THE ADVISOR

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FRAGASSO FINANCIAL ADVISORS

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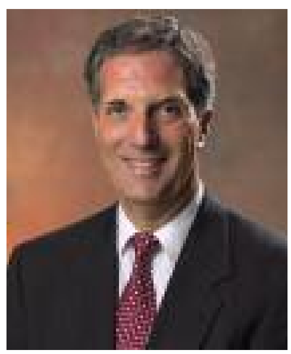
Tax Planning & Portfolio Tax Reduction Strategies

Financial planning and portfolio management go together. So often, investors concentrate solely on the performance of the investment portfolio. While we are all vitally interested in good portfolio performance, we must realize that ignoring tax planning can work against good performance. For example, a high performing security will often be chosen by an investor from a list reflecting only performance. But portfolio turnover, the amount of the portfolio that is bought and sold each year, may work to severely lessen net performance on an after-tax basis.

That is why we calculate the after-tax effect of any portfolio changes that we make in your portfolios. While tax impact should not override a sound investment decision, we must still calculate the impact taxes will have on any decision we may make on your behalf. Similarly, we choose securities for use in your portfolio, in part, based on the amount of historic turnover experienced. The lower the turnover, the less the tax impact. A well performing portfolio will always generate tax consequences. Yet, part of our job is to hold that to a minimum.



BOB FRAGASSO, CFP®
President

In addition to attempting to manage the tax implications of individual securities decisions, we also try to manage the overall tax consequences coming from the entire portfolio each year. We do that by seeking to offset realized gains from securities sold with losses by selling other securities that may have declined from their purchase price. This will occur even if we see potential for recovery in that security's price. We will commensurately buy another similar security to replace it that offers similar potential. The loss thus generated is then used to offset some or all of the gain, which may be done at the same time or later in the calendar year. Even when we do not have a gain to realize, we may generate losses in a portfolio so that they will later be available to offset future gains. It should be noted that we can do this for our clients because we manage portfolios on a fee basis and thus no commissions are charged to effect these changes.

This is why your Fragasso financial advisor spends time each year in your annual review meeting understanding your current tax circumstances along with your cash flow needs and other financial planning considerations. This information will be considered during the year in the management of your portfolio in an attempt to positively influence your portfolio's net, after-tax performance. You benefit when financial planning and investment management converge.

Taxation of Investments

Your contact for this article:

CHRISTINE ROBINETTE
Vice President

It's nice to own stocks, bonds, and other investments. Nice, that is, until it's time to fill out your federal income tax return. At that point, you may be left scratching your head. Just how do you report your investments and how are they taxed?

Is it ordinary income or a capital gain?

To determine how an investment vehicle is taxed in a given year, first ask yourself what went on with the investment that year. Did it generate income, such as interest? If so, the income is probably considered ordinary. Did you sell the investment? If so, a capital gain or loss is probably involved. (Certain investments can generate both ordinary income and capital gain income, but we won't get into that here.) If you receive dividend income, it may be taxed either as ordinary income or capital gain income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 and the Tax Increase Prevention and Reconciliation Act of 2005, dividends paid to an individual shareholder from a domestic corporation or qualified foreign corporation are generally taxed at the same rates that apply to long-term capital gains. These rates are 15 percent for an individual in a marginal tax rate bracket that is greater than 15 percent or 0 percent (in 2008-2010) for an individual in the 10 or 15 percent marginal tax rate bracket. But special rules and exclusions apply, and some dividends (such as those from money market mutual funds) continue to be treated as ordinary income. The distinction between ordinary income and capital gain income is important because different tax rates may apply and different reporting procedures may be involved. Here are some of the things you need to know:

Categorizing your ordinary income

Investments often produce ordinary income. Examples of ordinary income include interest and rent. Many investments--including savings accounts, certificates of deposit, money market accounts, annuities, bonds, and some preferred stock--can generate ordinary income. Ordinary income is taxed at ordinary (as opposed to capital gains) tax rates.But not all ordinary income is taxable--and even if it is taxable, it may not be taxed immediately. If you receive ordinary income, you must categorize it as taxable, tax exempt, or tax deferred.

- **Taxable Income-** This is income that's not tax exempt or tax deferred. If you receive ordinary taxable income from your investments, you'll report it on your federal income tax return. In some cases, you may have to detail your investments and income on Schedule B.

- **Tax-exempt income-** This is income that's free from federal and/or state income tax, depending on the type of investment vehicle and the state of issue. Municipal bonds and U.S. securities are typical examples of investments that generate tax-exempt income.

- **Tax-deferred income-** This is income whose taxation is postponed until the future. For example, with a 401(k) retirement plan, earnings are reinvested and taxed only when you take money out of the plan. The income earned in the 401(k) plan is tax deferred. A quick word about ordinary losses: It's possible for an investment to generate an ordinary loss, rather than ordinary income. In general, ordinary losses reduce ordinary income.

Understanding what basis means

Let's move on to what happens when you sell an investment vehicle. Before getting into capital gains and losses, though, you need to understand an important term--basis. Generally speaking, basis refers to the amount of your investment in an asset. To calculate the capital gain or loss when you sell or exchange an asset, you must know how to determine both your initial basis and adjusted basis in the asset. First, initial basis. Usually, your initial basis equals your cost--what you paid for the asset. For example, if you purchased one share of stock for $10,000, your initial basis in the stock is $10,000. However, your initial basis can differ from the cost if you did not purchase an asset but rather received it as a gift or inheritance, or in a tax-free exchange. Next, adjusted basis. Your initial basis in an asset can increase or decrease over time in certain circumstances. For example, if you buy a house for $100,000, your initial basis in the house will be $100,000. If you later improve your home by installing a $5,000 deck, your adjusted basis in the house may be $105,000. You should be aware of which items increase the basis of your asset, and which items decrease the basis of your asset. See IRS Publication 551 for details.

Calculating your capital gain or loss

If you sell stocks, bonds, or other capital assets, you'll end up with a capital gain or loss. Special capital gains tax rates may apply. These rates may be lower than ordinary income tax rates. Basically, capital gain (or loss) equals the amount that you realize on the sale of your asset (i.e., the amount of cash and/or the value of any property you receive) less your adjusted basis in the asset. If you sell an asset for more than your adjusted basis in the asset, you'll have a capital gain. For example, assume you had an adjusted basis in stock of $10,000. If you sell the stock for $15,000, your capital gain will be $5,000. If you sell an asset for less than your adjusted basis in the asset, you'll have a capital loss. For example, assume you had an adjusted basis in stock of $10,000. If you sell the stock for $8,000, your capital loss will be $2,000. Schedule D of your income tax return is where you'll calculate your short-term and long-term capital gains and losses, and figure the tax due, if any. You'll need to know not only your adjusted basis and the amount realized from each sale, but also your holding period, your marginal income tax bracket, and the type of asset(s) involved. See IRS Publication 544 for details.

- **Holding period-**-Generally, the holding period refers to how long you owned an asset. A capital gain is classified as short term if the asset was held for a year or less, and long term if the asset was held for more than one year. The tax rates applied to long-term capital gain income are generally lower than those applied to short-term capital gain income. Short-term capital gains are taxed at the same rate as your ordinary income.

- **Marginal income tax bracket**--Marginal income tax brackets are expressed by their marginal tax rate (e.g., 15 percent, 25 percent). Your marginal tax bracket depends on your filing status and the level of your taxable income. When you sell an asset, the capital gains tax rate that applies to the gain will depend on your marginal income tax bracket. Generally, a 0 percent long-term capital gains tax rate applies to individuals in the 10 or 15 percent tax bracket (in 2008-2010), while the long-term capital gains of individuals

Taxation of Investments
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Weighing the Choice between Taxable and Tax-Free Bonds

Your contact for this article:

DEBORAH F. GRAVER, CFP®
Chief Operating Officer

	TAX BRACKET				
	15%	25%	28%	33%	35%
Taxable Yield (%)	Equivalent Tax-Free Yield (%)				
2	1.7	1.5	1.44	1.34	1.3
2.13	1.88	1.8	1.68	1.63	
2.55	2.25	2.16	2.01	1.95	
2.98	2.63	2.52	2.35	2.28	
3.4	3	2.88	2.68	2.6	
3.83	3.38	3.24	3.02	2.93	
4.25	3.75	3.6	3.35	3.25	
4.68	4.13	3.96	3.69	3.58	
5.1	4.5	4.32	4.02	3.9	
5.53	4.88	4.68	4.36	4.23	
5.95	5.25	5.04	4.69	4.55	
6.38	5.63	5.4	5.03	4.88	

If you're considering the purchase of an individual bond or even a bond mutual fund, one of your first concerns will be its yield. However, when comparing various yields, you need to make sure you're not comparing apples to oranges. The yield on a tax-free bond may be lower than that paid by a taxable bond, but you'll need to look at its tax-equivalent yield to compare them accurately.

What's taxable? What's not?

The interest on corporate bonds is taxable by local, state, and federal governments. However, interest on bonds issued by state and local governments--generically called municipal bonds, or munis--generally is exempt from federal income tax. If you live in the state in which a specific muni is issued, it may be tax free at the state or local level as well.

Unlike munis, the income from Treasury securities, which are issued by the U.S. government, is exempt from state and local taxes but not from federal taxes. The general principle is that federal and state/local governments can impose taxes on their own level, but not at the other level; for example, states can tax securities of other states but not those of the federal government, and vice versa.

The impact of freedom from taxes

In order to attract investors, taxable bonds typically pay a higher interest rate than tax-exempt bonds. Why? Because of governmental bodies' taxing authority, investors often consider munis safer than corporate bonds and are more likely to accept a lower yield. Even more important is the associated tax exemption, which can account for a difference of several percentage points between a corporate bond's coupon rate--the annual percentage rate it pays bondholders--and that of a muni with an identical maturity period.

It's not what you get, it's what you keep

To accurately evaluate how a tax-free bond compares to a taxable bond, you'll need to look at its tax-equivalent yield. To do that, you apply a simple formula that involves your federal marginal tax rate--the income tax rate you pay on the last dollar of your yearly income. The formula depends on whether you want to know the taxable equivalent of a tax-free bond, or the tax-free equivalent of a taxable bond. The table on this page shows the tax-free equivalents of various taxable yields; the figures are determined by subtracting your marginal tax rate from 1, then multiplying the taxable bond's yield by the result. (To see how to calculate the taxable equivalent of a tax-free bond, see box titled "When Less Is More.")

If a taxable bond also is subject to state and local taxes and the tax-exempt one isn't, the tax-exempt bond's coupon rate could be even lower and still provide a higher tax-equivalent yield.

Munis are tax free, except when they're not

As is true of almost anything that's related to taxes, munis can get complicated. A bond's tax-exempt status applies only to the interest paid on the bond; capital gains realized from any increases in the bond's value are taxable if and when the bond is sold. Capital gains taxes also apply when you sell shares of a muni bond mutual fund.

When Less is More

Here's an example of how to calculate the yield a taxable bond must provide to equal that of a tax-free bond. Let's say you are in the 33% tax bracket and own a tax-free bond that yields 3.75% but is maturing soon. You are considering a taxable bond, but want to make sure it yields an equivalent amount.

1.) Subtract .33 (33%) from 1.

2.) Divide the tax-free bond's annual yield (.0375) by the result of Step 1 (.67). The result is .05597 (5.6%).

3.) Compare that figure to the tax-free bond's yield. A taxable bond that pays less than 5.6% would actually have a lower after-tax yield than that of the 3.75% tax-free bond (assuming there are no Alternative Minimum Tax (AMT) consequences.)

Also, specific muni issues may be subject to federal income tax, depending on how the bond issuer will use the proceeds. If a bond finances a project that offers a substantial benefit to private interests, it is taxable at the federal level unless specifically exempted. For example, even though a new football stadium may serve a public purpose locally, it will provide little benefit to federal taxpayers. As a result, a muni bond that finances it is considered a so-called private-purpose bond. Other publicly financed projects whose bonds may be federally taxable include housing, student loans, industrial development, and airports.

Even though such bonds are subject to federal tax, they still can have some advantages. For example, they may be exempt from state or local taxes. And you may find that yields on such taxable municipal bonds are closer to those of corporate bonds than they are to tax-free bonds.

Agencies and GSEs (government-sponsored enterprises) vary in their tax status. Interest paid by Ginnie Mae, Fannie Mae, and Freddie Mac bonds is fully taxable at federal, state, and local levels. The bonds of other GSEs, such as the Federal Farm Credit Banks, Federal Home Loan Banks, and the Resolution Funding Corp. (REFCO), are subject to federal tax but exempt from state and local taxes. Before buying an agency bond, verify the issuer's tax status.

Don't forget the AMT

To even further complicate matters, the interest from private-purpose bonds may be specifically exempted from regular federal income tax, but still may be considered when calculating whether the alternative minimum tax (AMT) applies to you. Even if you are not subject to the AMT when you purchase a bond, more people are feeling its impact each year, and the interest from a private-purpose bond could change your AMT status. A financial professional can determine the likelihood that a bond will affect your AMT liability.

Pay attention to muni bond funds

Just because you've invested in a municipal bond fund doesn't mean the income you receive is automatically tax free. Some muni funds invest in both public-purpose and private-purpose munis. Those that do must disclose on their yearly 1099 forms how much of the tax-free interest they pay is subject to AMT.

Use your tax advantage where it counts

Be careful not to make a mistake that is common among people who invest through a tax-deferred account, such as an IRA. Because those accounts automatically provide a tax advantage, you receive no additional benefit by investing in tax-free bonds within them. By doing so, you may be needlessly forgoing a higher yield from a taxable bond. Tax-free munis are best held in taxable accounts.

A financial professional can help you compare taxable and tax-free bonds, and determine how to maximize the benefits of both.

New Trading Software

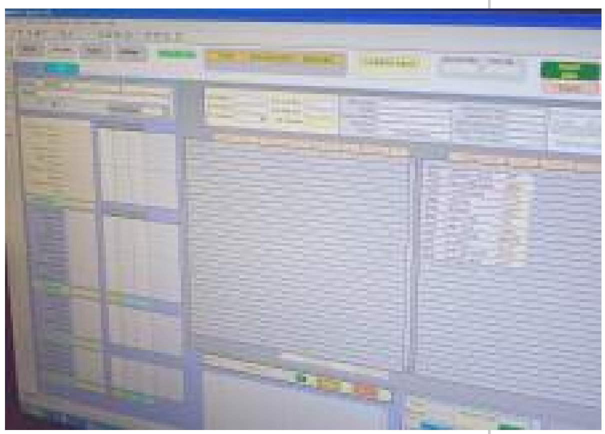
In the latest expression of our company's culture of independence and innovation, we are proud to announce the development of a state of the art portfolio rebalancing and trading engine.

The new software allows for a virtually limitless degree of portfolio customization as dictated by the unique circumstances of each and every client.

We originally researched the marketplace for commercially available products, but found none that were satisfactory or flexible enough for our clients portfolio servicing needs.

First, we believe it is useful to be very clear about what the new software will not do. The software is not a "black box": it will not make investment decisions. Investment decisions are made by humans. The computer simply executes such decisions in a fast, efficient and timely manner, necessary to keep up with the ever-changing investment landscape.

We believe our newly developed software gives us an additional edge over our competition that often has to decide between one of the two servicing extremes: manual customization or the "cookie cutter" one-size-fits-all approach.
Manual customization implies an expensive, labor intensive, hard to duplicate portfolio building process that is prone to inconsistencies and has a high potential for human error. Attempts to replicate such processes over a large enough client base invariably result in cutting corners. At the other end of the spectrum, the one-size-fits-all approach tends to force investment portfolios into rigid, pre-determined models that may ignore the individual needs of clients.



The software we have developed uses a smart algorithm, which satisfies all customizable rules and conditions at once, while minimizing the amount of trades necessary to balance portfolios. In a sense, the software thinks as a real person would, but with much higher consistency and speed.

We believe it is beneficial to share a brief overview of the ways our clients will benefit from the new system for years to come:

ANDREI VOICU, CFP®
Chief Investment Officer

- **Solving the rebalancing dilemma:** Leaving the portfolio untouched for fear of making too many changes can dramatically increase the risk of loss. Making all the changes necessary to make a portfolio look just like the recommended model would trigger an out-of-control amount of trades. To resolve this dilemma, the software constantly monitors the exposure to all asset categories and sectors, as well as individual holdings. If allocation ranges are exceeded, the system triggers the minimum amount of changes necessary to bring the account within the closest acceptable balance.

- **Maintaining just the right amount of cash in every portfolio:** Most portfolios have some cash cushion to meet the need for withdrawals and expenses. We have automated cash management to maintain sufficient liquidity for the specific distributions and expenses of each and every account. All of the money that is not needed for consumption in the near future goes to work.

- **Recognizing that it is not "what you earn" it is "what you keep"** – Maximizing after-tax results does not always mean eliminating all possible taxes. It is often beneficial to pay the capital gain tax on an overly appreciated or less promising holdings than to witness a potentially painful decline in price.

  -The tradeoff between the potential benefit of any change and its tax implication is constantly monitored. Trades are implemented when the after-tax effects of the change have a high likelihood to be net positives.

  -The software monitors short-term capital gains for each position. Most often, we avoid realizing short-term gains, as they tend to be expensive. With rare exceptions we generally find it worthwhile to postpone a change until short-term gains turn to long-term gains.

  -The tax cost already accumulated is also constantly monitored. This offers a clear picture of what additional changes may or may not be beneficial for the remainder of the year.

  -Unrealized losses are monitored and harvested any time they have the potential to result in overall tax savings.

- **Making adjustments for client preferences, investment prohibitions, legacy positions, preferred investments, etc.** – All such exceptions from our recommended portfolios can be automatically accounted for in any portfolio rebalancing:

  -Legacy position will not be sold,
  -Prohibited investment will not be purchased (an alternative will be found).
  -Similar enough investments will not be replaced with each other (for example different share classes of the same mutual fund).

- **Inconsistencies in the price of trades portfolios are virtually eliminated** – Trades for all mutual funds, individual stocks and ETFs are generated in batches and are electronically uploaded to our broker dealer at once.

- **Most importantly, your investment team can dedicate additional time on high value added services**, as the trading automation process allows for substantial time savings on the routine, mechanical tasks.

We believe our clients deserve the best of both worlds in portfolio management: efficient, timely implementation of highly customizable investment strategies that reflect the individual financial needs of every client, while minimizing cost. Fragasso Financial Advisors is an independent company. We take pride in having built an enterprise free of the inherent conflicts of interest so prevalent in today's financial services industry.

Among the less obvious, but very important benefits of independence, is the freedom to pursue creative ideas for the benefit of our clients. As an independent company we don't have to fight convention, compromise and red tape.

Most importantly, our clients deserve unparalleled service and the uncompromised personal attention of our team of professionals.

Linsco/Private Ledger Name Change

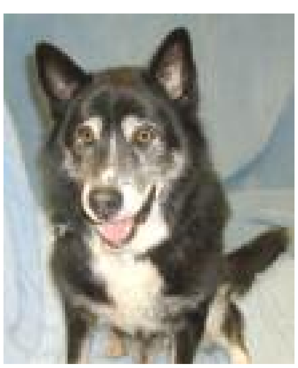
Beginning January 2008 Linsco/Private Ledger officially changed its name to LPL Financial.

Please make a note of this. In the future checks should be written to LPL Financial.

LPL Financial

The Joys of Volunteering at Animal Friends

I can't wait until my next walk – the volunteers that come to visit with me are so doggone grrreat! Hi, my name is Dakota and I arrived here in October of 2007. I guess things weren't working out with my family, so I found myself living all alone in my room here at Animal Friends. I might be what you'd call a senior citizen, but don't let that fool you – I still enjoy my playtime. That's why I feel so lucky to be here. Even brand new volunteers can come right into my room and sit with me…I usually use my charm and good looks to get a nice massage out of the deal too (I'm truly wise beyond my years). I really do have it good here, but some days I watch people pass by my window and I wonder why no one has come in yet to play. Do you know of any friends who might want to spend some time with me? I know my forever family will find me soon, but the family that I have here is all I've got for now…



Dakota

We all know the old adage: time is money. And, you certainly understand the importance of a monetary investment. But, the time invested in volunteer work is just as valuable to our residents. As a volunteer, you not only make a difference for homeless animals in our area, you have an opportunity to give back to the community as well. Without our amazing corps of dedicated individuals, we would not be able to offer community outreach programs, such as low-cost spay/neuter and rabies clinics, obedience training, remembrance services, and Fluffy Tails Story Time. And this is just a sampling!

The Animal Friends Volunteer Program is designed to match your skills and interests with organizational needs; the options are many. Volunteers work hands-on with our dogs, cats and rabbits to help make them healthy, relaxed, and more adoptable. If you enjoy happy endings, we always appreciate extra support with adoption activities. Volunteers also assist with our exciting special events and other fundraising projects. Are you interested in volunteering, but also want to spend more time with your own pet? Our Pet-Assisted Therapy and Reading with Rover programs may be just right. Or, consider volunteering from home and be a foster parent for one of our animals.

You can learn so much as a volunteer at Animal Friends – "more than I thought I knew," as one volunteer

JENNIFER BROWN
Volunteer Coordinator
Animal Friends

noted. Not only will you learn about the nutritional needs of rabbits, how to make a cat scratching post, and why Fido is so feisty, you can also learn more about yourself and watch your favorite animal learn and grow, too. With the training you receive at advanced handling classes, coupled with luck and determination, you just might be able to turn a terror of a terrier into a mutt with some manners (well, you can at least give it a try!).

And, to top it off, where else can you go and make friends with both two-leggeds and four-leggeds?! It is amazing how quickly you will become attached to the furry darlings who call Animal Friends home. But, we all learn to let go of some of our favorites; after all, our primary goal is to help these animals through the journey of finding their forever home.

If you are interested in becoming a volunteer, please contact Jennifer Brown, Volunteer Coordinator, at volunteering@animal-friends.org or 412.847.7037. You can also visit our website for more information: www.thinkingoutsidethecage.org.

Privacy Policy

LPL Financial ("LPL") and its family of affiliated companies are committed to maintaining the trust and confidence of our customers. We want you to understand how we protect your privacy when we collect and use personal information in the course of business, as well as the measures we take to safeguard your information. Keeping customer information secure and private is a priority at LPL.

Please take a moment to review our Privacy Policy and contact us with any questions you may have. Thank you for the trust you have placed in us. We look forward to continuing to serve your needs.

Collecting Non–public Personal Information

While providing service to you, we collect non–public personal information from the following sources:

- Account applications and other standard forms — i.e., name, address, Social Security number, assets, types and amounts of investments, transactions and income.
- LPL transactions and affiliate companies including those that work closely with us to provide you with diverse financial products and services - i.e., your account balance, payment history, parties to transactions, types and amounts of investments, transactions and credit card usage.
- Consumer reporting agencies — i.e., your credit worthiness and credit history.
- Information obtained when verifying applications or other forms - this may be obtained from your current or past employers, or from other institutions where you conduct financial transactions.

Protecting the Confidentiality and Security of Non–public Personal Information

Keeping your information secure is one of our most important responsibilities. We restrict access to your non–public personal information to those employees and agents who are providing products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your non–public personal information.

We may occasionally use a "cookie" in order to provide better service to you, to facilitate your use of our website, to track usage of the website and to address security hazards. (A cookie is a small piece of information that a website stores on a personal computer and can be retrieved later.) We may use cookies for administrative purposes, such as to store your preference for certain kinds of information. None will contain information that will enable anyone to contact you via telephone, email or any other means. If you are uncomfortable with the use of the cookie technology, you can set your browsers to decline cookies. However, you may be unable to utilize certain features of our website if you refuse cookies.

Disclosing Non–public Personal Information to Non–affiliated Third Parties

We do not sell, share or disclose your non–public personal information to non–affiliated third–party marketing companies. We may disclose all of the information we collect, as described above in the "Collecting Non–public Personal Information" section to companies that perform marketing or other services on our behalf, or to other financial institutions with whom we have joint marketing agreements.

All of these companies are contractually obligated to keep the information that we provide confidential and use the information only for the services required and as allowed by applicable law or regulation, and are not permitted to

Privacy Policy
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Profiles in Progress: Client Stories Allegheny County Bar Association

We often hear the name, Allegheny County Bar Association, associated with a public service program such as lawyer referrals or evaluating candidates for judgeship. But many of us may be surprised to know that the ACBA employs more than 70 people, expends over $7,500,000 annually into the local economy and runs multiple programs that directly benefit 6,600 practicing attorneys in Allegheny County and directly and indirectly benefit all 1.1 million of the county's residents. It is considered to be one of the highest functioning such organizations and serves as a model nationally.

David Leonard, Senior Director of Finance, Ann Ewart, Senior Director of Operations and Human Resources and David Blaner, Executive Director

The Pittsburgh Bar Association began 1870 with a membership of 18 attorneys. It later became the Allegheny County Bar Association, often referred to as the ACBA or Bar Association. It was created to support the profession of law, to promote professionalism, establish standards for practice and ethical standards and afford protections. The Bar Association promotes those goals within the profession and with the courts and the state legislature. It has also established a benevolent fund to assist lawyers and their families. As far back is 1918, 25 cents of the annual $3 dues went into that fund. It is now known as the Lawyers Fund which assists lawyers and their families who are in need, awards scholarships, fellowships and grants for research and writing in the study of law and justice and makes loans to deserving law students.

In addition, the Bar Foundation was established by the ACBA to operate programs such as the Pro-Bono Partnership, wherein member law firms provide free legal assistance to individuals and for programs that promote the public good. It also runs the Family Law Project and the Juvenile Court Project, both aimed to assist the residents and legal practitioners of Allegheny County. The Juvenile Court Project provides advocacy for indigent parents through all phases of Juvenile Court dependency proceedings. The Family Law Project works similarly in Family Division. These are services and protections that could not otherwise be obtained by those families in need.

The Bar Association grew commensurately with the growth of our region and our country during the 1940s and was greatly assisted by the influx of attorneys educated after World War II by the G.I. Bill. Currently, 6,600 attorneys are ACBA members out of the 8,000 in Allegheny County. Non-members would include those employed in government, academia and by some corporations. While membership dues are an important part of the ACBA's revenue, it also supports itself with programs and services. The ACBA has both a non-profit side as well as a separate, wholly-owned, for-profit corporation. As such, it provides services and programs to practicing attorneys within the county on an economical basis. As a result, member dues fund only 23% of the ACBA's budget where the norm nationally is 60%. So a higher level of service is provided to members and the public within an economical cost structure.

One of the most visible manifestations of an ACBA resource is the Pittsburgh Legal Journal. It is published daily and lists all court proceedings as well as educational course offerings and matters of current law. This has become indispensable to practicing attorneys. In addition, the Bar Association acts as a forum for attorneys providing Continuing Legal Education courses and hosting networking functions and meetings on substantive issues in various legal disciplines. The Bar Association hosts sections and committees for each of the major divisions of the law. Lawyers specializing in those areas can meet regularly for study groups and to promote a better understanding within their specialized disciplines.

Finally, one of the most regularly visible services provided by the Bar Association occurs each year when county judges stand for election and reelection. A special Judiciary Committee of the Bar Association publishes judicial fitness ratings. The average voter has no other way to evaluate the quality of the men and women who may someday judge them or the merits of their case. This has thus become an invaluable service to the county's citizens.

The Bar Association is distinguished by the sophistication of its staff and committee and board structure. There are 35 committees, 12 sections and 2 divisions made up of members of the profession who volunteer their time and expertise to guide and, in some cases, govern the activities of the ACBA. The Board of Governors oversees the entirety of the ACBA's activities. Then the Finance, Audit, and UBIT (Unrelated Business Income Tax) committees oversee their respective areas and report to the board. (UBIT is charged with keeping straight the relationship between the Bar Association's for-profit and non-profit ventures.) Then the Investment Committee oversees the multi-million dollar pool of investment assets comprising the multiple, investment funds that enable the many programs and resources of the ACBA.

(Fragasso Financial Advisors is honored to have been chosen by the Investment Committee and ratified by the Finance Committee and Board of Governors to provide investment advice to that pool of investment assets. And we are equally pleased to have been chosen to handle the 401K retirement plan for the employees of the ACBA.)

The multifaceted activities, the multi-million dollar budget and assets, the more than 70 employees and the 35 committees are all coordinated by an adept management team made up of David Blaner, Executive Director, David Leonard, Senior Director of Finance, and Ann Ewart, Senior Director of Operations and Human Resources.

Dave Blaner joined the Bar Association in 1991 having been attracted by its business-like and entrepreneurial positioning. Dave had served as municipal manager in Clarion, PA and in Upper St. Clair after receiving his M.S. from Pitt's Graduate School of Public and International Affairs (GSPIA). He is married to Kelley, a nurse, who is the office manager for an Ophthalmology practice. Their children include Zack, age 16, and Lexie, age 15, both students at Moon Area High School.

Dave Leonard was also attracted by the entrepreneurial nature of the Bar Association and joined in 1999 after having worked for Sauerisen, Inc. for 20 years and serving as its CFO. Dave is married to Janice, who works in the office of the Register of Wills, and they are the parents of three grown children and the grandparents of seven. Dave received his B.S. in Accounting from the University of Kentucky and has held numerous accounting industry organizational offices and has received several industry awards, including one as Accountant Advocate of the Year when he wrote and shepherded through the Pennsylvania legislature a bill establishing Sub Chapter S corporations in the state.

Ann Ewart joined ACBA in 1996. Ann had earned her undergraduate and law degrees from West Virginia University and practiced law in Charleston, WV., specializing in several legal areas, including litigation. Because she finished both high school and college each a year early, she began the practice of law at the age of 23, a fairly unique accomplishment. As a Pittsburgh native, Ann chose to return and obtain her MBA from the Katz Graduate School of Business at the University of Pittsburgh just prior to joining the ACBA.

The management team of the Bar Association can be justifiably proud of its accomplishments, but are not content to rest on those. When asked what is ahead for the ACBA, Dave Blaner said the management team wants to continue to provide its services while anticipating the evolution of the legal profession looking a couple of decades into the future. They are trying to fashion services in ways that may not be currently perceived by lawyers today. The Bar Association sees the growth of mediation as an example. The Bar Association is seeking ways to educate its members in this and other areas and to facilitate their transition to new methods. Another example of envisioning change is to facilitate alternate careers for attorneys after their primary legal careers are finished. This would be especially helpful in light of the much-predicted shortage of labor and thus harvest a lifetime of experience to continue to benefit the local economy and its many non-profits. The Bar Association also wishes to better educate the public in matters before the courts. One example would be regarding pro bono legal representation for the poor and another would be teaching the general public how to navigate the legal landscape and engage attorneys at their highest and best use. Dave foresees growth in legal areas that will coincide with the growth of our region. Those areas may include patents (think of our universities and research greenhouses) as well as environmental law and alternate methods of handling disputes. Adopting existing legal practices to these areas and new ways of operating will present challenges to the ACBA in helping to facilitate efficiency, competitiveness and productivity among its members while keeping the costs of doing so at a reasonable level. The ACBA is already researching and planning how to do just that. In all, the Allegheny County Bar Association is a powerful resource in our community that benefits many.

Taxation of Investments

Continued from Page 3

in the other tax brackets are subject to a 15 percent rate.

- **Type of asset**--The type of asset that you sell will dictate the capital gain rate that applies, and possibly the steps that you should take to calculate the capital gain (or loss). For instance, the sale of an antique is taxed at the maximum tax rate of 28 percent even if you held the antique for more than 12 months.

Using capital gain losses to reduce your tax liability

You can use capital losses from one investment to reduce the capital gains from other investments. You can also use a capital loss against up to $3,000 of ordinary income this year ($1,500 for married persons filing separately). Losses not used this year can offset future capital gains. Schedule D of your federal income tax return can lead you through this process.

Getting help when things get too complicated

The sale of some assets are more difficult to calculate and report than others, so you may need to consult an IRS publication or other tax references to properly calculate your capital gain or loss. Also, remember that you can always seek the assistance of an accountant or other tax professional.

Privacy Policy

Continued from Page 9

share or use the information for any other purpose. We may disclose non–public personal information about you in connection with the transfer of your account to another financial institution at your request or the request of your representative. If you do not want LPL to disclose your non–public personal information with your advisor's new financial institution, please contact us as directed below.

We may also disclose non–public personal information as permitted or required by law. These disclosures typically include information to process transactions on your behalf, to conduct our operations, to follow your instructions as you authorize, or to protect the security of our financial records.

Disclosing Non-public Personal Information to LPL Financial Affiliated Companies

We are permitted by law to share within our family of affiliated companies, information about our transactions or experiences with you, such as account balance or payment history.

Policy Relating to Former Customers

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice. We reserve the right to change this policy at any time and you will be notified if changes occur.

Multiple Products or Services

Since LPL offers a variety of financial products and services, you may receive more than one privacy notice from us.

If you have any questions about this Privacy Policy, contact us by writing to:

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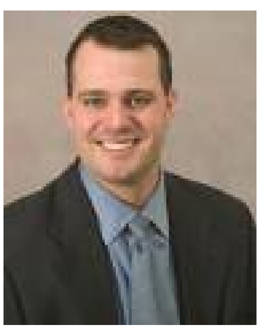
LPL Financial

One Beacon Street, 22nd Floor

Boston, MA 02108

Meet the Fragasso Team: Michael Fertig



In our quarterly newsletters, we feature a profile of one of the members of the Fragasso Financial Advisors' Team. In this edition we want to introduce you to Michael Fertig, Managing Director and Chief Marketing Officer for the firm.

Mike has been with the firm since 1994 and worked with Bob Fragasso prior to moving to the Koppers Building and joining LPL Financial in 1996.

Mike grew up in Bethel Park and was graduated from Slippery Rock University where he received a Bachelor of Arts degree.

He is married to Kathy and has two children; Bailey, age 11, and Kaitlyn, age 8. His children are very active in sports and keep Mike busy after work and on weekends. Mike coaches his son's baseball and basketball teams and also coaches his daughter's basketball team. In addition to basketball Kaitlyn plays soccer and softball too. So as you might imagine, Mike finds himself constantly on-the-go. He is an avid golfer and enjoys playing whenever his busy schedule permits.

For the past two years Mike has served on the Board of the Bethel Park Baseball Association and has helped to continue the very simple mission of the board: Help to teach the children of our community leadership and teamwork through sports.

As of 2008 he has completed the base requirements for the Certified Financial Planner designation and will be sitting for the final phase of this certification in July.

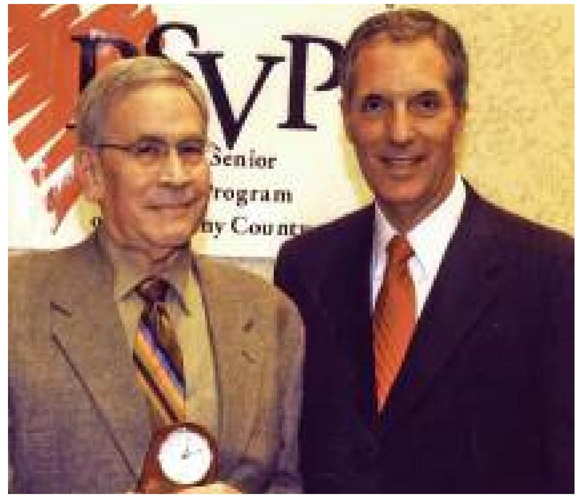
Finally, though an enthusiastic Steelers fan Mike admits that his number one Pittsburgh sport's team is the Pittsburgh Penguins. He really enjoys watching them on TV and attending games at the Igloo.

Bob Fragasso Presents the RSVP Award for Community Service

The Retired and Senior Volunteer Program of Allegheny County, a subsidiary of the Western PA Red Cross, presents several awards for exemplary volunteerism to seniors in our geographic area each year. Fragasso Financial Advisors has been proud to sponsor the award to the Outstanding Volunteer in Community Service for several years, as community service is an established part of our company's culture.

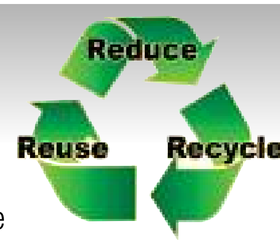
The award this year was given to Richard Bender, age 70, of Churchill who volunteers at WTAE Call 4 Action. His citation reads, "Mr. Bender spends three days a week volunteering at WTAE Call 4 Action, and he also oversees the program's volunteers. According to fellow volunteer Ethel Jarmell 'Many of the calls he has personally handled - or directed on-air personnel to cover - have been very helpful to consumers at large in obtaining refunds, finding out about dishonest businesses or shoddy workmanship - thus saving consumers much anguish and money.'"

In presenting the award to Richard Bender, Fragasso Financial Advisors president, Bob Fragasso, commented on the need for the skills and experience of our retired population as the size of the younger work force shrinks in our area, and in the nation, while the demand for such



skills and knowledge continues to increase. Fragasso commended the assembled senior volunteers for their continued contribution to their community.

Going Green!



Fragasso Financial Advisors has gone green. As we prepare to move into our new space and already in place in our current offices we have made a commitment to the environment in the following ways. Several years ago we contracted with Shred It to recycle our confidential documents. We have three locked bins where all the paper to be recycled is placed. Several times per month these bins are emptied and taken to a facility where the paper is shredded and recycled. We were told that in 2007 we saved 104 trees because of our effort. We also continue to recycle our toner and ink cartridges through Animal Friends. 95% of our cartridges are recycled through a donation program and used again!

In anticipation of our move in April, we have been encouraging all of our employees to clean out their offices and files of all paper no longer needed so that we aren't moving it to the new office space. We have contracted with Pittsburgh Recycling to collect all of this non-confidential paper for recycling, as well.

Finally, as part of this effort we have purchased a state-of-the-art water filtration system for the new office so that we will no longer need to use plastic water bottles.

The employees of the firm are excited that we have taken these steps to become green, and each person is encouraged to contribute their thoughts and ideas on how we can be even better at cleaning up the environment.

Staying on Track!

From time to time we are happy to discuss products and technology that can benefit the clients of our firm.

Many of our clients and friends own their own businesses and use various kinds of vehicles as they service their clients. Keeping track of this "rolling stock" and making sure it is being used efficiently and effectively might be a concern you have. A solution to this concern might be the use of a GPS satellite system. GPS is a tiny tracking device that can be placed on vehicles and receives satellite signals and then processes event driven information as it occurs to any web-based computer. This enables real time tracking and the ability to create a variety of management reports and maps.

These types of devices can help to track stolen vehicles. Companies also report that upon installation they almost immediately experience a change in driver accountability. This results in bottom line improvements such as a reduction in total miles traveled (as much as 10%), a reduction in payroll expense and an increase in productivity.

Though some might see this as a "big brother" tool, which enables companies to track employees and their whereabouts, which it does. Many employers report that there have been a number of situations where drivers were accused of doing something wrong and the system cleared the situation to the driver's favor.

As you have probably figured out your customers will begin to be serviced faster and better since dispatchers can commit to their customers and respond in less time. This can only bolster the relationship between you and your customers.

(Robert Wagner, a client of Fragasso Financial Advisors, offers these devices through his firm, Pittsburgh GPS. Bob can be contacted at (724) 831-0400.)

Fragasso Building Transaction Gains Award for Realtor

Ralph Jon Egerman of NAI Pittsburgh Commercial Realty was given the 2007 award for Most Creative Real Estate Transaction by the Western Pennsylvania Chapter, Society of Industrial and Office Realtors. This prestigious award is granted each year to recognize creativity and resourcefulness in structuring a realty transaction. Ralph's handling of the Fragasso Financial Advisors purchase of a minority interest in the 610 Smithfield Street Building while simultaneously negotiating a lease for us as a tenant tested Ralph's experience, attention to detail and ability to balance competing objectives. He accomplished this in a fashion that gained him this recognition by his industry's professional society. We congratulate Ralph and thank him for his efforts on our behalf.

Two other partners of NAI Pittsburgh also won awards. Patrick Sentner won awards in two categories and Raymond Orowetz shared one of those awards with Pat. This was impressive as NAI won top honors in three of the twelve categories recognized. And this is all the more impressive as the awards are made by a panel of their professional peers. Congratulations to NAI!

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PITTSBURGH, PA 15219

Congratulations Bob Fragasso, Diamond Award Winner!

On February 19, we were notified by the Pittsburgh Business Times that Bob Fragasso had been selected as one of the twelve 2008 Diamond Award winners. The Diamond Award honors twelve of Pittsburgh's top CEOs, company presidents or individuals who hold equivalent positions in the 10 county Pittsburgh MSA, which includes Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington and Westmoreland counties.

Winners were chosen by an independent panel of judges and are recognized in three categories:

- **The Emerging Business Category** - honors four executives leading for-profit companies that are less than 10 years old.
- **The Established Business Category** - honors four executives leading for-profit companies that are at least 10 years old.
- **The Non-Profit Category** - honors four executives leading non-profits in our region.

Selection was made from submitted nomination forms that included information about the company and supporting letters that discussed what makes this person one of the region's outstanding business leaders. This included a description of the nominee's customer service philosophy, his/her relationship with employees, his/her leadership style and what effect it has on staff and company performance, how this person contributes to the community, and how he/she has shaped the company's products or services.

The twelve winners will be honored at an exclusive event on April 16 being held at P&W Motors located in Shadyside. In addition to P&W Motors, other sponsors of this event include Sisterson Strategies for Business, Louis Anthony Jewelers and The HDH Group, Inc.

The employees of Fragasso Financial Advisors are very proud of our president and know that this selection is well deserved.

Feel free to pass this newsletter along to any friends and family members who might find it useful and contact us with any questions.