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JANUARY 2008

2008-1988-2028 Today-Yesterday-Tomorrow

Many folks think of retirement as an abstraction, something to work on "later." But achieving security after a lifetime of work is not a guarantee, granted by right of citizenship. It must be planned and earned. Let's examine the dynamics that are shaping the new retirement security scenario.

First, Social Security is a program in transition. Spending even a few minutes with the realities of today's laws governing Social Security and the population demographics centering on the baby boom generation retiring must lead you to conclude it cannot be the main platform upon which your retirement is to be built. Even if the program works as designed, the benefits are not large enough to sustain a middle class, retired lifestyle. Now add on the already-legislated issues of taxing Social Security and confiscating some of its benefits if you continue to work part time and make more than the low, allowed earnings and you see how Social Security benefits can not be more than added income in retirement.

BOB FRAGASSO, CFP®
President

Second, defined benefit pension plans are mostly a thing of the past. Employees and company owners must rely on define d contribution plans, such as 401K plans, to build a secure nest egg. So you must understand the principles of building assets and know how to utilize that store of wealth once you have created it.

Third, individuals and families must create personal investment portfolios while reducing their debt burden as they move inexorably toward their retirement years.

The good news is that you do not have to make this up on your own. Textbook principles in the hands of qualified advisors are available to assist you in your success journey. But the ingredients you must furnish are your willingness to learn, save and manage. You truly can accomplish your life's goals if they are fashioned in the context of a solidly constructed financial plan. What is the alternative to getting started right now? Waiting until "later?" Awaiting a congressional bailout, of what? Of course the answer is to take your life's direction and success into your own hands. We are here to help. Talk to us now - we make your financial success personal.

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Benefits of Tax- Advantaged Savings Vehicles

Your contact for this article:

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Taxes can take a big bite out of your total investment returns, so it's helpful to look for tax-advantaged strategies when building a portfolio. But keep in mind that investment decisions shouldn't be driven solely by tax considerations; other factors to consider include the potential risk, the expected rate of return, and the quality of the investment.

Tax-deferred and tax-free investments

Tax deferral is the process of delaying (but not necessarily eliminating) until a future year the payment of income taxes on income you earn in the current year. For example, the money you put into your 401(k) retirement account isn't taxed until you withdraw it, which might be 30 or 40 years down the road!

Tax deferral can be beneficial because:

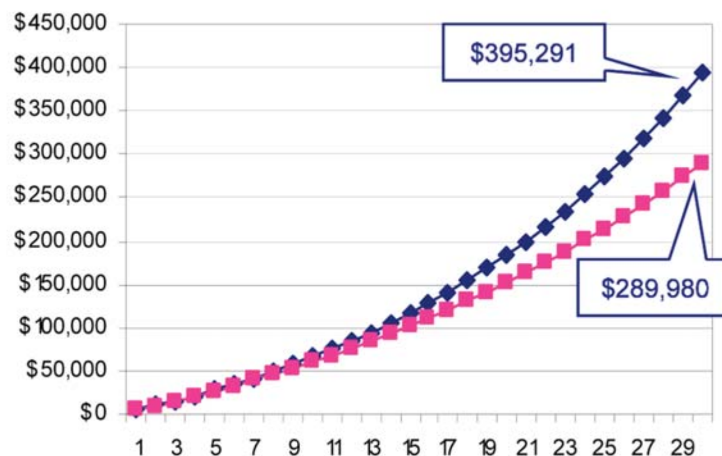
- The money you would have spent on taxes remains invested
- You may be in a lower tax bracket when you make withdrawals from your accounts (for example, when you're retired), and
- You can accumulate more dollars in your accounts due to compounding

Compounding means that your earnings become part of your underlying investment, and they in turn earn interest. In the early years of an investment, the benefit of compounding may not be that significant. But as the years go by, the long-term boost to your total return can be dramatic.

Keep in mind that tax deferred is not the same as tax free. "Tax deferred" means that the payment of taxes is delayed, while "tax free" means that no income taxes are due at all. Some savings vehicles, like Roth IRAs, can generate tax-free income.

Taxes make a big difference

Let's assume two people have $5,000 to invest every year for a period of 30 years. One person invests in a tax-free account like a Roth 401(k) that earns 6% per year, and the other person invests in a taxable account that also earns 6% each year. Assuming a combined federal and state income tax rate of 30%, in 30 years the tax-free account will be worth $395,291, while the taxable account will be worth $289,980. That's a difference of $105,311.



This example is hypothetical and is not intended to reflect the actual performance of any specific investment. This example assumes the reinvestment of all income dividends and capital gains distributions, and any resulting taxes are paid with funds from the account. Investment fees and expenses, which are generally different for tax-advantaged and taxable investments, have not been deducted. Investors should consider their time horizon and current and future tax rates before making any investment decision.

Tax-advantaged savings vehicles for retirement

One of the best ways to accumulate funds for retirement or any other investment objective is to use tax-advantaged (i.e., tax-deferred or tax-free) savings vehicles when appropriate. There are several to choose from when planning for retirement:

- ***Traditional IRAs***--Anyone under age 70½ who earns income or is married to someone with earned income can contribute to an IRA. Depending upon your income and whether you're covered by an employer-sponsored retirement plan, you may or may not be able to deduct your contributions to a traditional IRA, but your contributions always grow tax deferred. However, you'll owe income taxes when you make a withdrawal (and a 10% additional penalty tax if you're under age 59½, unless an exception applies). In 2007, you can contribute up to $4,000 to an IRA, and individuals age 50 and older can contribute an additional $1,000.

- ***Roth IRAs***--Roth IRAs are open only to individuals with incomes below certain limits. Your contributions are made with after-tax dollars, but they will grow tax deferred and qualified distributions will be tax free when you withdraw them. The amount you can contribute is the same as for traditional IRAs. Total combined contributions to Roth and traditional IRAs can't exceed $4,000 each year for individuals under age 50.

- ***SIMPLE IRAs and SIMPLE 401(k)s***--If you're self-employed or the owner of a small business, you may be able to take advantage of these retirement plans. As with traditional IRAs, your contributions grow tax deferred, but you'll owe income taxes when you make a withdrawal. For 2007, you can contribute up to $10,500 to one of these plans; individuals age 50 and older can contribute an additional $2,500.

- ***Employer-sponsored plans (401(k)s, 403(b)s, 457 plans)***--Contributions to these types of plans grow tax deferred, but you'll owe income taxes when you make a withdrawal. For 2007, you can contribute up to $15,500 to one of these plans; individuals age 50 and older can contribute an additional $5,000.

- ***Annuities***--An annuity can supplement the other vehicles listed here. Under an annuity contract, in exchange for your lump sum or periodic contributions, the annuity issuer (typically an insurance company) agrees to pay you or your named beneficiary an income stream for life (subject to the claims-paying ability of the issuer). There's no limit to how much you can invest, and your contributions grow tax deferred. However, you'll owe income taxes on the earnings when you start receiving distributions.

Tax-advantaged savings vehicles for college

For college, tax-advantaged savings vehicles include:

- ***529 plans***--College savings plans and prepaid tuition plans let you set aside money for college that will grow tax deferred and be tax free at withdrawal at the federal level if the funds are used for qualified education expenses. These plans are open to anyone regardless of income level. Contribution limits are high--typically a total of $250,000 or $300,000--but vary by plan.

- ***Coverdell education savings accounts***--Coverdell accounts are open only to individuals with incomes below certain limits, but if you qualify, you can contribute up to $2,000 per year, per beneficiary. Your contributions will grow tax deferred and be tax free at withdrawal at the federal level if the funds are used for qualified education expenses.

- ***Series EE bonds***--The interest earned on Series EE savings bonds grows tax

Tax-Advantaged Savings
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Five Questions about Long-Term Care

Your contact
for this article:

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1 What is long-term care?

Long-term care refers to the ongoing services and support needed by people who have chronic health conditions or disabilities. There are three levels of long-term care:

- Skilled care: Generally round-the- clock care that's given by professional health care providers such as nurses, therapists, or aides under a doctor's supervision.
- Intermediate care: Also provided by professional health care providers but on a less frequent basis than skilled care.
- Custodial care: Personal care that's often given by family caregivers, nurses' aides, or home health workers who provide assistance with what are called "activities of daily living" such as bathing, eating, and dressing.

Long-term care is not just provided in nursing homes--in fact, the most common type of long-term care is home-based care. Long-term care services may also be provided in a variety of other settings, such as assisted living facilities and adult day care centers.

2 Why is it important to plan for long-term care?

No one expects to need long-term care, but it's important to plan for it nonetheless. Here are two important reasons why:

The odds of needing long-term care are high:

- Approximately 40% of people will need long-term care at some point during their lifetimes after reaching age 65
- Almost 50% of people age 85 and older may develop Alzheimer's disease, a disorder that often leads to the need for nursing home care
- Younger people may need long-term care too, as a result of a disabling accident or illness

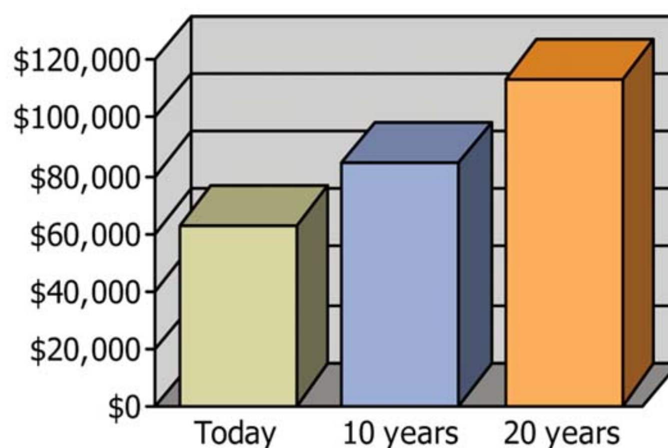
(Source: U.S. Department of Health and Human Services)

The cost of long-term care is rising:

Currently, the average annual cost of a 1-year nursing home stay is $62,415 (Source: National Clearinghouse for Long-Term Care Information, 2006) and in many states the cost is much higher. In the future, long-term care is likely to be even more expensive. If costs rise at just 3% a year (a conservative estimate), in 20 years, a 1-year nursing home stay will cost approximately $112,728.

Plan now

Understandably, many people put off planning for long-term care. But although it’s hard to face the fact that health problems may someday result in a loss of independence, if you begin planning now, you’ll have more options open to you in the future.



3 Doesn't Medicare pay for long-term care?

Many people mistakenly believe that Medicare, the federal health insurance program for older Americans, will pay for long-term care. But Medicare provides only limited coverage for long-term care services such as skilled nursing care or physical therapy. And although Medicare provides some home health care benefits, it doesn't cover custodial care, the type of care older individuals most often need.

Medicaid, which is often confused with Medicare, is the joint federal-state program that two-thirds of nursing home residents currently rely on to pay some of their long-term care expenses. But to qualify for Medicaid, you must have limited income and assets, and although Medicaid generally covers nursing home care, it provides only limited coverage for home health care in certain states.

4 Can't I pay for care out of pocket?

The major advantage to using income, savings, investments, and assets (such as your home) to pay for long-term care is that you have the most control over where and how you receive care. But because the cost of long-term care is high, you may have trouble affording extended care if you need it.

5 Should I buy long-term care insurance?

Like other types of insurance, long-term care insurance protects you against a specific financial risk--in this case, the chance that long-term care will cost more than you can afford. In exchange for your premium payments, the insurance company promises to

cover part of your future long-term care costs. Long-term care insurance can help you preserve your assets and guarantee that you'll have access to a range of care options. However, it can be expensive, so before you purchase a policy, make sure you can afford the premiums both now and in the future.

The cost of a long-term care policy depends primarily on your age (in general, the younger you are when you purchase a policy, the lower your premium will be), but it also depends on the benefits you choose. If you decide to purchase long-term care insurance, here are some of the key features to consider:

- Benefit amount: The daily benefit amount is the maximum your policy will pay for your care each day, and generally ranges from $50 to $350.
- Benefit period: The length of time your policy will pay benefits (e.g., 2 years, 4 years, lifetime).
- Elimination period: The number of days you must pay for your own care before the policy begins paying benefits (e.g., 20 days, 90 days).
- Types of facilities included: Many policies cover care in a variety of settings including your own home, assisted living facilities, adult day care centers, and nursing homes.
- Inflation protection: With inflation protection, your benefit will increase by a certain percentage each year. It's an optional feature available at additional cost, but having it will enable your coverage to keep pace with rising prices.

Your insurance agent or a financial professional can help you compare long-term care insurance policies and answer any questions you may have.

Reverse Mortgages:

If you want to remain in your home, but you can't afford home-based long-term care, you might consider an option called a reverse mortgage. A reverse mortgage, or home equity conversion loan, allows you to borrow against the equity in your home, then use the loan proceeds to hire caregivers or make home modifications. With a reverse mortgage, there are no mortgage payments to make. Instead, the lender expects to be repaid (with interest) only when the home is sold or otherwise permanently vacated.

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Protect Yourself against Identity Theft

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Whether they're snatching your purse, diving into your dumpster, stealing your mail, or hacking into your computer, they're out to get you. Who are they? Identity thieves.

Identity thieves can empty your bank account, max out your credit cards, open new accounts in your name, and purchase furniture, cars, and even homes on the basis of your credit history. If they give your personal information to the police during an arrest and then don't show up for a court date, you may be subsequently arrested and jailed.

And what will you get for their efforts? You'll get the headache and expense of cleaning up the mess they leave behind.

You may never be able to completely prevent your identity from being stolen, but here are some steps you can take to help protect yourself from becoming a victim.

Check yourself out

It's important to review your credit report periodically. Check to make sure that all the information contained in it is correct, and be on the lookout for any fraudulent activity.

You may get your credit report for free once a year. To do so, contact the Annual Credit Report Request Service online at www.annualcreditreport.com or call (877) 322-8228.
If you need to correct any information or dispute any entries, contact the three national credit reporting agencies:

1. Equifax: www.equifax.com (800) 525-6285
2. Experian: www.experian.com (888) 397-3742
3. TransUnion: www.transunion.com (800) 680-7289

Secure your number

Your most important personal identifier is your Social Security number (SSN). Guard it carefully. Never carry your Social Security card with you unless you'll need it. The same goes for other forms of identification (for example, health insurance cards) that display your SSN. If your state uses your SSN as your driver's license number, request an alternate number.

Don't have your SSN preprinted on your checks, and don't let merchants write it on your checks. Don't give it out over the phone unless you initiate the call to an organization you trust. Ask the three major credit reporting agencies to truncate it on your credit reports. Try to avoid listing it on employment applications; offer instead to provide it during a job interview.

Don't leave home with it

Most of us carry our checkbooks and all of our credit cards, debit cards, and telephone cards with us all the time. That's a bad idea; if your wallet or purse is stolen, the thief will have a treasure chest of new toys to play with.

Two types of identity theft

- ***Account takeover*** *is what happens when a thief gets your existing credit or debit cards 9or even just the account numbers and expiration dates) and goes on a shopping spree at your expense*
- ***Application fraud*** *is what happens when a thief gets your Social Security number and uses it (along with other personal information about you) to obtain new credit in your name.*

Carry only the cards and/or checks you'll need for any one trip. And keep a written record of all your account numbers, credit card expiration dates, and the telephone numbers of the customer service and fraud departments in a secure place--at

home.

Keep your receipts

When you make a purchase with a credit or debit card, you're given a receipt. Don't throw it away or leave it behind; it may contain your credit or debit card number. And don't leave it in the shopping bag inside your car while you continue shopping; if your car is broken into and the item you bought is stolen, your identity may be as well.

Save your receipts until you can check them against your monthly credit card and bank statements, and watch your statements for purchases you didn't make. When you toss it, shred it. Before you throw out any financial records such as credit or debit card receipts and statements, cancelled checks, or even offers for credit you receive in the mail, shred the documents, preferably with a cross-cut shredder. If you don't, you may find that the panhandler going through your dumpster was looking for more than discarded leftovers.

Keep a low profile

The more your personal information is available to others, the more likely you are to be victimized by identity theft. While you don't need to become a hermit in a cave, there are steps you can take to help minimize your exposure:

- To stop telephone calls from national telemarketers, list your telephone number with the Federal Trade Commission's National Do Not Call Registry by calling (888) 382-1222 or registering online at www.donotcall.gov
- To remove your name from most national mailing and e-mailing lists, as well as most telemarketing lists, write the Direct Marketing Association at 1120 Avenue of the Americas, New York, NY 10036-6700, or register online at www.dmaconsumers.org
- To remove your name from marketing lists prepared by the three national consumer reporting agencies, call (888) 567-8688 or register online at www.optoutprescreen.com
- When given the opportunity to do so by your bank, investment firm, insurance company, and credit card companies, opt out of allowing them to share your financial information with other organizations
- You may even want to consider having your name and address removed from the telephone book and reverse directories

Take a byte out of crime

Whatever else you may want your computer to do, you don't want it to inadvertently reveal your personal information to others. Take steps to help assure that this won't happen.

Install a firewall to prevent hackers from obtaining information from your hard drive or hijacking your computer to use it for committing other crimes. This is especially important if you use a high-speed connection that leaves you continuously connected to the Internet. Moreover, install virus protection software and update it on a regular basis.

Try to avoid storing personal and financial information on a laptop; if it's stolen, the thief may obtain more than your computer. If you must store such information on your laptop, make things as difficult as possible for a thief by protecting these files with a strong password--one that's six to eight characters long, and that contains letters (upper and lower case), numbers, and symbols.

"If a stranger calls, don't answer." Opening e-mails from people you don't know, especially if you download attached files or click on hyperlinks within the message, can expose you to viruses, infect your computer with "spyware" that captures information by recording your keystrokes, or lead you to "spoofs" (websites that replicate legitimate business sites) designed to trick you into revealing personal information that can be used to steal your identity.

Identity Theft

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Financial Aid 101

Your contact
for this article:

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Many parents pay for college with a combination of savings and financial aid. Indeed, with the high cost of college today, financial aid might be the only way your child can afford to attend college. By learning the basics, you'll be able to understand how the financial aid process works, properly fill out aid applications, and compare the aid awards your child receives.

What is financial aid?

Financial aid is money distributed primarily by the federal government and colleges in the form of student loans, grants, scholarships, and work-study jobs. Loans and work-study must be repaid (through monetary or work obligations), while grants and scholarships do not. A student can receive both federal and college aid.

Financial aid can be further broken down into two categories: need-based, which is dependent on your child's financial need, and merit-based, which is awarded according to your child's academic, athletic, musical, or artistic merit. Most financial aid is need-based.

How is financial need determined?

In its aid application, called the FAFSA (Free Application for Federal Student Aid), the federal government uses a formula known as the federal methodology. A detailed analysis of the formula is beyond the scope of this discussion, but generally speaking, your income and assets and your child's income and assets are tallied and assessed at certain rates. You're granted certain deductions and allowances against income, and you're able to exclude certain assets from consideration, namely, your retirement plans, annuities, home equity, and cash value life insurance. The result is a figure known as your expected family contribution, or EFC. This is the amount of money you must contribute to college costs to be eligible for aid. Your EFC remains constant, no matter which college your child applies to.

Your EFC is not the same as your child's financial need. To calculate your child's financial need, subtract your EFC from the cost at a given college. Because tuition, fees, and room-and-board expenses are different at each college, your child's financial need will vary depending on the cost of a particular college.

Example: You fill out the FAFSA and your EFC is calculated at $5,000. College A costs $18,000 per year and College B costs $30,000 per year. Your child's financial need at College A is $13,000 and $25,000 at College B.

Colleges have their own way of determining financial aid. Basically, the process works the same way as with the federal government, except that the institutional methodology embodied in the standard college PROFILE application typically takes a more in-depth look at your income and assets to determine how "needy" your child really is. For example, colleges often consider your home equity and retirement accounts in assessing your ability to pay college costs.

How does financial need relate to the aid package?

Just because your child has financial need doesn't necessarily mean that colleges will meet 100% of that need.

In fact, it's not uncommon for colleges to meet only a portion of that need, a phenomenon known as getting "gapped." If this happens to you, you'll have to make up the shortfall, in addition to paying your EFC. College guidebooks compare how well colleges meet their students' financial need under the entry "average percentage of need met" or something similar.

How do I apply and when?

The FAFSA can be completed manually and mailed to the regional processor listed on the form, or it can be completed online and filed electronically at www.fafsa.ed.gov. The online route is probably better because mistakes are flagged immediately and electronic FAFSAs take only one week to process (compared to four to six weeks for paper FAFSAs).

The FAFSA relies on information from your previous year's tax return, so it can't be filed before January 1 in the year that your child will be attending college (the official federal deadline for filing the FAFSA is June 30, but many colleges have an earlier deadline). Parents should try to submit the FAFSA as close to January 1 as possible because some financial aid programs operate on a first-come, first-served basis. Even if you haven't completed your federal income tax return, Uncle Sam lets you base your FAFSA answers on an estimated return, though you will have to provide a copy of your final income tax return later.

After your FAFSA is processed, your child will receive a Student Aid Report in the mail highlighting your EFC (the colleges that you list on the FAFSA will also get a copy of the report). Then, the financial aid administrator at each school will try to craft an aid package to meet your child's financial need.

Comparing aid awards

Sometime in early spring, your child will receive financial aid award letters that detail the specific amount and type of financial aid that each college is offering. When comparing awards, first check to see if each college is meeting all of your child's financial need. Then, look at the loan component of each award and compare actual out-of-pocket costs. Remember, grants and scholarships don't have to be repaid and so don't count toward out-of-pocket costs.

If you'd like to lobby a particular school for more aid, tread carefully. A polite letter to the financial aid administrator followed up by a telephone call is appropriate. Your chances for getting more aid are best if you can document a change in circumstances that affects your ability to pay, such as a recent job loss, unusually high medical bills, or some other unforeseen event. Also, your chances improve if your child has been offered more aid from a direct competitor college, because colleges generally don't like to lose a prospective student to a direct competitor. Remember, the fewer loans, the better.

The most common federal aid programs

Here are some names you'll be hearing as you navigate the world of financial aid:

- ***Stafford Loan***--The most common low-interest, federal student loan for college and graduate students. Interest may be subsidized (paid by the government during school, the grace period and deferment periods) or unsubsidized. The interest rate is fixed at 6.8% for new loans.
- ***Perkins Loan***--A low-interest, federal student loan for college and graduate students with the greatest financial need. The interest rate is fixed at 5%.
- ***PLUS Loan***--A federal education loan for parents of college students (and independent graduate students), available through financial institutions. A separate application is required, though filing the FAFSA first is a

Financial Aid 101

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Profiles in Progress: Client Stories Peter and Katherine Velisaris

Following two older brothers, Pete Velisaris came to America at the age of 16 from a small town near Sparta, Greece. His parents' farm grew olive, chestnut and cherry trees and it was not going to support five sons and a daughter, so the boys began to immigrate for more opportunity. How scary to be 16 in a new country with an unfamiliar language and an uncompleted education! Pete's mother stressed the importance of education, so he began working as a busboy at the Pittsburgh Athletic Association (PAA) while attending Brentwood High School. He lived in an apartment with his older brothers, George and Art, who were chefs at Whitehall's landmark Mona Lisa Restaurant. Pete continued to work after high school while attending Pittsburgh Educational Institute for a two year program in industrial management. Pete worked so hard that he did not take one day off in his first seven years in the United States. He also did not buy an automobile so he could use that money for education, his living expense and to send money back home to help his parents with his siblings. And he saved some money too.

All of that hard work, education and savings paid off when Pete and his brothers, George and Art were able to buy Ritter's Diner in 1966. Ritter's had been a staple for residents and students in the Oakland and Shadyside areas, and now it belonged to the boys. Fourth brother, Perry joined them from Greece in 1967. Nine years later, the original landmark red and silver diner was donated to the History and Landmarks Society and it still stands in Station Square where it was then moved. In its place, Pete, George, Art and Perry built the current, much more substantial diner that still serves hot and varied meals 359 days a year and 24 hours a day. Stop by and enjoy their cooking at 5221 Baum Boulevard across from Shadyside Hospital. One of the brothers or their sons supervises every shift.

Early in this evolutionary time in Pete's life, he met Katherine at church. Katherine grew up in Canonsburg and attended Canon-MacMillan High School and worked thereafter as a secretary for Western State School and Hospital. Her girlfriend was married to Pete's older brother so they were destined to meet. Katherine thought Pete to be a "solid, achieving guy." But they knew each other for 10 years before they married in 1972. It is no coincidence for Pete, and many

Peter and Katherine Velisaris (front row center) with their children and grandchildren.

others with the immigrant experience, to wait until he could afford to properly care for a family to marry. Their first child, John, was born in 1974 and daughter, Kristen, was born in 1975. John is now part of the Ritter's management team and Kristen is an Accounting Supervisor for BNY Mellon Corporation. Both John and Kristen have their college degrees and Kristen obtained her MBA from Pitt's Katz School.

When asked what advice he would give to younger people, he quickly responded with a testimonial to the United States, which he believes offers the opportunity for jobs and personal

advancement and to make one's own economic judgments, such as he and his brothers did with Ritter's. He counsels learning skills, acquiring knowledge, preparation and sacrifice to achieve one's goals. He credits his brothers and his and their "four wonderful wives" for working together as a team to make their dreams a reality. He also credited Fragasso Financial Advisors for assisting him with guidance and investment management since 1985 toward those goals. We, in turn, appreciate Pete and Katherine's confidence in us. We also celebrate the success and validation of the American dream, accomplished honestly and through hard work, as done by Pete and Katherine and their extended family.

A New Headquarters Building

We are moving soon to a new headquarters building. We will retain our convenient South and North Hills client meeting offices, but our personnel will soon be housed at 610 Smithfield Street, downtown, where we will occupy the top floor and have outside building signage.

We did this primarily so we could physically house our team members in proximity to each other – financial advisor, portfolio manager and administrative professional. That is not possible in our current quarters because the building's design wraps around in a U configuration. Portfolio management and the administrative professionals are down the hall from their financial advisor team members. In the new quarters, all will function and communicate as teams and the teams will interact to promulgate best practices.

Another important feature of the new quarters is that we will have 70% more floor space. That allows for more office space and conference rooms and for a large, comfortable and up-to-date training facility for our regular internal meetings and for more educational opportunities for clients in groups.

We have bought an interest in this building and this should be an important signal of commitment and persistency to our clients. Special thanks is offered to Ralph Jon Egerman of NAI Pittsburgh Commercial Realty for finding this opportunity to buy and lease and for guiding us through it, and to Noelle Weaver and Tim Kist of JSA Architecture for their terrific design and architectural work. We also thank our new owner/partners in the building project, Bill Rudolph and Chuck Perlow of McKnight Capital for their integrity and business acumen in making this project a reality. Patricia Farrell and John Powell of Meyer Unkovic & Scott were crucial to the real estate and tax law portions of the transaction.

We will announce our moving date and change of address as well as a client and friend open house in the near future. Telephone and email will remain the same. We believe the configuration and new resources that we are building into this space will make us even more efficient for you and help us continue to be integral to your financial success and security.

Profiles in Progress: Client Stories Dr. Oscar and Diana Urrea

Oscar Urrea immigrated from Manicales, Colombia in South America at the age of 24. He was the son of an attorney and his wife, who Oscar credits as "the dynamic force of the family." Oscar, the second of his parents' eight children, had attended college and medical school at the University of Caldas before coming to the University of Pittsburgh's School of Psychiatry for specialty training, which was completed in 1973. He met Diana in 1969 who was a nurse at Columbia Hospital in Pittsburgh's East End while he was an intern doing rotation there. 1973 was an eventful year as Oscar completed his residency and Diana delivered their first child, Alex after the family moved to Europe so Oscar could pursue post graduate psychiatric studies at the University of London. At the conclusion of that year, the family moved back to our area and Oscar opened medical offices in Monongahela and Oakland. He simultaneously served as Medical Director for the Mon/Yough Behavioral Health Clinic in McKeesport. Daughter Lisa was born in 1976 and son Christian in 1980.

Oscar and Diana opened their Peters Township and Washington, PA offices shortly after Monongahela and maintain those three offices today and have a thriving practice. It is interesting to point out that managed care has devastated many specialty practices, like psychiatry, by controlling referrals and reimbursements. Realizing that at the onset of those changes, Oscar struck contracts with self-paying employers, such as municipalities, to provide mental health care for their workers and families. As a result, he and Diana, who manages the offices, have a successful practice of psychiatry and psychology.

Diana grew up in Apollo, PA, a mining town, and she was the daughter of a coal miner. Diana attended Apollo Ridge High School and the School of Nursing at Columbia Hospital. Oscar grew up in relatively modest circumstances in South America. He got through school on scholarships and by working part time. That means that both Oscar and Diana had to work extremely hard for what they accomplished, with nothing handed to them. Now they enjoy their three children and a successful medical practice. Oldest child, Alex, followed grandpa's lead and is a staff attorney covering government affairs for a Washington, D.C. law firm. He is married to Zarina, also an attorney, who works for Reed Smith in Washington and Pittsburgh. Daughter, Lisa, lives in New York City and is in charge of Internet business sales for Nautica, and son, Christian, is in medical school at Drexel University in Philadelphia.

Oscar's counsel to younger folks is to, "Stay in school as long as possible. Don't lose heart. Life is long and you can succeed." He credits Fragasso Financial Advisors for "earning his trust and for providing a personal aspect that can only be done by a few." We appreciate the trust Oscar and Diana have placed in us. And we have valued them as clients since 1974. They are another example of the American Dream realized through hard work, education and perseverance.

50 Best Places to Work 2007

Again, in 2007 Fragasso Financial Advisors was selected as one of the 50 Best Places to Work in Southwestern Pennsylvania. We are pleased to be selected again because the criteria for the award is based on an employee survey that is conducted and the 50 firms receiving the highest scores are awarded this designation.

The competition is sponsored by the Pittsburgh Business Times and is open to all companies in Southwestern Pennsylvania.

At a luncheon held at the Omni William Penn on October 16, all 50 companies were honored. Robert Fragasso, President stated “It is awards such as these that mean the most to us because our employees tell us via the survey that they like working for the firm and how they are treated. This is very important because this translates directly into service to our clients. It has been proven over the years that employees who feel valued and appreciated by their company are much more likely to work together to get tasks accomplished to the benefit of everyone concerned and in our case that is each of you – our clients.”

Financial Aid 101

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prerequisite. Parents can borrow the full cost of their child's education, less any financial aid received; the only criteria is a good credit history. The interest rate is fixed at 8.5% for new loans.

- ***Pell and SEOG Grants***-- These grants are available to undergraduate students with exceptional financial need.

A word about merit aid

In recent years, merit aid has been making a comeback as colleges (especially private colleges) use favorable merit aid packages to attract certain students to their campuses, regardless of their financial need. However, the availability of college-sponsored merit aid tends to fluctuate from year to year as colleges decide how much of their endowments to spend, as well as which specific academic and extracurricular programs they want to target.

Besides colleges, a wide variety of groups offer merit scholarships to students meeting certain criteria. There are several websites where your child can input his or her background, abilities, and interests and receive (free of charge) a matching list of potential scholarships. Then it's up to your child to meet the various application deadlines. Though this avenue is worth exploring, it shouldn't come at the expense of filling out the FAFSA and college applications.

How much should you rely on financial aid?

With all this talk of financial aid, it's easy to assume that it will do most of the heavy lifting when it comes time to paying the college bills. But the reality is you shouldn't rely too heavily on financial aid. Although aid can certainly help cover your child's college costs, student loans make up the largest percentage of the typical aid package, not grants and scholarships.

As a general rule of thumb, plan on student loans covering up to 50% of college expenses, grants and scholarships covering up to 15%, and work-study jobs covering a variable amount. But remember, parents and students who rely mainly on loans to finance college can end up with a considerable debt burden. So try to save as much as you can beforehand.

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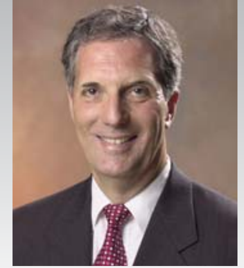
Will Advertising Hurt Client Service Standards?



BOB FRAGASSO, CFP®
President

That is an interesting question that we had posed to us by several clients. The inference drawn is that our advertising would attract clients in such numbers that we may become overwhelmed with activity and fall behind in servicing our existing clients. We are writing to let you know that will not happen – and why. And, by the way, we've always advertised. It's simply become more noticeable recently because of focus and content.

First, advertising alone does not bring in clients in sufficient numbers to justify the expense. Yes, read that again. So, why would we spend the money to advertise? Because it works positively and synergistically with referrals provided by you, our clients, and by your other professional advisors, such as attorneys and accountants, who also refer prospective clients to us. An accountant who has referred clients to us for over 20 years recently told us that it is so much easier to refer his clients to us as they are already aware of us via our advertising. We are not gaining so many more clients than previously due strictly to advertising, so don't let that fear stop you from referring your family, friends, neighbors and business associates to us.

Second, we have extremely efficient processes and systems. Your financial advisor is responsible for knowing everything about you, your family, your goals and your unique circumstances. He or she is part of a team comprised of a portfolio manager and an administrative professional. Your financial advisor at Fragasso Financial Advisors is a salaried professional who serves as your financial team quarterback, spending time only on your financial planning and communications. He or she does not have to spend time finding new clients, screening mutual fund data or doing paperwork. Contrast that to the more typical model in our industry where a securities broker is primarily a sales person on commission who also must follow all the securities in your portfolio (and usually doesn't) and who also is assigned a fraction of a secretary, which means the broker does all the administrative paperwork. Now, that is where more clients mean an immediate drop in service quality. We know that from 35 years of experience in this industry and that's why we built our model as we did. So your financial advisor specializes in you and nothing else. He or she sits on our Investment Policy Committee and has a strong voice in our asset allocation policy and in guiding our investment selection criteria. But that occurs quarterly and implementation of those policies resides with our portfolio managers. Your financial advisor has the time to pay attention to you. And, when a financial advisor hits the upper reaches of client numbers that can be handled properly, we hire more salaried financial advisors. The system and the processes, and strict allocation of duties among team members, make this possible and set us apart from the rest.

Third, we have service standards that

LIFE IS
FULL OF SURPRISES.
YOUR INVESTMENT STRATEGY
SHOULDN'T BE ONE OF THEM.
FRAGASSO
FINANCIAL ADVISORS
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The Fragasso Group Inc. Fee-based investment management and securities offered through Linsco/Private Ledger Member FINRA/SIPC
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govern how we must interact with our clients. That, very importantly, includes the number of in-person and telephone and electronic contacts you receive each year from your financial advisor and from our Portfolio Management Department. The number of contacts in each case is governed by the amount of investment assets under our control on your behalf and the complexity of the financial planning issues involved. Your financial advisor is held accountable for making those contacts as are portfolio management personnel. Our administrative professionals are measured by the speed in which they successfully handle administrative activities for you. None of this is left to chance or to individual memory. That is why our receptionist calls you to schedule your annual review appointment in our offices. The system tells her when your review is coming due and is not dependent on someone remembering to prompt her. That is why you get a portfolio management letter from Andrei Voicu, our Managing Director of Portfolio Management rather than the old-fashioned, chatty broker call talking about "what the research department thinks" and offering to sell you a new stock issue or the fund-of-the-month. Your financial advisor's contact will hone in on your unique financial planning issues and focus on guiding you and answering your questions about goals, asset allocation and portfolio management as it relates to you and your family. He or she is uncluttered by the need to sell product, look up mutual fund data or complete beneficiary forms. Other professionals within Fragasso Advisors do that and your FA looks out for you. So, don't worry that we'll let him or her lose sight of that primary and all-important mission or become over-burdened with too many client relationships.

Please do not hesitate to talk about this with your financial advisor or to call the Managing Directors who oversee these activities – Debbie Graver, Mike Fertig and Bob Fragasso to discuss this further.

Tax-Advantaged Savings

Continued from Page 3

deferred. But if you meet income limits (and a few other requirements) at the time you redeem the bonds for college, the interest will be free from federal income tax too (it's always exempt from state tax).

An all-purpose tax-advantaged investment

Tax-free municipal bonds--Interest earned on tax-free municipal bonds is generally exempt from state tax if the bond was issued in the state in which you reside, as well as from federal income tax (though earnings on certain private activity bonds may be subject to the alternative minimum tax). But if purchased as part of a tax-exempt municipal money market or bond mutual fund, any capital gains earned by the fund are subject to tax.

So the bottom line is, though tax considerations shouldn't be your only concern when investing and building a portfolio, by putting your money in tax-advantaged savings vehicles and investments when appropriate, you'll keep more money in your own pocket and put less in Uncle Sam's.

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Identity Theft

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If you wish to visit a business's legitimate website, use your stored bookmark or type the URL address directly into the browser. If you provide personal or financial information about yourself over the Internet, do so only at secure websites; to determine if a site is secure, look for a URL that begins with "https" (instead of "http") or a lock icon on the browser's status bar.

And when it comes time to upgrade to a new computer, remove all your personal information from the old one before you dispose of it. Using the "delete" function isn't sufficient to do the job; overwrite the hard drive by using a "wipe" utility program. The minimal cost of investing in this software may save you from being wiped out later by an identity thief.

Be diligent

As the grizzled duty sergeant used to say on a televised police drama, "Be careful out there." The identity you save may be your own.

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Awards and Recognition

In the fourth quarter the firm received several awards that we were pleased to accept because it reflects so positively on the good work that each and every employee of the firm does on behalf of you, our clients. This year Barron's, The Dow Jones Business and Financial Weekly selected the Top 100 Independent Financial Advisors. Fragasso Financial Advisors was included on this list at number 18. The article states that "*there's no shortage of folks who'd like to tend to your investments. Brokers, money managers and private bankers, among others, all are battling to add your name to their client lists. But one type of pro, the independent financial adviser, is gaining prominence. While traditional brokers charge a commission for each transaction, independent advisers manage your investment for a flat fee, often about 1% of assets. Another distinction: Many independents build their business by providing clients with financial-planning services not just stocks and bonds. The approach has helped the independents boost their assets under management by an annualized 18% over the past 11 years, to $2.1 trillion, while assets handled by full-service brokerage firms climbed 11% a year, to $6.2 trillion according to Tiburon Strategic Advisors in California a longtime tracker of advisers."*

"Reflecting the field's increased stature, Barron's for the first time is publishing a ranking of the top 100 independent advisers in the United States. The listing was compiled by financial-industry consultant R. J. Shook and is based on each adviser's assets under management, his or her contribution to the firm's revenues and profits and indications of service quality. This ranking, like those Barron's publishes about advisers from brokerage houses, banks and other firms highlights many of the most prominent men and women in the field

Nominations came from banks, custodial organizations, clearing houses, affiliated broker-dealers and other sources. Shook and his Florida based organization, Winner's Circle, don't receive compensation from the advisers, their firms or the organizations making nominations."

The article ends by stating, "*despite all the competition, the top 100 independents look to be thriving.*"

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