



# STAFFORD WELLS

personal wealth management newsletter

December 4, 2013

*Dear Clients & Friends,*

It's rewarding to give gifts that continue to grow in value and will be appreciated into the future rather than a onetime benefit. Here are a few ideas for gift giving that will reflect your thoughtfulness and will grow over time.

## Five Financially Fabulous Gifts

### 1. Buying art for your spouse.

Art has long been seen as an "investment of passion" that not only offers pleasure but also the potential of economic benefit. In most cases art has been viewed through the lens of modern portfolio theory and considered a potential alternative investment in a portfolio of assets. Though research continues to shed more light on what has been historically an opaque market, studies show art can offer long-term return financial rewards.



Art may add diversification benefits within the context of an investment portfolio. During the last 25 years, art (as measured by the Mei Moses World Art Index) had almost zero correlation with U.S. equities and was negatively correlated with fixed income and real estate investment trusts (REITs).

Most studies show that over long periods of time, art prices have trended upwards, kept pace with inflation, and in several studies, outperformed equities or bonds over certain time periods. (Source: Auctions and the Price of Art. Journal of Economic Literature. Vol.XLI. September 2003. Ashenfelter, Orley and Graddy, Kathryn).

### 2. Give your loved ones or yourselves the services of a financial planner.

For \$500-\$5,000 depending on the depth and detail, you can have a personalized financial plan covering a broad range of topics including retirement planning, tax savings, insurance planning and college planning. A financial plan helps that person or couple understand their financial picture as it relates to their future. It allows you to have a process in place to minimize taxes, increase savings and implement prudent investment management.

### 3. Making an investment in a 529 education savings plan for a child or grandchild.

Investments in a 529 plan grow tax deferred until the child heads off to college, and the family withdraws the needed funds for allowed higher education expenses. Since there is no additional tax on the funds when



they are withdrawn, this is a compelling choice for college saving. Contributors can add \$1-\$14,000 annually to a 529 plan (for a larger gift, see the Illinois Bright Start website for details on how stay within the annual gift limitation).

In-state residents who participate in Illinois 529 plans receive some added benefits, including an exemption of the 5 percent state income tax for the contributed funds. Another benefit is that the contributed assets leave the estate, but the investor retains control. This is a truly remarkable benefit when you compare it to typical gift and federal estate tax laws.

#### 4. Giving stock in favorite companies.

Children may enjoy the areas of technology, food, fashion, etc., to name a few. As a parent or grandparent, ask them to pick their favorite products or vendors and buy a few shares of stock in those companies for them through discount brokers such as Charles Schwab or TD Ameritrade. Because the children are passionate about a specific industry area, they may have a better inclination of the growth and future prospects of those companies. Another choice is to buy a mutual fund whose managers invest in a particular area of interest, which will provide greater diversification than owning only a few company stocks. For example, a technology fan may enjoy the gift of shares of the Morningstar four-star-rated fund Buffalo Discovery Fund (ticker: BUFTX). By giving stock rather than cash, the recipient is less likely to spend the money but will keep it invested and watch it grow.



#### 5. Splurging on a remodeling project.

Some couples always wanted a professional chef's kitchen, an updated bathroom or a home addition. Although an expensive project, when the couple decides to sell the home, the remodeling project may offer a high return on investment. And while living there, the spouses get to enjoy the enhancement.



The grandchildren may not squeal with delight over the 529 plan, but their parents will, and your spouse won't be disappointed with artwork or a new home addition. The financial plan will allow you the comfort of knowing your future and how you are going to get there.

Happy Holidays!

My Best,

A handwritten signature in black ink that reads "Susan Temple". The signature is written in a cursive, flowing style.

**Read my blog; Balancing Stock Market Investing in [Today's Chicago Woman Magazine](#)**

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