Festival
Washington, D.C. • September 21–22, 2013

This celebration of books on the National Mall in Washington, D.C. is a great opportunity to meet your favorite authors, poets, and illustrators, and get your books signed. The festival is free and open to the public.

Saratoga Wine & Food and Fall Ferrari Festival
Saratoga Springs, NY • September 6–8, 2013

Enjoy three days of wine tastings, epicurean delights, and classic cars on the gorgeous grounds of the Saratoga Performing Arts Center. ■

QUIZ

Food

1. A fluffy meringue forms the base of this dessert that is topped with whipped cream and fruit:

A. Pavlova
B. Shortbread

2. Originally from Argentina, this sauce of parsley, garlic, olive oil, oregano, and vinegar is used on grilled meats:

A. Adobo
B. Chimichurri

3. The most stars that the *Michelin Guide* will award a restaurant is:

A. Three
B. Five

4. This combination of flour and fat is used to thicken sauces:

A. Beurre blanc
B. Roux

5. This Korean condiment is made from fermented vegetables:

A. Kimchi
B. Pad thai

6. Chef, author, and proprietor of Chez Panisse, she pioneered California cuisine:

A. Alice Waters
B. Julia Childs

7. A conical, clay cooking vessel used in North Africa:

A. Wok
B. Tagine

8. This recipe calls for thinly sliced layers of potatoes:

A. Pommes frites
B. Pommes Anna

9. A green, pear-shaped squash used in Louisiana cooking:

A. Mirliton
B. Butternut squash

10. This French vegetable dish combines eggplant, tomatoes, and zucchini:

A. Vichyssoise
B. Ratatouille

11. A gooey, toasted marshmallow, graham crackers, and a chocolate bar are the ingredients for:

A. S'mores
B. Macaroons

12. A crispy, stuffed pastry from India filled with sweet or savory ingredients:

A. Samosa
B. Chutney

ANSWERS: 1–A, 2–B, 3–A, 4–B, 5–A, 6–A, 7–B, 8–B, 9–A, 10–B, 11–A, 12–A.

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Herb Shapiro, President and founder, brings more than 33 years industry experience to the HMS team. He began his career in 1970, and worked for several firms until 1988, when he founded HMS Financial Group. His core values of providing personal service, maintaining market objectivity, and high standards of integrity and honesty with the clients he serves, are deeply imbued in the HMS philosophy.

Barbara Shapiro, Vice-President, is a Registered Investment Advisor with the Commonwealth of Massachusetts, is a Certified Financial Planner™ and one of the first Certified Divorce Financial Analysts in Massachusetts. She holds a Master of Science in Finance from Suffolk University and is a Graduate of the Securities Industry Association Institute at the Wharton School. Additionally, she holds a Master of Education in Counseling from Boston University and a Master of Education in Moderate Special Needs from Northeastern University.

Among her many recognitions, Barbara has served as a National Board Member of the Securities Industry Foundation for Economic Education, is a member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education.

She is an active lecturer to diverse groups and educational institutions, and has written and teaches a course on financial planning, investments, and long-term care insurance.

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