



Napa Wealth Management's The Sensible Investor

May 2010

Next Newsletter: June 2010

The Pulse of our Business

By George P. McCuen, CFP®, President



Public companies have a board of directors to keep the checks and balances in place for upper management. Boards create a level of accountability and objectivity on which healthy organizations operate at their highest level. Our focus at Napa Wealth Management is our clients. As we began 2010 we met as a team to discuss

how we could improve the services we provide our clients. We needed to take the pulse of our clients to ensure that we are doing all we can to meet your needs.

With this in mind we created our first Client Advisory Board and held our inaugural meeting on March 10, 2010. We will meet three more times before year end. Our board is made up of the following six clients: Grant Bennion, Pierce Brownell, Jan Sabo, Wendy Tschida, Susan Wendt-Bogear and Tim Whitlock. The span of tenure with advisors of our firm is from 2 – 18 years. By the end of our meeting, our board coalesced into a gregarious team of clients that is proving to be an invaluable resource for us.

During our first meeting we covered topics from our statements and frequency of contact from us to our newsletters and email updates. We spent a brief time talking about our videos, even though we have only produced a few, and also discussed referrals. We have already implemented several ideas that emerged from our time together. Our clients will notice that our performance reports now have the definition of terms printed on the back of the statement - a suggestion from our board. The newsletter and email updates were met with great reviews and a suggestion was made to write an article about gold, which you can see is featured this month. We also like to hear about topics that you would enjoy reading about in our newsletter so please let us know if you have suggestions.

Because most of our clients are introduced to us by existing clients, we asked if asking for introductions was acceptable.

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How to Get Started Saving your Financial Life

By Jim Riley, CFP®, EA



As our clients and friends know, I'm a bit of a zealot about retirement and financial planning. When I tell someone I'm meeting for the first time that I'm a retirement planner, the response is almost always: "I have to get to that myself." Rarely does someone say that they have a plan in place and rarer still are individuals that tell me that planning is a total waste of time.

If planning is so important why do so few people take the time to create a plan? Well, you can't write a financial plan without starting somewhere and starting seems to be the main impediment. Start and start now.

So where do you begin? You begin not by going through boxes of records. You start by calling. That's all it takes.

When someone calls me for the first time the number one question is always, "What do I need to bring?"

I usually just say: "Yourself and all the questions you can think of." Bring investment statements and tax returns if you wish but there's always time for that. My very first job is not to analyze your investments or tax situation. My first job is to listen. The very worst thing someone in or near retirement can do is postpone initial contact until they find their paperwork.

Remember, in your lifetime you will have a number of experiences only one or two times. You'll retire once, you'll perhaps inherit assets once, you'll roll over your 401K once, you'll buy long-term care insurance once, etc. But someone in my position goes through these experiences thousands of times. I've prepared thousands of tax returns and written hundreds of plans. I spend almost 40 hours a year in a classroom making sure I keep up on developments in planning, taxation, insurance and investing. I, like George, Tim and Miguel, am great with figures. I don't need exact numbers to get started and neither do you. Successful retirement plans don't begin with data, they begin by beginning. ♦

Gold Coins—A Primer

By Jim Riley, CFP®, EA



Unless you've been living in a cave for the last several years you have a pretty good idea what has been happening to the price of gold. It's gone up. And up and up and up. About 400% in the last 8 years.

Of course, there are any number of ways to own gold. Our investment management clients know that we've held gold in their accounts via stock and exchange traded funds. But what about physically owning and taking possession of gold? One method that has always been popular is investing in gold coins. Here's an introduction.

There are two basic ways to invest in gold coins and it's important for the first time coin buyer to know the difference.

BV coins. BV stands for 'bullion value'. These coins derive their value from their metal content. Examples of BV coins are the American Gold Eagle, Canadian Maple Leaf (not to be confused with the Toronto Maple Leafs which is a hockey team – sorry I'm a big hockey fan and it's playoff time), and Chinese Panda. These coins come in a variety of weights and are generally 99.9% 24 carat gold. Though there are those who collect these coins out of numismatic interest, most of these coins are purchased by non-collectors. They are widely available and their price reflects the prevailing price of gold.

Numismatic coins. A very, very different proposition than BV coins. The value of coins of this type stems from their numismatic value which is primarily a combination of condition and rarity. For example, a \$20 gold piece minted in 1922 in ordinary (somewhat worn) condition retails for about \$1,300. In prime uncirculated condition that same coin is valued at around \$55,000. I once purchased an uncirculated silver dollar for \$300 from a coin dealer. Three years later I returned to the dealer to sell the coin. The very same dealer offered me \$40 for the exact same coin in the exact same condition. Add a few zeros to those numbers and these kind of

problems can develop.

Approximately 30 years ago coin grading services were established. A collector submits a coin to the grading service. The grading service returns the coin in a heavy plastic container known as a slab. The grading services opinion appears on the slab. There is no guaranty as to the condition and furthermore there is little, if any, regulation of the coin markets.

In short, leave rare coin investing to the experts. If you're interested in numismatic coins become a collector first and an investor second. A good place to start is to join the American Numismatic Association.

An important note, one thing numismatic coins and BV coins share is that they are both classified as collectibles and not as investments. That means the top tax bracket on gains from sales of BV and rare coins is 28% in 2010 and not the far friendlier capital gain top bracket of 15%.

One more thing, if you have a coin collection in the attic I suggest you drag it out and perhaps obtain an estimate of its value. Rare coin and precious metals prices are approaching a 20 year high and, taxes or no, it might be time to take some profits. I'm by no means an expert but I've been collecting coins on and off for over 40 years and I can give you some general info about your collection. Let me know if I can help.

Frankly speaking,

Jim

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"It is a part of doing business," Susan acknowledged. Everyone agreed that it is a good way to do business and that most people feel good recommending a business that they believe in.

I am sure that our next meeting will be replete with more suggestions and ideas to help us become a more valuable resource for our clients. If you have suggestions or topics that you would like our board to address, please email me at George@NapaWealth.com.

Keep looking up!

George

Comments/Suggestions

Napa Wealth Management is dedicated to delivering you a newsletter full of insights and interesting articles.

If you have suggestions or topics that you would like us to address, please email Miguel at miguel@napawealth.com.