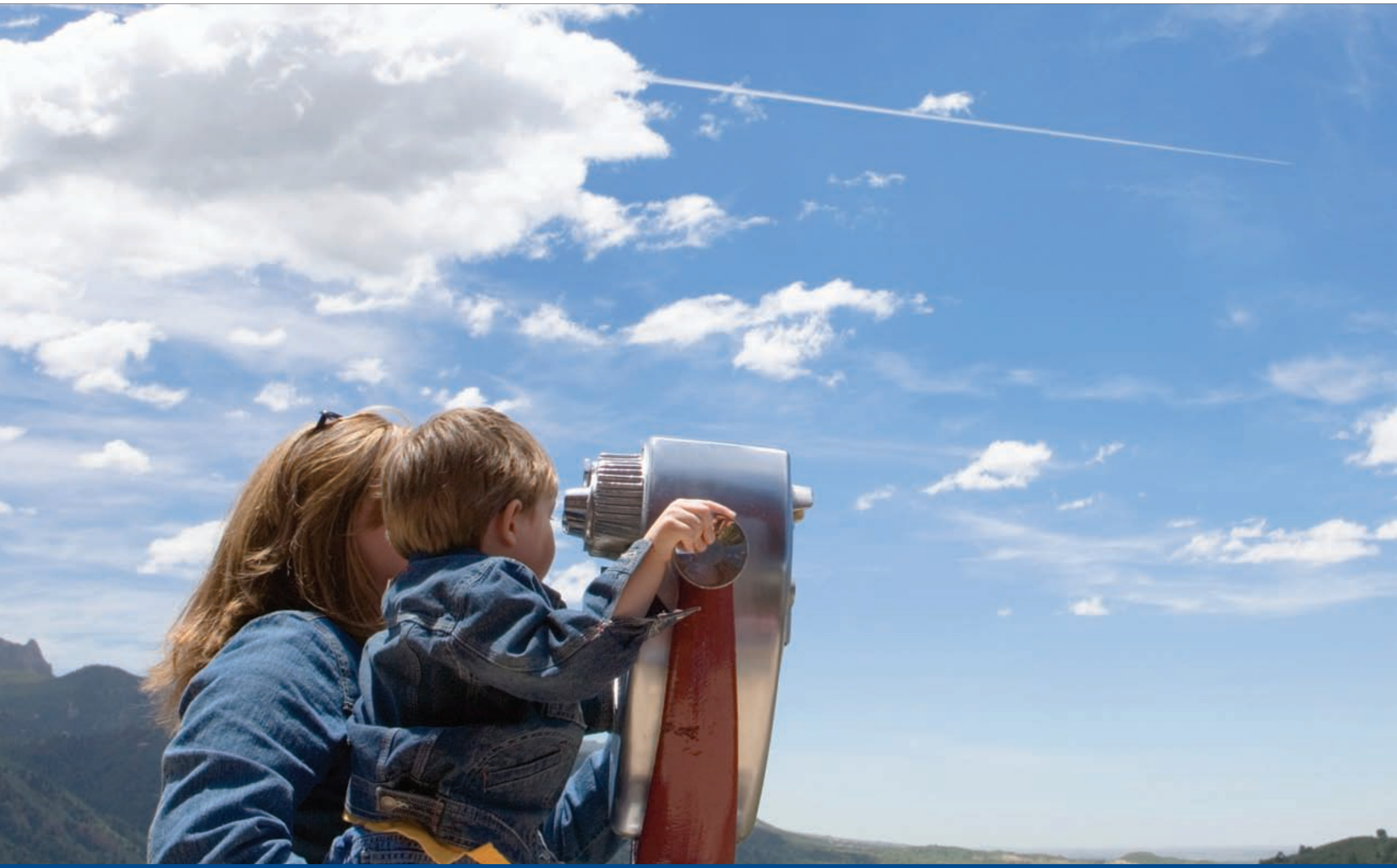
Citi Personal Wealth Management



Rigging Up the Safety Net

Protecting Your Family

It's all about family.

Why do we save and invest? Sure, we want to secure our own financial future. But we're also anxious to look after our loved ones. They are the reason we head off to work each morning, save for college and pony up for the bigger house in the more desirable neighborhood. These are the folks we care for today, who will remember us after we're gone – and whom we are anxious to protect from all manner of threats.

What threats? We worry about losing our job. We fret about hefty unexpected expenses. We fear becoming disabled and being unable to work. We worry about medical costs. We are nervous about getting sued. We're concerned about dying prematurely and leaving our family destitute or bequeathing a financial mess.

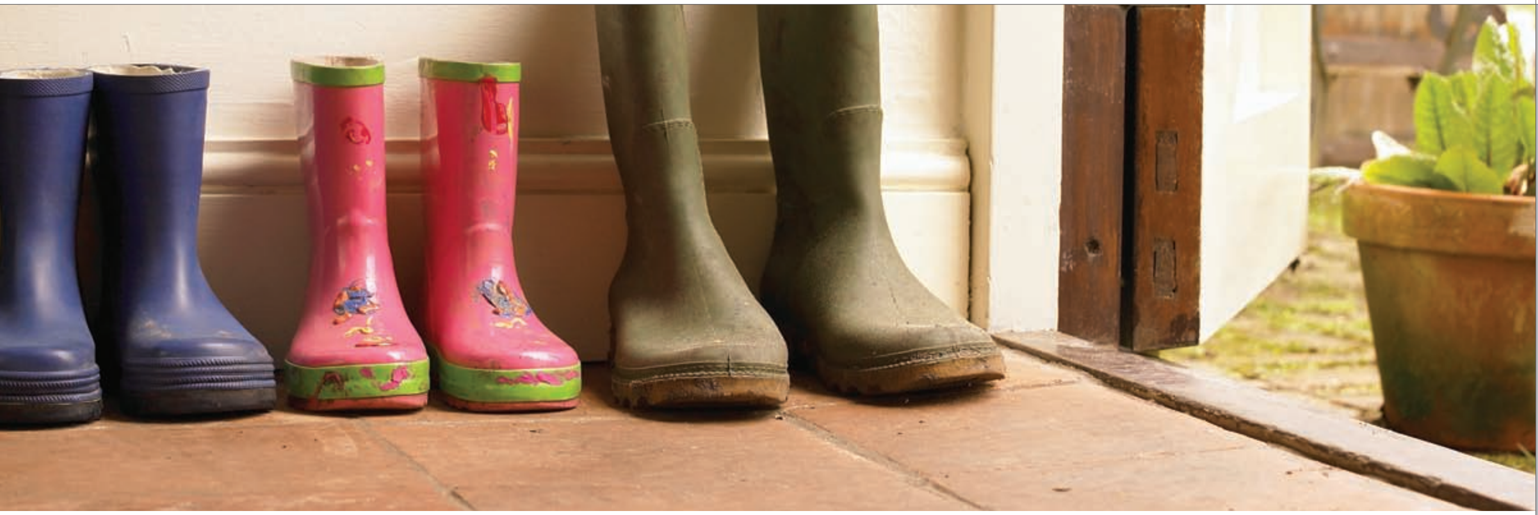
These can be the things that keep us up at night — and which we need to protect against if we're going to be financially content today. To fend off these threats and give ourselves a sense of security, we need to rig up a strong safety net. That safety net might include three key components: an emergency fund, a variety of insurance policies and a carefully constructed estate plan.

All this, however, can involve serious money. The upshot: You may want to consider which parts of your protection plan are absolutely necessary — and where you might cut back a little.

> LOOK ON THE DARKER SIDE

As you invest for the future, consider the accompanying risks. For instance, you might have taken out a mortgage to buy a house and you might be funding 529 college savings plans for your children's college education. But you might also consider buying life insurance, in case you aren't around to finish paying off the mortgage or funding the 529s.

Similarly, as you save for retirement and plan your estate, you might also consider buying long-term care insurance. That way, the nest egg you're amassing for retirement, part of which you hope to bequeath to your heirs, is less likely to be wiped out by nursing home costs.



STRATEGY NO. 1:

Your Emergency Fund

Conventional wisdom says that, in case you are laid off or you get hit with hefty medical bills or home repairs, you should set aside six months of living expenses in conservative investments. For instance, if your family typically spends $4,000 a month on mortgage, utilities, groceries and other core expenses, you might keep six times that sum – or $24,000 – in a money market fund or a savings account.

This, of course, is a large sum and many families may find it hard to spare so much money for their emergency fund, especially as they grapple with other important goals, like their children's college education and their own retirement. In addition, while money market funds and savings accounts are considered low-risk investments, they also offer low rewards.

One alternative: Instead of the large emergency fund, you may want to arrange easy access to borrowed money. That might mean setting up a line of credit that allows you to borrow against the value of your home or borrow against the value of your investment portfolio. This can be a risky strategy, because you may not be able to repay the money involved.

Still, it will allow you to focus on longer-term goals, such as building up your retirement nest egg, while knowing you can get your hands on a hunk of cash if an emergency strikes.

35% American adults who say they have a will

Source: Lawyers.com, 2009

STRATEGY NO. 2:

Your Insurance Coverage

When faced with large risks, often the right strategy is to buy insurance. True, you may own some insurance policies for years and never collect a dime. But the fact is, there are some risks that are potentially so devastating that you just have to consider insurance.

In particular, there are seven types of insurance you may want to look into purchasing: life, medical, disability, long-term care, homeowner's, auto and umbrella liability. The most appropriate mix of insurance for you will change over time, so it's important to review your insurance regularly.

In some cases, such as medical, disability and life insurance, you may have coverage through your employer. But even then, you face critical choices. Do you need to buy more life and disability insurance to supplement whatever your employer provides? Should you try to save money by opting for the company's health insurance option with the higher deductibles?

These are the sorts of choices you will need to make as you stitch together your family's financial safety net. You want to make sure you and your loved ones have adequate protection. But you may need to tweak your insurance to make sure it fits within the family budget.

Suppose you need long-term care insurance, but the annual premium seems a bit steep. Instead of skipping coverage and leaving yourself exposed to the potentially huge cost of long-term care, including a possible nursing home stay, you might free up money by perhaps raising the deductibles on your homeowner's and auto policies. This means you could face somewhat larger out-of-pocket costs if, say, you crash the car. But that sacrifice might seem acceptable if it means you are protected should you need nursing home care.

Indeed, this can be the essence of smarter insurance buying: You take on relatively small risks, such as a higher deductible with some insurance policies, in order to ensure you are covered if you are hit with financial costs that you would have a tougher time shouldering on your own.

> TERM VS. PERMANENT

Both term and permanent life insurance include a death benefit that could provide your beneficiaries with crucial money, should you die while the policy is in force. But permanent insurance offers an added benefit: Part of your premium goes into an account that builds up cash value. You could borrow against this cash value to help pay for, say, retirement, though this will deplete the policy's cash value and hence the death benefit payable to your beneficiaries.

This added benefit comes at a cost: The premiums on a permanent policy are typically much higher than those for term insurance. Is it worth the extra cost? You might discuss this with your advisor, weighing issues such as how long you will need life insurance for, what other financial goals a life insurance policy can help you achieve and whether there are better alternatives for your extra dollars.

> FIVE (OTHER) REASONS TO CONSIDER LIFE INSURANCE

The key reason to purchase life insurance is to provide for your family should you die suddenly. But it can occasionally make sense to buy life insurance for five other reasons.

1. A permanent life insurance policy can allow you to build up "cash value" that might help you pay for retirement or a financial emergency, though such uses will reduce the policy's death benefit.
2. Some life insurance policies can also help pay for long-term care costs. Triggering this provision may reduce the policy's death benefit.
3. You might purchase insurance on the lives of your business partners, so you have the money to buy out their business interest when they die.
4. If you have substantial assets, you might purchase life insurance to help your heirs pay the taxes they may owe on your estate.
5. If you direct some of your savings into a life insurance policy, you might cut your estate's tax bill. But to avoid any estate taxes on your life insurance, you can't own the policy yourself. Instead, the policy needs to be owned by, say, an irrevocable life insurance trust. Setting up the trust will involve an additional cost and it must be done correctly, so it is important to speak with a qualified attorney.

75% Americans with dependents who are worried about how their families would manage financially if they died tomorrow

Source: LIFE Foundation, 2008

STRATEGY NO. 3:

Your Estate Plan

As you look to protect your family, you will want to make sure your financial affairs are in order, in case something happens to you.

By putting together a sound estate plan, you can feel more confident that your wealth will pass to your heirs in an orderly fashion and potentially with less owed in state and federal estate taxes. This is also your chance to influence how you are remembered and to express your wishes concerning what happens at the end of your life.

With those goals in mind, you should probably consult an attorney. If you are younger, all you may need is a will. But as you grow older and your wealth increases, your estate plan will likely grow more complex and you may want to hire a lawyer who focuses exclusively on estate planning.

Your attorney might recommend placing assets in a living trust, so the assets involved avoid legal review by the probate court and pass to your heirs more quickly. Similarly, your lawyer might advise taking measures to reduce any estate taxes, such as engaging in a regular gifting program or setting up a bypass trust.

Your attorney may also talk to you about taking steps in case you become incapacitated and can't make your own financial or medical decisions. That might result in drawing up a durable power of attorney, a health care power of attorney and a living will.

Estate planning, however, is about more than spending a few hours with a lawyer. Indeed, we often make crucial estate-planning decisions as we grapple with other financial choices. For instance, who inherits a big chunk of our wealth may depend on how we chose to title our home when we bought it 20 years ago. It might also hinge on the beneficiaries we named when we signed up for the company 401(k) plan and opened our Individual Retirement Account.

Want to leave a good final impression? How we're remembered is often influenced by how difficult it is to settle our estate, to whom we leave our wealth and how we explain those choices. If our affairs are well organized and our estate is relatively easy to settle, our heirs will appreciate our kindness. And if we explain our estate plan, whether it's in a conversation while we are alive or in a letter we leave behind, our bequests may seem less like an inheritance — and more like a legacy.

Keep in mind that, like your insurance coverage, your estate plan isn't a one-time deal. You will want to revisit your estate plan if, say, your wealth changes significantly, you move to another state, tax laws are revised or your family situation changes.

$72,270

National average annual cost of a semiprivate nursing home room

Source: MetLife Mature Market Institute, 2009

49%

Americans who say they would have trouble supporting themselves financially if a disability left them unable to work for one month

Source: LIFE Foundation, 2009

30%

U.S. households with no life insurance

Source: LIMRA International, 2010

> THE PAPER CHASE

Your estate plan should be crafted to reflect your individual circumstances. Still, here are crucial components that are found in many estate plans.

- A will that directs who should inherit those assets subject to probate
- Guardians named for minor children
- A trust to be established if you die before your children reach a specified age
- The right beneficiaries listed on your retirement accounts and life insurance
- Correct titling of your home and your taxable accounts
- A letter of last instructions that might detail your funeral wishes, where key papers are located and who should receive your personal effects
- A durable power of attorney, so somebody can make financial decisions should you become incapacitated
- A health care power of attorney, so somebody can make medical decisions on your behalf
- A living will that specifies your wishes concerning life-prolonging medical procedures

How Citi Can Help

Want to strengthen your family's financial safety net? Here are just of the some ways we can help.

- Ask your advisor to analyze your family's cash flow, so you can identify how much your family spends each month and hence how big an emergency fund you need.
- Establish a Citi credit line that allows you to borrow against the value of your savings in the event of a financial emergency. Alternatively, consider setting up a Citi home equity line of credit, so you can tap into your home's value if you suddenly need cash. But be warned: Such borrowing could create serious financial headaches if you are unable to repay the sums involved.
- Discuss your life, disability, long-term care and other insurance needs with your advisor.
- Talk to your advisor about your estate plan. Your advisor might suggest having your plan reviewed by one of our insurance specialists.
- Ask your advisor for Citi's Financial Education Series articles that discuss different types of insurance, estate planning, asset protection, paying for financial emergencies and borrowing against the value of your portfolio or your home. You might also request our estate-planning guide.

The information set forth was obtained from sources believed to be reliable, but we do not guarantee its accuracy or completeness. Past performance is no guarantee of future results.

Withdrawals and loans may be taxable and may impact the contract value and death benefit. Taxable distributions are subject to ordinary income tax, and if made prior to age $59^1/_2$, may also be subject to a 10% federal income tax penalty. Interest may be due on any loans. Early surrender charges may also apply.

Sources: Lawyers.com survey conducted by Harris Interactive in December 2009. LIFE Foundation's 75% figure based on survey results released September 2008. Nursing home costs from 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs. LIFE Foundation's 49% figure based on survey conducted by Kelton Research in April 2009. Life insurance ownership based on consumer survey by LIMRA International reported August 2010.

Since life insurance and long-term care insurance are medially underwritten you should not cancel your current policy until your new policy is in force. Your actual premiums may vary from any initial quotation you receive. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

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Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

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