

WEALTH STREET QUARTERLY

SECOND QUARTER 2009

ANNOUNCING COMPREHENSIVE FINANCIAL PLANNING

You wouldn't take a long road trip without a map. Shouldn't you have a roadmap for your financial future as well?

Did you know?

- 60 percent of retirees retired earlier than they had planned*
- About 28% of workers age 55 and over have less than \$10,000 in total savings and investments*
- Almost 66% of Americans ages 27 to 42 believe they will never be financially able to retire*

Citizens Bank Wealth Management, N.A. understands the importance of planning for your future. Our fee-based, comprehensive financial planning process, which compliments our trust services, focuses on your specific financial goals, and then provides the strategies and tactics necessary for you to achieve those goals.

To help meet your needs, we are happy to add **Tracy Nixon CFP®, CDFATM**, Director of Financial Planning to our Wealth Management team within the Trust division. Tracy has over 20 years experience in the industry and she is eager to help you create a plan that meets your needs. The financial planning process is

thorough and covers many areas such as:

- Cash Flow & Budgeting
- Asset Allocation
- Education Funding
- Insurance & Investment Management
- Retirement Planning
- Business Succession Planning
- Estate Planning
- Charitable Planning
- Life Events (e.g. Marriage, Divorce, Death)

Don't wait to start a plan for your financial future. Let Tracy help you get on the right path toward achieving your goals. Tracy Nixon can be reached at (248) 430-1265.

Non-deposit trust products are not insured by the FDIC, are not deposit or other obligations of Citizens Bank Wealth Management, N.A. or any of its affiliates, are not guaranteed by Citizens Bank Wealth Management, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal invested.



*From *Journal of Financial Planning*, February 2008 issue

Source: Tracy Nixon and Heather Brooks, Citizens Bank Wealth Management, N.A.

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ESTATE PLANNING DURING A DECLINING MARKET

A down market can mean tough times, but it can also present unique opportunities to minimize property transfer (gift and estate) taxes. While owning assets that are losing value might seem like a bad thing, it may actually be a great time to reduce your taxable estate by giving those assets away. That's because current low asset values and interest rates enable you to make gifts at a lower gift tax cost. And, if and when the market rebounds, those assets will be growing in your child's (or other heir's) estate and not in yours. Here are a few gift-giving techniques that take advantage of today's unique economic climate:



Basic gifting: You can give away up to \$13,000 to anyone you want, to as many people as you want, each year gift-tax free. This is known as the annual gift tax exclusion. You can give away twice that amount if both you and your spouse make the gifts together. And, you can give away even more if you pay tuition or medical bills on behalf of another person (you must make these payments directly to the school or health-care provider).

Family loans: You can lend money to your children at the current IRS minimum interest rate, and then forgive an amount equal to the gift tax exclusion each year (the gift tax exclusion amount is adjusted annually for inflation; \$13,000 is the figure for 2009).

These strategies, and others, can turn this economic downturn into a mixed blessing.

Source: Forefield

GREAT DEPRESSION II? NOT EVEN CLOSE

Some are comparing the current state of the economy to the Great Depression. But what exactly are the parallels and how does our current situation differ? Below are two comparisons of major economic indicators between the conditions of today's economic environment and that of the Great Depression.

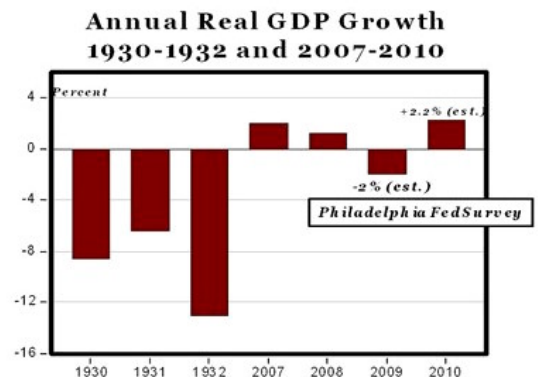
Real GDP contracted annually by 8.6%, 6.4% and 13% in the first three years of the Great Depression, for a cumulative decrease of almost 26% (see chart below). According to the Philadelphia Federal Reserve Survey of Professional Forecasters, real GDP will contract this year by -2.0 before increasing by 2.2% next year. Even if real GDP contracts by much more than 2% this year before returning to positive growth next year, it will be nothing close to the contraction in real GDP of the early 1930s.

Between 1931 and 1940, the MINIMUM monthly unemployment rate was 11% in July 1937, and the average jobless rate was 17.3% (see chart below). It seems very likely that the MAXIMUM unemployment during the current recession won't reach the MINIMUM of 11% during the Great Depression.

According to the Philadelphia Federal Reserve Survey of Professional Forecasters the average unemployment rate expected for 2009 is 8.4% and the average forecast for 2010 is 8.8%. Obviously these forecasts will be adjusted upward sometime in the second quarter, but it still seems probable that the jobless rate in this recession won't even reach the minimum monthly rate of the 1930s, and certainly won't come anywhere close to the 17.3% average jobless rate during the Great Depression.

Note: Unemployment insurance didn't exist until 1935.

Source: Dr. Mark J. Perry, Carpe Diem



WHAT YOU DON'T KNOW CAN HURT YOU

You've probably heard the saying, "what you don't know can't hurt you," but when it comes to your finances, ignorance is not necessarily bliss. It's easy to make bad financial decisions when you lack sufficient information or you are misinformed. By the time you realize your mistake, it's usually too late to correct it. Here are several common mistakes that can be avoided with just a little bit of forethought.

NAMING THE WRONG INSURANCE BENEFICIARY

Life insurance has many benefits. Among them is the fact that death benefits are generally paid directly to the beneficiary you name in the policy without passing through probate. But what happens if the beneficiary you name is unable to accept the death benefit, because he or she is a minor, deceased, or incompetent? In these circumstances, unless you've named an alternate beneficiary, the life insurance proceeds will be subject to all of the expenses and delays associated with settling an estate through probate.

What can you do before it's too late? Review your life insurance beneficiary designations at least annually to be sure the proceeds will pass to the proper beneficiary without the involvement of probate. Also, consider adding at least one contingent or alternate beneficiary in case the primary beneficiary is unable to receive the proceeds.

SELECTING THE WRONG PENSION OPTION

If you're lucky enough to have an employer-sponsored pension for your retirement, the distribution choices you make usually can't be changed, regardless of whether your circumstances change. Before making your choice, get all of your plan's options from the plan administrator and review them with a financial professional who can help you crunch the numbers. Estimate your retirement income needs, then determine what the best strategy is for you and your family.

What can you do before it's too late? If you're married you're required to take a joint and survivor option, unless your spouse waives his or her rights to your pension. If you elect the single life option, your payments will be larger, but at the expense of a future spousal benefit. If you choose the single life option, make sure you have plenty of other income or life insurance to replace the pension for your surviving spouse.

Other Common Mistakes

- *Failing to provide for financial loss due to a non-work related disability*
- *Miscalculating how much life insurance you need*
- *Owning too much company stock in your employer-sponsored retirement plan*
- *Underestimating how long your retirement may last*
- *Overestimating the annual rate of return you'll earn on your investments*
- *Trying to save for your children's college education at the expense of saving for your retirement*

OWNING ASSETS JOINTLY

Owning assets jointly often can be a good strategy to avoid probate or minimize estate taxes. However, this form of asset ownership also has disadvantages. The joint owner has equal rights to the jointly owned asset, meaning he or she can withdraw from a joint bank or brokerage account or sell his or her interest in the asset without your consent. In addition, adding someone's name to an asset may be considered a gift, subject to possible gift taxes. And, owning assets jointly exposes those assets to the creditors of your joint owner. Finally, with respect to long-term care planning and Medicaid qualification, adding a joint owner can negatively affect your Medicaid eligibility.

What can you do before it's too late? Consider the ramifications of joint ownership carefully before implementing this strategy. If your intent is to leave the asset to the joint owner, alternatives such as payable on death accounts, trust designations, or life estates may accomplish your goal and protect your interest in the asset at the same time.

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UNDERINSURED HOMES

Imagine this scenario: you just suffered through a terrible fire that destroyed your home and most of its contents. You get an estimate on the cost to rebuild your home and file a claim with your homeowners insurance carrier. To your shock, you find that they are not going to cover the entire cost to rebuild. You thought your policy covered the full replacement cost of your home. However, the policy actually provides extended replacement cost, which offers up to 120% of the policy's face amount--not enough to cover all of the costs to rebuild your home.

What can you do before it's too late? Review your policy at least annually and make sure the face amount is enough to cover the cost to rebuild your home should the unthinkable occur. That means you need to know the approximate cost to rebuild, including any additions and improvements you made to the home. Also, take into consideration increasing costs of materials and labor.

Source: Forefield

WHO WE ARE

Citizens Republic Bancorp

- Founded in 1871
- 43rd largest bank holding company in the United States
- Largest bank holding company headquartered in Michigan
- \$13.1 billion in assets
- A network of 238 bank offices

Citizens Bank Wealth Management, N.A.

- A full-service trust bank and investment management firm established in 1927
- More than \$2.0 billion in trust assets under administration
- A team of Client Advisors and Portfolio Managers with, on average, 23 years of experience in the industry
- The permanence and continuity of a corporate fiduciary

NEW RULE FOR 529 PLAN INVESTORS

Under federal law, 529 college savings plans are permitted (but not required) to allow investors to change the investment options on their existing contributions once per calendar year. (This is different than changing investment options on future contributions, which most plans allow at any time.) Industry observers have criticized this "once-per-year" rule as too inflexible, especially in a down market year like 2008.

The IRS has recently published a notice addressing this issue. For 2009, according to the IRS, 529 college savings plans may allow investors to change the investment options on their existing contributions twice per year instead of once per year. Check with your 529 plan to see if it offers this new investment flexibility before you make any changes.

Also, keep in mind that most 529 plans allow you to change the investment options on your existing contributions whenever you change the beneficiary of the account.

Source: Forefield

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