



Johnston Investment Counsel

Gregory A. Johnston, CFA, CFP, QPFC, AIF
President & Chief Investment Officer
331 Fulton
Suite 429
Peoria, IL 61602
309-674-3330
309-685-6957
gjohnston@jicinvest.com
www.jicinvest.com

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15 Ways to Save on Your Next Vacation

Understanding 401(k) Plan Fees and Expenses

Financial Planning When You Have a Chronic Illness

What is a payable on death (POD) account?



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15 Ways to Save on Your Next Vacation

Whether your vacation budget is big or small, no one likes to spend more than necessary when traveling. Here are some tips that can help you save on your next trip.



Air travel

- Pick your travel times wisely. Popular wisdom holds that Tuesday and Wednesday are the least expensive days to travel, but this isn't necessarily the case in all markets or at all times of the year. If possible, search for airfares within two or three days of your ideal departure date, and consider off-peak flight times.
- Search for flights at more than one airport. If you're willing to depart from any airport near you or arrive at any airport relatively close to your destination, you'll have a better chance of snagging a lower-cost flight.
- Sign up for fare alerts. Online travel agencies, travel websites, or the airlines themselves can notify you when airfare hits a low price point or drops by a certain percentage.
- Compare baggage charges. Don't settle on a fare before seeing how much extra you'll pay to check your luggage.
- Save on parking. At many airports you have the option of parking in an economy lot. At larger airports, you may be able to save even more by parking offsite at private lots. Some hotels offer packages that allow you to spend the night before your flight and leave your vehicle there until you return.

Lodging

- Check hotel websites. Many list their rate calendars on their reservations page so you can see for yourself when rooms are available (and at what price).
- Look for freebies. For example, does the hotel offer complimentary transportation to the airport, restaurants, or local attractions? Does the rate include breakfast (having a meal included can save you a bundle, especially on longer trips or family vacations).
- Share amenities. Love the amenities at a

luxury resort but not the price tag? Book a room at a lower-priced hotel that allows you to use the facilities of a higher-priced sister property.

- Watch out for taxes. Though you can't avoid them, lodging taxes vary by location and are based on the room rate, so you can save money on taxes by booking a lower rate or, in some cases, by choosing a different location (a property outside the city, for example).
- Compare extra person charges. Will your kids stay for free? Hotel chains often allow up to two adults and two children age 17 and younger to stay in one room for the same rate, but policies vary, and smaller properties may require you to pay more or book extra rooms.

Rental cars

- Look for coupon codes or discounts. These are available through many sources, such as your road and travel plan, your insurance company, and your credit card issuer.
- Choose the vehicle class that offers the best value. Smaller cars are often less expensive, but not always. Rates vary widely, so check out all rental companies before settling on one. And although you can't count on getting one, it never hurts to ask for a free upgrade at the rental counter.
- Pay attention to fuel costs. If you're going to be driving long distances, make sure the rental vehicle has good fuel economy. And decide whether you want to pay for a full tank of gas up front, with the option of returning the vehicle on empty. The per-gallon price is usually posted at the rental counter and may be more or less than what you'll pay if you fill it up yourself off-property.
- Consider insurance before you get to the rental counter. Avoid buying duplicate coverage by checking with your insurer to see how your auto policy covers you in a rental vehicle. Some credit card companies also offer some insurance protection for rentals.
- Compare extra driver fees. You may pay a surcharge if you add an extra driver, and fees and terms vary by company and location.

Understanding 401(k) Plan Fees and Expenses



Fees and expenses are factors that may affect your investment returns, and therefore impact your retirement income.

***These are hypothetical examples and are not intended to reflect the actual performance of any specific investment, nor are they an estimate or guarantee of future value.**

If you direct your own 401(k) plan investments you'll need to consider the investment objectives, the risk and return characteristics, and the performance over time of each investment option offered by your plan in order to make sound investment decisions. Fees and expenses are factors that may affect your investment returns, and therefore impact your retirement income.

Why should I care about plan fees?

In a 401(k) plan, your account balance will determine the amount of retirement income you will receive from the plan. While contributions to your account and the earnings on your investments will increase your retirement income, fees and expenses paid by your plan may substantially reduce the balance of your account.

Assume that you're an employee with 35 years until retirement and a current 401(k) account balance of \$25,000. If returns on investments in your account over the next 35 years average 7% and fees and expenses reduce your average returns by 0.5%, your account balance will grow to \$226,556 at retirement, even if there are no further contributions to your account. If fees and expenses are 1.5%, however, your account balance will grow to only \$162,846. The 1% difference in fees and expenses would reduce your account balance at retirement by 28%.*

The following table demonstrates how varying levels of fees and expenses can impact the growth of a hypothetical 401(k) plan account after 35 years, assuming a \$25,000 starting balance, 7% annual return before expenses and fees, and no additional contributions.

Average Annual Fees and Expenses	Ending Balance After 35 Years*
0.0%	\$266,915
0.5%	\$226,556
1.0%	\$192,152
1.5%	\$162,846

How do I learn about my plan's fees?

The first step is to become informed about the different types of fees and expenses charged by your plan, and the way they are allocated to plan participants. The best way to do this is to study the fee disclosure information that your 401(k) plan provides to you.

Investment fees

By far the largest component of 401(k) plan fees and expenses is associated with managing

plan investments. Your disclosure statement should clearly indicate the total annual operating expenses of each investment option. For example, in the case of a mutual fund, these operating expenses may include investment management fees and 12b-1 fees. These fees are charged against the assets of the fund and reduce the fund's total return. The annual operating expenses will be shown both as a percentage of assets (expense ratio) and as a dollar amount for each \$1,000 invested. For example, a fund may have an expense ratio of .15%, or \$1.50 for each \$1,000 invested. In this case, \$10,000 invested in the fund would cost \$15.00 annually (10 times \$1.50).

Your plan's disclosure material will also describe any shareholder-type (transaction) fees that apply to each investment option--things like sales charges and loads, withdrawal fees and surrender charges, and fees to transfer between investment options.

Your plan must also provide a chart that lets you easily compare information about each investment option. For example, if your plan allows you to choose among different mutual funds (or from different families of mutual funds), the difference in fees and expenses may help you choose between two or more funds that are otherwise similar in performance and investment strategy.

Administrative fees

The day-to-day operation of a 401(k) plan also involves expenses for basic services--plan record keeping, accounting, legal and trustee services--that are necessary for administering the plan as a whole. Sometimes employers pay these expenses. Sometimes they're paid by the plan, and either allocated to all participants in proportion to account balances (that is, participants with larger accounts pay more of the allocated expenses) or charged as a flat fee to each participant's account. Your fee disclosure should contain an explanation of any fees and expenses that may be charged to participants' accounts. You'll also receive an explanation of any fees and expenses that may be charged to your individual account--for example, fees for taking out a loan or processing a qualified domestic relations order.

Remember that fees and expenses are just one factor to consider when choosing an investment for your 401(k) plan account. You'll also need to consider a fund's investment performance in relation to the fees charged. However, all things being equal, minimizing the fees and expenses you pay to your 401(k) plan may help you increase your retirement nest egg--so be informed and review all your options carefully.



Financial Planning When You Have a Chronic Illness



There's no such thing as a one-size-fits-all financial plan for someone with a chronic illness. Every condition is different, so your plan must be tailored to your needs and challenges, and reviewed periodically.

When you live with a chronic illness, you need to confront both the day-to-day and long-term financial implications of that illness. Talking openly about your health can be hard, but sharing your questions and challenges with those who can help you is extremely important, because recommendations can be better tailored to your needs. Every person with a chronic illness has unique issues, but here's a look at some topics you might need help with as you're putting together your financial plan.

Money management

A budget is a useful tool for anyone, but it's especially valuable when you have a chronic illness, because it will serve as a foundation when planning for the future. Both your income and expenses may change if you're unable to work or if your medical costs rise, and you may have unique expenses related to your condition that you'll need to account for. Clearly seeing your overall financial picture can also help you feel more in control.

Keeping good records is also important. For example, you may want to set up a system to help you track medical expenses and insurance claims. You may also want to prepare a list of instructions for others that includes where to find important household and financial information that a trusted friend or relative can access in an emergency.

Another step you might want to take is simplifying your finances. For example, if you have numerous financial accounts, you might want to consolidate them to make it easier and quicker for you or a trusted advisor to manage. Setting up automatic bill payments or online banking can also help you keep your budget on track and ensure that you pay all bills on time.

Insurance

Reviewing your insurance coverage is essential. Read your health insurance policy, and make sure you understand your co-payments, deductibles, and the nuts and bolts of your coverage. In addition, find out if you have any disability coverage, and what terms and conditions apply.

You may assume that you can't purchase additional life insurance, but this isn't necessarily the case. It may depend on your condition, or the type of life insurance you're seeking--some policies will not require a medical exam or will offer guaranteed coverage. If you already have life insurance, find out if your policy includes accelerated (living) benefits. You'll also want to review your beneficiary designations. If you're married, you'll want to make sure that your spouse has

adequate insurance coverage, too.

Investing

Having a chronic illness can affect your investment strategy. Your income, cash flow requirements, and tolerance for risk may change, and your investment plan may need to be adjusted to account for both your short-term and long-term needs. You may need to keep more funds in a liquid account now (for example, to help you meet day-to-day living expenses or to use for home modifications, if necessary) but you'll want to thoroughly evaluate your long-term needs before making investment decisions. The course of your illness may be unpredictable, so your investment plan should remain flexible and be reviewed periodically.

Estate planning

You might think of estate planning as something you do to get your affairs in order in the event of your death, but estate planning tools can also help you manage your finances right now.

For example, you may want to have a durable power of attorney to help protect your property in the event you become unable to handle financial matters. A durable power of attorney allows you to authorize someone else to act on your behalf, so he or she can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

A living trust (also known as a revocable or inter vivos trust) is a separate legal entity you create to own property, such as your home or investments. The trust is called a living trust because it's meant to function while you're alive. You control the property in the trust, and, whenever you wish, you can change the trust terms, transfer property in and out of the trust, or end the trust altogether. You name a co-trustee such as a financial institution or a loved one who can manage the assets if you're unable to do so.

You may also want to have advanced medical directives in place to let others know what medical treatment you would want, or that allow someone to make medical decisions for you, in the event you can't express your wishes yourself. Depending on what's allowed by your state, these may include a living will, a durable power of attorney for health care, and a Do Not Resuscitate order.

Review your plan regularly

As your health changes, your needs will change too. Make sure to regularly review and update your financial plan.



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What is a payable on death (POD) account?

A bank account can be designated as payable on death to someone of your choice. The bank pays these funds to this person almost immediately at your death, and the funds will generally not be subject to probate.

The payable on death designation is very simple and flexible. You can change the designation until your death, and the individual you designate has no right to the money until your death. Indeed, the individual will not receive the account unless he or she outlives you. A POD designation can also be used with U.S. savings bonds.

A typical bank account would be subject to probate at your death. Property subject to probate generally incurs fees, such as attorney's fees, and the transfer of probate property may be subject to delays of one to several years. A POD account usually avoids probate, and the named beneficiary can generally access the funds immediately after your death, without significant delays.

The requirements for a POD account may vary somewhat under state law, and state laws

determine what is subject to probate. Ask your bank, attorney, or financial advisor to make sure that the account won't be subject to probate. A POD designation used with appropriate U.S. savings bonds will not be subject to probate in any state.

You do not make a gift for gift tax purposes when you name the beneficiary of a POD account. You remain subject to any income tax on funds in a POD account while you are alive. And funds in a POD account are subject to estate tax at your death. Of course, if your spouse is the named beneficiary, the funds would qualify for the estate tax marital deduction. If the named beneficiary is two or more generations younger than you (e.g., a grandchild), the funds may also be subject to generation-skipping transfer (GST) tax at your death. Substantial exemptions (\$5,250,000 in 2013) are available to protect property from estate tax or GST tax.

A similar provision, transfer on death (TOD), is available for the transfer of stocks, bonds, and mutual funds to a named beneficiary at your death.



What is a joint bank account?

A joint bank account lets you name a co-owner for your bank account. Funds in the account transfer to your co-owner automatically if you die. Your estate generally avoids the expenses and delays of probate.

Holding checking and deposit accounts as joint bank accounts can be a simple and inexpensive way to transfer funds immediately upon your death. It guarantees your spouse (or other co-owner) continuing access to the family checking account to pay monthly bills. You can change the designation until your death. However, the co-owner can withdraw funds from the account until revoked as co-owner.

A typical bank account would be subject to probate at your death. Property subject to probate generally incurs fees, such as attorney's fees, and the transfer of probate property may be subject to delays of one to several years. A joint bank account usually avoids probate, and the co-owner can generally continue to access the funds immediately after your death, without delays.

The requirements for a joint bank account may vary somewhat under state law. Ask your bank,

attorney, or financial advisor to make sure that the account won't be subject to probate.

You do not make a gift for gift tax purposes when you name the co-owner of a joint bank account. However, you do make a gift when the co-owner withdraws funds you contributed to the account. You generally remain subject to income tax on funds you contributed to the joint bank account while you are alive. And funds in a joint bank account may be subject to estate tax at your death. In general, if co-owned with your spouse, one-half of the account is included in your gross estate; if co-owned with anyone else, the account is included in your gross estate except to the extent that you can prove contributions were made by the other co-owner.

Gifts qualify for a \$14,000 annual exclusion in 2013. Of course, if your spouse is the co-owner, the funds would qualify for the gift or estate tax marital deduction. If the co-owner is two or more generations younger than you (e.g., a grandchild), the funds may also be subject to generation-skipping transfer (GST) tax. Substantial exemptions (\$5,250,000 in 2013) are available to protect property from gift and estate tax or GST tax.