THE ADVISOR

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FRAGASSO FINANCIAL ADVISORS

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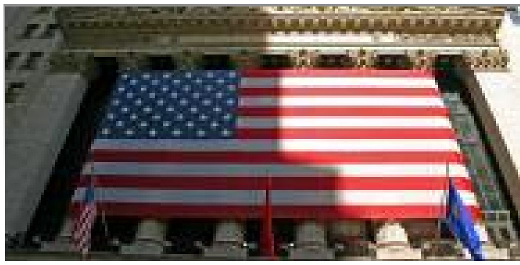
JANUARY 2009



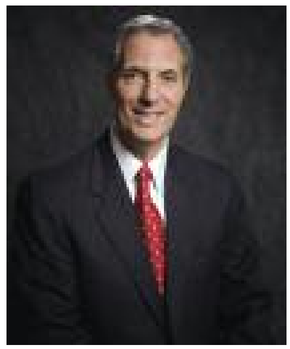
A Pivotal Year – 2009

2009 will be a turning point year. That seems to be true for the economy, but possibly ever more so regarding the course of our country. We have enjoyed a historically unprecedented prosperity created by the efforts of the Greatest Generation in and after World War II. But that seems to be permanently changing now. Some of that may be bad and in other ways it is good.

What will be the effects of this on you, your family, and your financial security? Let's first look at the economy as we enter 2009 and then examine the effects of these seismic events on you.

The Economy in 2009

We have bipartisan political support for stimulus packages, the kind that rejuvenated the economy after the Depression of the early 1930s, the late 1930s, World War II and every recession, large and small since. There is no reason to expect anything different this time. The twin solutions of stabilizing financial institutions (Remember FDR and the banks?) along with flooding the economy with money came from the



BOB FRAGASSO, CFP®
President

economic guidance of John Maynard Keynes, the British economist whose principles were adopted by Franklin Roosevelt and helped get us through the first, most devastating, portion of the Great Depression. A recent quip by a Federal Reserve Board governor illustrates the importance of these remedies. As a play on the atheist-in-the-foxhole observation, he was quoted as saying, "In a foxhole, we're all Keynesians!"

Democracy is messy. It plays itself out in the media every day. We see the tensions and warring agendas and then, finally, we get action and move toward resolution. Winston Churchill observed that, "Democracy is the worst form of government, unless you consider all of the rest." It took nine months to get the Marshal Plan through Congress and that is credited with preventing a return to the Depression caused by the economic contraction following WWII. That plan created two decades of unparalleled economic expansion. So, with history as our guide, we can see the likelihood of an economic recovery beginning in 2009. Watch the events surrounding the recovery plans as these will provide the guide to recovery. The investment markets lead the recovery; they don't await its conclusion. 1933 was the best stock market year in the last century with the S&P 500 index up 54%.

What will change permanently is our place in the world. We are no longer the only dominant economic power. China and India, along with other emerging countries in South America and the Far East, are gaining commercial and trading power. Perhaps this is as it should be. Consider that 70% of our economy hinges on consumer purchases. And those were fueled by extraction of home equity and charge card use. We need to diversify our economy from this dependence on our willingness to shop and acquire more things. The discussed emphasis on infrastructure repair, energy independence and education is hopeful

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and potentially healthy. We need to orient our economy to provide goods and services that the world needs, not just U.S. shoppers at clothing and electronics stores.

So the reorientation of our economy toward things that last and improve lives will provide impetus to sustained economic development. Think medical, pharmaceutical, transportation and new manufacturing processes that do not depend on cheap labor. We are successful when we sell innovative processes to the developed and developing world. Additionally, energy conservation through retooling and new technology will add billions of dollars to economic productivity. The positive possibility list goes on.

2009 may be the beginning of that transformation. Go back and look at each of the years in our history for other transformational periods and view the progress thereafter. But, realistically, that isn't within our individual control. We can take heart and gain confidence from a historic perspective. In understanding those possibilities, there are many things that we can do to improve our family's circumstances and positioning in 2009 and beyond.

What You Can and Must Do in 2009

Consider the skill set that you and your family members present to the economy. If you realistically determine it is deficient, then gain new skills to remain competitive. Certainly additional college degrees are desirable, but immediately usable knowledge and skills can pay off right away. Sound like too much work? Consider that falling behind economically is more difficult. Right at the top of the list is learning more about money management and financial decision-making. Consider the role that ignorance played in our current economic malaise. Our adult financial education courses can help. Attend one of our two- and three-week courses at Slippery Rock University or California University's location in Downtown Pittsburgh, or invite us to bring those courses to your place of employment or non-profit organization. You weren't born with this knowledge and it wasn't taught in high school or college, but you can get it now and put it to work.

Get your finances in order. They won't manage themselves but you can gain control over your financial destiny. The movement of investment markets is a given, and you have no jurisdiction therein. But how you manage your cash flow, use of credit, retirement plans and personal portfolios is directly under your control. The correct way to do this is through a comprehensive financial analysis and an individualized financial plan. This covers all of the considerations of your income and expense, taxes, rates of savings and returns, estate planning and preservation, education funding, survivorship needs, and much more. Talk to us now to position yourself for whatever comes in 2009 and beyond. You can't control those events, but you can control how ready you are to navigate through them.

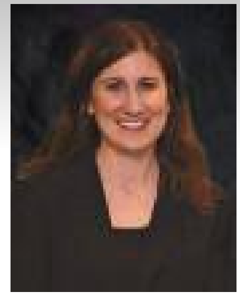
Manage portfolios using time-tested textbook principles. The reason these principles have found their way into the textbooks is that they have been proven to work. Diversification, balance and asset allocation are the platforms upon which good portfolios are built and managed and violating those principles unduly risks assets. All portfolios go down in a volatile market, but the use of those principles helps to contain risks of loss and volatility. We use these and many other established principles along with many tools for securities analysis in managing our clients' portfolios.

Set your mind properly. Emotionalism and panic serve you poorly. Rationalism results in sound decisions and actions. Use facts and probabilities to arrive at your judgments and do not fall prey to those spewing fear to further their own agendas. Consider the examples set by previous generations who faced far greater adversity – and prevailed. Take heart in that history has shown recovery from every adverse economic circumstance. And take example from those who profited from those times.

We thank our clients who have placed their confidence in us and who have stayed the course through this unsettled period. You evidence that confidence by continuing to follow our guidance. We will repay that compliment by working as hard as humanly possible on your behalf.

The Bailout Bill: Tax Changes Affecting Individuals

Your contact for this article:



MELISSA RICHEY
Vice President

The Emergency Economic Stabilization Act of 2008, referred to by some as the "bailout bill," or, as others prefer to call it, the "rescue plan," was recently enacted in an attempt to stabilize the turmoil in the U.S. economy. While a great deal of attention has been focused on the true bailout provisions of the Act, there are also a plethora of tax law changes affecting individual taxpayers. Here are some of the most noteworthy.

Extension of mortgage debt forgiveness

The Act extends for three additional years the exclusion from gross income for discharges of qualified principal residence indebtedness.

The Mortgage Forgiveness Debt Relief Act of 2007 provided an exclusion for the discharge of up to $2 million ($1 million if married filing separately) of Qualified Principal Residence Indebtedness that applies to debts discharged from January 1, 2007 through December 31, 2009. The Act extends the end date to December 31, 2012. The exclusion applies to foreclosures, deed-in-lieu of foreclosures, or any loan modification.

Note: "Qualified Principal Residence Indebtedness" is a debt incurred to acquire, construct, or substantially improve a principal residence.

One-year "patch" for the alternative minimum tax (AMT)

The 2008 AMT exemption amount for individuals is raised to $46,200 for singles, $69,950 for married couples filing jointly, and $34,975 for married couples filing separately. This is a one-year "patch." Absent further legislation, the AMT exemption amounts in 2009 will be $33,750 (single), $45,000 (married filing jointly), and $22,500 (married filing separately).

The Act also modifies the way the AMT refundable credit is calculated, generally making it easier for individuals to utilize any AMT credit that is carried over from prior years.

Additionally, the Act offers specific relief to individuals who were unable to pay AMT liability that resulted from the exercise of incentive stock options (ISOs) in prior years.

Note: AMT exemption amounts are phased out for higher income taxpayers. For married couples filing jointly, phaseout starts when income exceeds $150,000. For unmarried individuals, the phase out threshold is $112,500, and for married individuals filing separately, the threshold is $75,000.

New tax credit for electric vehicles

The Act creates a new tax credit of $2,500 to $7,500 for plug-in electric vehicles. The credit will start to phase out for each manufacturer after 250,000 qualifying electric vehicles are sold. Vehicles that qualify will need to be certified under the Clean Air Act and meet low-emission standards. Higher tax credit amounts are also available for electric vehicles with gross vehicle weight ratings of more than 10,000 pounds.

New tax-free fringe benefit for bicyclists

The Act provides a new tax break for employees who commute by bicycle. Employers can provide a tax-free fringe benefit of up to $20 per month to cover "reasonable expenses incurred by the employee" for the purchase, improvement, repair, and storage of a bicycle that is regularly used to commute between the employee's home and office. This bicycle fringe benefit will begin in 2009.

Extension and modification of energy tax credits

The Act extends and modifies the

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energy efficient property credit through 2016, and allows the credit to offset AMT liabilities. The Act also removes the $2,000 maximum limit on solar electric property. Two new types of equipment are added that would qualify for the credit: wind energy equipment will produce a tax credit worth 30% of the cost of the equipment, with a maximum credit of $4,000, and geothermal heat pumps would qualify for a credit worth 30% of the cost, with a maximum credit of $2,000.

The nonbusiness energy property credit is extended for property placed in service during 2009. This provides a credit of up to $500 for purchasing energy-saving products, such as windows, insulation, and HVAC systems. The Act also adds two new types of improvements that qualify for the credit: biomass fuel stoves with a thermal efficiency rating of 75% or more, and asphalt roofs with cooling granules.

Other tax changes

- The Act modifies the child tax credit for 2008 by lowering the income threshold for the refundability of the credit from $12,050 to $8,500.

- The deduction for up to $250 of personal expenditures by teachers, counselors, and principals in K-12 schools for materials and supplies is extended for 2008 and 2009. This is an "above-the-line" deduction: you need not itemize to take this deduction.

- IRA owners who have reached age 70½--and who must therefore begin to withdraw money from their retirement accounts--can contribute up to $100,000 directly to a qualified charity without having to include the distribution in income. This tax benefit is extended for 2008 and 2009, but is only available for individuals over age 70½ by the end of the year.

- The Housing and Economic Recovery Act of 2008 established a new real property tax standard deduction for non-itemizers. The maximum deduction is $1,000 for married couples filing jointly and $500 for all others. This deduction can't exceed the amount of state and local real property taxes that you actually pay during the year. This deduction was originally for 2008 only. The Emergency Economic Stabilization Act of 2008 extends it through 2009.

- The optional itemized deduction for state and local sales taxes (in lieu of deducting state and local income taxes) is extended for 2008 and 2009. You must claim itemized deductions on Schedule A of Form 1040 to take this deduction.

- The deduction for up to $4,000 of college tuition and related fees is extended for 2008 and 2009. This above-the-line deduction allows married couples (filing jointly) with incomes of $130,000 or less ($65,000 for individuals) to deduct up to $4,000 in higher education expenses and those couples (filing jointly) earning $130,000 to $160,000 ($65,000 to $80,000 for individuals) to deduct up to $2,000. As it is an "above-the line" deduction, if you qualify, you need not itemize to take it.

Fragasso Open House
September 18, 2008














Privacy Policy

LPL Financial Corporation ("LPL Financial") 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 your nonpublic personal information ("personal information") in the course of business, as well as the measures we take to safeguard your personal information. Keeping personal information secure and private is a priority at LPL Financial.

The following members of the LPL Financial family of companies subscribe to this Privacy Notice: UVEST Financial Services Group, Inc., Associated Securities Corp., Waterstone Financial Group, Inc., Independent Advisers Group Corporation, Linsco/Private Ledger Insurance Associates, Inc., The Private Trust Company, N.A., Mutual Service Corporation, IFMG Securities, Inc., Independent Financial Marketing Group, Inc., LSC Insurance Agency of Arizona, Inc., PTC Holdings, Inc., LPL Independent Advisor Services Group LLC, Mutual Service Mortgage, LLC, MSC Insurance & Securities, Inc., Mutual Service Corporation (Nevada), Associated Planners Investment Advisory, Inc., and Associated Financial Group, Inc. We will refer to these affiliates variously as "our affiliates," "our affiliated companies," and "affiliates."

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

- Account applications and other standard forms related to your accounts. Examples of information collected include your name, address, Social Security number, assets, types and amounts of investments, transactions and income.

- Your transactions with LPL Financial and its affiliated companies, including those that work closely with LPL Financial to provide you with diverse financial products and services. Examples of information collected includes your account balance, payment history, parties to transactions, types and amounts of investments, transactions, and credit card usage.

- Consumer reporting agencies, including information concerning your credit worthiness and credit history.

- Information obtained from third parties when verifying applications or other forms. This may be obtained from your current or past employers or from other institutions with which you conduct financial transactions.

Keeping your information secure is one of our most important responsibilities. We restrict access to your personal information to those employees and agents who assist us in providing products or services to you. We maintain physical, electronic and procedural safeguards that comply with applicable law to protect your personal information. We train our employees in the proper handling of personal information. When we use other companies to help provide our services to you, we require them to protect the confidentiality of personal information they receive.

Use of "Cookies"

We may occasionally use a "cookie" in order to provide better services to you, to facilitate your use of our website, to track usage of the website, and to address security issues. (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 enables anyone to contact you via telephone, email or any other means. If you are uncomfortable with the use of cookie technology, you can set your computer's browser to decline cookies. However, if you refuse cookies you may be unable to utilize certain features of our website, and you may experience performance issues with our website.

Disclosing Personal Information to Non-Affiliated Third Parties

We do not sell, share or disclose your personal information to non-affiliated third-party marketing companies, except personal information we share with other financial institutions pursuant to joint marketing agreements we enter into with them. For example, when banks and credit unions offer investment program services through LPL Financial or its affiliates, those program services may be conducted under joint marketing agreements between us and the banks or credit unions.

We may disclose all of the information we collect, as described above in the section captioned "How We Collect Your Personal Information," to companies that perform marketing or other services on our behalf and to other financial institutions with which 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 to provide services as allowed by applicable law or regulation. They are not permitted to share or use the information for any other purpose. We may also disclose to our affiliates all of the information we collect, as described above in the section captioned "How We Collect Your Personal Information." To the extent that applicable state laws grant you greater protections in connection with our sharing of your personal information, we will comply with those laws.

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

If your financial advisor terminates his or her relationship with us and moves to another brokerage or investment advisory firm ("New Financial Institution"), we or your financial advisor may disclose your personal information to the New Financial Institution unless you instruct us not to. Similarly, if the bank, credit union, or other financial institution with which we have a joint marketing arrangement (such as a bank or credit union investment services program) terminates its relationship with us and establishes a relationship with a New Financial Institution we may disclose your personal information to the New Financial Institution unless you instruct us not to.

If you want to follow your advisor or your bank, credit union or other financial institution to a New Financial Institution when your financial advisor or your bank, credit union or other financial institution terminates its relationship with us, please do not send in the Privacy Choices Notice form. However if you do not want us, your financial advisor or your bank, credit union or other financial institution to disclose your personal information to the New Financial Institution, and if you do not want your financial advisor or your bank, credit union or other financial institution to retain copies of your personal information when your financial advisor or your bank, credit union or other financial institution terminates his, her or its relationship with us, you may request that we, your financial advisor and your bank, credit union or other financial institution limit the information that is shared with the New Financial Institution by filling out a Privacy Choices Notice and mailing it to: Privacy Management, c/o Enterprise Risk Management, LPL Financial, 9785 Towne Centre Drive, San Diego, CA 92121-1968. If your primary address is in a state that requires your affirmative consent to share your personal information with the New Financial Institution (such as California or Vermont), then you must give your written consent before we will allow your financial advisor to take any of your personal information to that New Financial Institution. You can withdraw your consent at any time by contacting us at the address provided above.

Disclosing Personal Information to Affiliates

We do not share your personal information with our affiliated companies for marketing purposes. However, we may share within our family of affiliated companies information about our transaction or experiences with you, such as your name, Social Security number, account or payment history and similar information. For example, if you currently do business with one of our affiliates, or if you ask to receive information or offers from them, we may share your personal information with those affiliates. Our affiliates may also continue to use personal information they receive from us to perform services on our behalf, to respond to communications from you, as you authorize or request, or, if you are their customer, to offer you their products or services. To the extent that you are entitled to other protections under applicable laws and these laws apply, we will comply with them when we share personal information about you.

If Your Relationship with Us Ends

If our relationship with you ends, we will continue to treat and protect your personal information in accordance with this Privacy Notice. That means

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that we may continue to share your personal information with our lending partners and affiliates as previously described or permitted by law. However, if you notify us of your election not to have us share your personal information with others before or after your relationship with us ends, we will honor that request.

Changes to Our Privacy Policy Notices

We reserve the right to amend (that is, to add to, delete from, or change) the terms of this Privacy Notice from time to time. Our Privacy Notice, as in effect, is continuously posted on our website. By electing to become one of our customers or by receiving our products and related services, you agree to receive copies of our Privacy Notice and any amendments to it from our website, unless you notify us otherwise in writing at the address below. You may view our Privacy Notice online at www.lpl.com (click on Privacy). Notwithstanding the foregoing, we will provide you with a written copy of our Privacy Notice at least annually.

Additional State Opt-Out Information

The information sharing practices described previously are in accordance with Federal law. In states where additional notification is required before you can provide an effective opt-out, we will contact you separately regarding your opt-out choices.

View and Change Your Personal Information

You can review the personal information we maintain on you and make any needed corrections to it by contacting us in writing at the address that follows.

Right to Access and Correct Information

You may write to us at the address below with any questions you may have about your personal information. You may see and copy the personal information that we have about you in person. If you prefer, we will copy and send it to you. If you think the personal information that we have in our files is incomplete or incorrect, you may request that we complete or correct the disputed personal information. We will review your request. We will either make the change or explain why we did not do so. If we do not make the change, you may file a written statement of dispute with us. We will include the written dispute in future disclosures of that personal information. We will send the written dispute to anyone you request us to who received your personal information from us in the past two years. To exercise these rights, please send us a written request. Please include your name, address, daytime phone number, and the personal information that you would like access to or that you believe needs correction. We may charge a small fee to collect and send the personal information to you. To protect your personal information, we may ask you to verify your identity and to provide other details to respond to your request.

Our mailing address for purposes of this Privacy Notice is:

Privacy Management c/o Enterprise
Risk Management Department LPL
Financial9785 Towne Centre Drive
San Diego, CA 92121-1968

Confidentiality of Social Security Numbers

Keeping personal information secure and private is a priority at LPL Financial and one of our most important responsibilities. We restrict access to your personal information to those employees and agents who assist us in providing products or services to you. We maintain physical, electronic and procedural safeguards that comply with applicable law to protect your personal information. We train our employees in the proper handling of personal information. When we use other companies to help provide our services to you, we require them to protect the confidentiality of personal information they receive.

While providing service to you, we do collect your Social Security number in order to complete account applications and other standard forms related to your accounts. In accordance with the terms of our Privacy Notice and our Branch Office Security Policy and Implementation Standards and our Home Office Security Policy (our "Information Security Policies"), we protect the confidentiality of your Social Security number as we do all of your personally identifiable information. Access to Social Security numbers is limited and the unauthorized disclosure of Social Security numbers is prohibited pursuant to the terms of our Privacy Notice and our Information Security Policies.

Profiles in Progress: Client Stories Western PA School for the Deaf

The Western Pennsylvania School for the Deaf began on September 4, 1869 based on the premise that deaf children have all of the intelligence and potential of their hearing counter parts, but they don't possess the ability to hear. That determination to not waste the human potential inherent in deaf youngsters has guided the school's course for 139 years. The school flourishes today at its 20-acre campus location in Edgewood currently serving nearly 250 children from birth through 12th grade coming from over 101 school districts in 31 counties across Pennsylvania. Approximately 70 students reside at the school from Sunday evening through Friday afternoon while the others commute daily. Children are referred to WPSD by pediatricians, audiologists, school districts, parents and social service agencies.

WPSD'S commitment to quality educational programs, support services and a complete extracurricular program in an accessible communication environment provides deaf and hard-of-hearing students the opportunity to reach their highest potential – academically, socially and personally. WPSD is the largest comprehensive center for deaf education in Pennsylvania.

Programs are individualized for each student depending on their unique needs. Classes encompass preschool through high school, but also include an early intervention program for deaf and hard-of-hearing children from birth through age three. After-school activities include a variety of clubs, a physical fitness program and a comprehensive sports program. Where appropriate, the school facilitates mainstreaming in collaboration with a variety of local programs and area schools.

WPSD is a non-profit, tuition-free school and receives funding from the Pennsylvania Department of Education to cover the basic education of the children. But that doesn't cover the cost of new capital equipment or special initiatives. Those must be funded privately through donations from individuals and foundations. The school's trustees and administration have worked diligently to gain yearly operating funds and to build an endowment in an attempt to insure its ability to continue to serve deaf and hard-of-hearing children. Fragasso Financial Advisors is proud to be instrumental in the management of a portion of those assets for the school.

If you know someone who could benefit from this educational resource or if you wish to learn American Sign Language, visit the school's web site at www.wpsd.org. You can also visit that site if you wish to contribute funds toward the school's mission.

Something to Consider as 2009 Begins: How to Help Children & Grandchildren with College Costs

Your contact
for this article:

KEVIN DAESCHNER
Vice President

As the cost of a college education continues to climb, many grandparents are stepping in to help. This trend is expected to accelerate as baby boomers, many of whom went to college, become grandparents and start gifting what's predicted to be trillions of dollars over the coming decades.

Helping to pay for a grandchild's college education can bring great personal satisfaction and is a smart way for grandparents to pass on wealth without having to pay gift and estate taxes. So what are the best ways to accomplish this goal?

Outright cash gifts

A common way to help with college costs is to make an outright gift of cash or securities. But this method has drawbacks. A gift of more than the annual federal gift tax exclusion amount--$13,000 for individual gifts, $26,000 for joint gifts--might have gift tax and generation-skipping transfer tax (GSTT) consequences (GSTT is an additional gift tax imposed on gifts made to someone who is more than one generation below you). Note that the $13,000 figure is for 2009. The exclusion is indexed for inflation, so this figure may increase in future years.

Another drawback to outright gifts is that a gift becomes an asset of the student, and the federal government treats student assets more harshly than parent assets for financial aid purposes. Students must contribute 20% of their assets each year toward college costs, compared to 5.6% for parent assets. Fortunately, there are better options available.

529 plans

A 529 plan can be an excellent way for grandparents to contribute to a grandchild's college education, while simultaneously paring down their own estate. Contributions to a 529 plan grow tax deferred, and withdrawals used for the beneficiary's qualified education expenses are completely tax free at the federal level (and at the state level too).

There are two types of 529 plans: college savings plans and prepaid tuition plans. College savings plans are individual investment-type accounts offered by nearly all states and managed by financial institutions. Funds can be used at any accredited college in the United States or abroad. Prepaid tuition plans allow prepayment of tuition at today's prices for the limited group of colleges--typically in-state public colleges--that participate in the plan.

Grandparents can open a 529 account and name a grandchild as beneficiary (only one person can be listed as account owner, though), or they can contribute to an existing 529 account. Grandparents can contribute a lump sum to a grandchild's 529 account, or they can contribute smaller, regular amounts.

Regarding lump-sum gifts, a big advantage of 529 plans is that under special rules unique to 529 plans, individuals can make a lump-sum gift of up to $65,000 ($130,000 for joint gifts by married couples) and avoid federal gift tax. A special election must be made to treat the gift as if it were made in equal installments over a five-year period, and no additional gifts can be made to the beneficiary during this time.

Significantly, this money is considered removed from your estate, even though one grandparent can still retain control over the funds if he or she is the 529 account owner. There is a caveat, however. If the donor were to die during the five-year period, then a prorated portion of the contribution would be "recaptured" into the estate for estate tax purposes.

Another attractive feature of 529 plans is that under current law, grandparent-owned 529 accounts are excluded by the federal government's financial aid formula--only parent-owned 529 plans count. So a grandparent-owned 529 plan won't impact a grandchild's chances of qualifying for federal aid.

However, if you need the money in your 529 account for something other than the beneficiary's college expenses--for medical expenses or emergency purposes, for example--you'll face a double consequence: the earnings portion of the withdrawal is subject to a 10% penalty and will be taxed at your ordinary income tax rate.

Also, note that funds in a grandparent-owned 529 plan may still be factored in when determining Medicaid eligibility, unless these funds are specifically exempted by state law.

Note: Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in each issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.

Pay the college directly

Another excellent way for grandparents to help their grandchildren with college costs is to pay the college directly. Under federal law, tuition payments made directly to a college aren't considered taxable gifts, no matter how large the payment. So you don't have to worry about the $13,000 annual federal gift tax exclusion. But this is true only for tuition--room and board, books, fees, equipment, and other similar expenses don't qualify. Aside from the obvious tax advantage, paying tuition directly to the college ensures that your money will be used for education, plus it removes the money from your estate. And you are still free to give your grandchild a separate tax-free gift each year up to the $13,000 limit.

However, colleges will often reduce a student's financial aid by the amount of the grandparent's payment. Before sending a check, ask the school how it will affect your grandchild's eligibility for school-based aid. If your contribution will adversely affect your grandchild's financial aid package, another option is to give the money to your grandchild after graduation to help him or her pay off student loans.

Private elementary/secondary school

Finally, if you're interested in contributing to your grandchild's private elementary or secondary school education, a Coverdell education savings account (ESA) can help. Up to $2,000 per beneficiary can be contributed to a Coverdell ESA each year. Like funds in a 529 plan, the money grows tax deferred and is tax free at both the federal and state levels if used to pay the beneficiary's qualified education expenses, including private elementary and secondary school as well as college. But there are income limitations on who can contribute to an ESA. Specifically, married couples with a modified adjusted gross income over $220,000 ($110,000 for individuals) can't contribute.

Bob Fragasso Presents the RSVP Award for Community Service

Fragasso Financial Advisors has been proud to sponsor the Retired and Senior Volunteer Program of Allegheny County award to the Outstanding Volunteer in Community Service for several years, as community service is an established part of our company's culture. This year the award was given to Michael Joyce, age 65, of North Versailles who volunteers with the American Red Cross.

Mr. Joyce is a "disaster responder" and is on call approximately 40 hours a month, mostly nights and weekends. In addition to coming to the aid of fire victims on a regular basis, Mr. Joyce uses his skills as a ham radio operator during large-scale emergencies and offers his computer expertise on an ongoing basis. While presenting the award Bob Fragasso noted that Michael's nominator stated that "his personality and humor are a wonderful addition to the disaster team." Fragasso Financial Advisors is proud to support such a wonderful organization that recognizes our seniors for their great contributions to the community.

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Awards and Recognitions

Bob Fragasso pictured with Joe Lagana, previous winner, and Victoria Berdnick of Amen Corner.

The David L. Lawrence Public Service Award - Amen Corner

On September 25, 2008, at the Amen Corner Picnic held at the Schenley Park Ice Rink, Bob Fragasso received the David L. Lawrence Public Service Award. This award is presented to an individual who is making, or has made, a significant contribution to making Southwestern Pennsylvania an even better place to conduct business, live, work and raise a family. It is given in memory of a man whose public service is still being felt 40 years after his death. Amen Corner established this award in 2007 to honor David Lawrence and his long time service to his beloved City of Pittsburgh.

Bob's selection stems from his work with several local organizations including serving on the Board of Animal Friends, a member of the Board of Trustees, LaRoche College and as the Advisory Board Chair for the Pittsburgh Chapter of the National Foundation for Teaching Entrepreneurship.

Pittsburgh Business Times Best Places to Work in Western PA

For the fifth year in a row Fragasso Finanical Advisors has received recognition as one of the Fifty Best Places to Work in Western Pennsylvania by the Pittsburgh Business Times. We are especially proud of this award because it is based on a survey that is completed by the firm's employees. This year Fragasso Finanical Advisors placed in the top 20. We are grateful to have a staff that works so hard for our clients and who contribute so much to our success. On October 15 ten members of the firm attended an awards luncheon at the Omni William Penn Hotel where the fifty winning companies were honored.

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