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14

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"How can I turn my nest egg into a money machine?"

By Patricia C. Brennan, CFP®

Most investors would tell you the answer is to invest in bonds or certificates of deposit. These are important vehicles, but they are only part of the answer. While each retiree's income requirements vary, some simple strategies can help generate a predictable and lasting income stream.

DIVIDE YOUR PORTFOLIO

Inventory your investments and categorize them by their inherent risk. Cash and bonds typically fall into a low-risk category, large-cap stocks and companies with regular dividend payments are moderate risk, while small companies, international or alternative investments are high risk. Once you classify each investment, assign it to a money pool with pool 1 representing low risk, pool 2 moderate risk, and pool 3 high risk. The chart shown to the left is an example.

PORTFOLIO ALLOCATION	RISK	POOL
5% in Cash	Low	1
10% in Government Bonds	Low	1
25% in Corporate Bonds	Moderate	2
35% in Large-Cap Stocks	Moderate	2
10% in Small-Cap Stocks	High	3
15% in Emerging Markets	High	3

When you need money, you pull funds from pool 1. Low-risk investments do not fluctuate greatly in price and can provide a steady stream of income via interest payments. This means two things: The money may be available when you need it, and part of your portfolio will stay in higher-risk investments that have the potential to provide long-term growth. Be sure to rebalance your portfolio regularly as withdrawals will deplete pool 1 over time. It would be wise to find a qualified financial planner to help you set up a regular system of payments and to rebalance your portfolio as needed.

DIVERSIFY BY MATURITY

Diversification is just as important in a bond portfolio as it is in a stock portfolio. Bonds expose an investor to a number of risks, such as maturity risk, when the prevailing interest rate to reinvest is inferior to what the maturing bond was paying. An investor can recoup a similar interest rate by paying a premium for a similar-quality bond or by purchasing a bond with a lower credit rating and therefore increased risk.

A solution is to spread the bond allocation among a range of maturities—a bond ladder. This can be accomplished with individual bonds. Basically, as the shorter-term bonds mature they are reinvested at prevailing market rates. This allows you to participate when rates rise by locking in new money at higher rates. Should rates fall, however, you are protected because you still hold bonds with longer maturities locked in at higher rates. This strategy may provide a more consistent income and greater liquidity because bonds are maturing at steady intervals.

USE AFTER-TAX MONEY FIRST

Use after-tax accounts first before you begin to dip into your IRA or other tax-deferred accounts. There is no sense in paying income taxes on withdrawals before you must. Allowing your tax-deferred funds more time to grow can result in higher account balances than could be achieved in a taxable account. This will ultimately provide greater financial resources.

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss in periods of declining values. Please note that rebalancing investments may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability. Rebalancing a portfolio cannot assure a profit or protect against a loss in any given market environment.

*About Patricia C. Brennan (right-hand page): *Candidates for the* Philadelphia Business Journal *and* Barron's *were determined by The Winner's Circle. Candidates were valued on criteria such as assets under management, revenues, experience and record of regulatory compliance and complaints. Candidates were further vetted based on in-depth interviews and discussions with management, peers and customers, as well as professional achievements and community involvement. The Winner's Circle does not receive compensation from participating firms or their affiliates, financial advisors or the media in exchange for rankings. In addition to the criteria used for the* Barron's *article and the* Philadelphia Business Journal, Wealth Manager *magazine takes into consideration service to industry organizations and mentoring to others. Presented to 7 percent of wealth managers with five years of experience in the financial services industry, all professions within a market area. Each wealth manager was reviewed for regulatory actions, civil judicial actions and customer complaints. http://www.fivestarprofessional.com/fiveStarAssets/pdfs/GenericResearchWM.pdf. Third-party rankings from rating services or publications are no guarantee of future investment success.*

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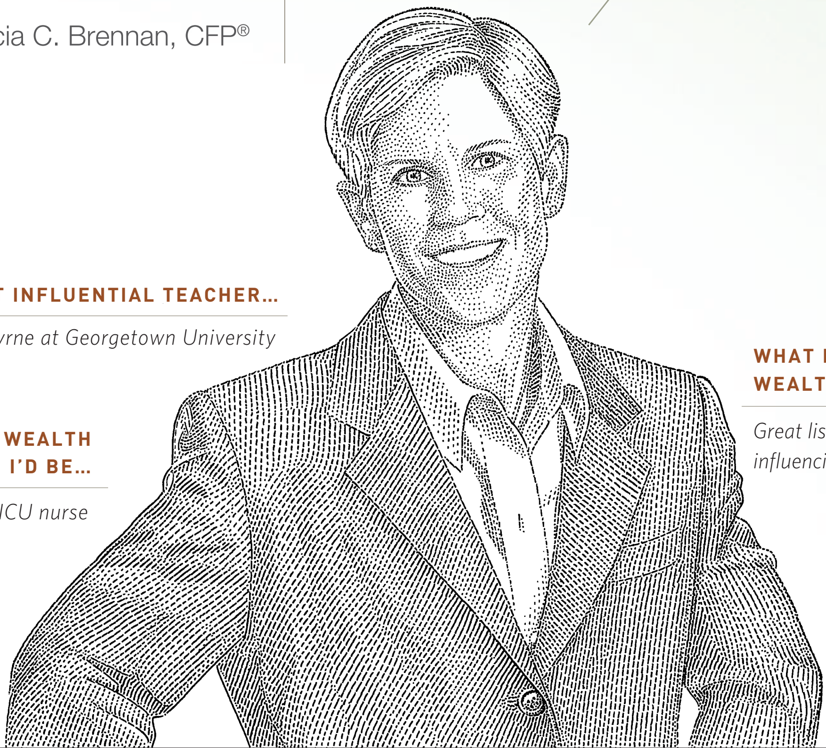
"Some simple strategies can help generate a predictable and lasting income stream."

– Patricia C. Brennan, CFP®

How to reach Patricia C. Brennan

New clients may contact me at 610.429.9050 to schedule an initial consultation.



MY MOST INFLUENTIAL TEACHER…

William Byrne at Georgetown University

WHAT MAKES A GOOD WEALTH ADVISOR…

Great listening and influencing with integrity

IF I WEREN'T A WEALTH ADVISOR, I'D BE…

An ICU nurse

About Patricia C. Brennan

A graduate of Georgetown University and a Certified Financial Planner, Patricia C. Brennan strives to communicate complex financial concepts in understandable terms. She has frequently been named one of *Barron's* top 100 women financial advisors, as well as one of its top 1,000 financial advisors in America (February 2009)*. Other accolades include: one of America's top 100 independent advisors, *Registered Rep* magazine, November 2007; one of the 50 most influential women in wealth management, *Wealth Manager* magazine, April 2008; number two in the Greater Philadelphia Area, *Philadelphia Business Journal*, October 2008; and five-star wealth manager, *Philadelphia* magazine, November 2009.

Assets Under Management
$300 million

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
$500,000

Largest Client Net Worth
$70 million

Financial Services Experience
24 years

Compensation Method
Asset-based and fixed fees; commissions (investment and insurance products)

Primary Custodian for Investor Assets
Pershing

Professional Services Provided
Planning and investment advisory services

Association Membership Financial Planning Association

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