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Sixth Annual Animal Law Conference

Now in its sixth year, and growing in attendance and popularity, the Pennsylvania Bar Institute again will present its annual seminar on Animal Law. If you've attended this seminar in the past, then you know how educational and entertaining the day is! If you've not attended before – this is your chance to get in on the fun and earn six CLE credits, including your ETHICS credit!

The PBI faculty will address the following topics:

- Pennsylvania's New Dog Law
- Hot Topics in Cat Law
- The Law of Marine Mammals
- Animal Law in Practice: A Practitioners' Roundtable (1 hour of

Ethics and 0.5 of Substantive)

- Assessment, Training and Placement of Shelter and Rescue Animals – (NOT for CLE credit)
- Resolving Pet Disputes in Divorce Cases
- The Animal Law Year in Review – a Summary of New Developments

Dates and Locations

Pittsburgh • Thurs., July 23

Pittsburgh Marriott City Ctr., 112 Washington Pl.

Mechanicsburg • Thurs., Aug. 13

PBI Conference Center 5080 Ritter Rd., Rossmoyne Exit, Rt.15 9:00 am to 4:45 pm; check-in begins at 8:15 am

Philadelphia • Wed., Aug. 26

The CLE Conference Center, Wanamaker Building 10th Floor, Ste. 1010, Juniper St. entrance (between 13th & Broad Sts., opposite City Hall)

To register or more information on this informative seminar call the PBI at 1-800-932-4637 or visit their website www.pbi.org

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



College Expense Planning

It is our belief that education forms the basis of the solution for every problem that plagues our society.

On a more personal note, we all can agree that we wish our children and grandchildren to have a good life and we intrinsically know that a good education beyond high school will help them gain it.

We also know that education is expensive. The cost per year for college tuition, room and board can range from \$20,000 to \$60,000 – today. And inflation nationally for college tuition has



BOB FRAGASSO, CFP®
President

averaged 5%. That means that the \$150,000 current four year college cost would potentially be \$245,000 in 10 years. How will you pay for that \$250,000 college education then? Scholarships? Good idea, but not a definitive plan. How about loans at the time? If you do that, you or your child will pay interest on that \$250,000 for many years and still have to repay the amount borrowed. The best way, we believe, is to pre-fund future tuition costs. If done correctly, using compounding returns over time and tax savings, you will pay pennies on the dollar from your pocket toward college.

We all want our children and grandchildren to live a life that is better, or at least as good, as our own. And education is the time proven way to accomplish that. So let's pay forward – figuratively and literally – so that tomorrow's generation is ready to compete in a global economy with skills that will allow them to raise their own families.

Talk to us now to evaluate your own family's needs and read on through this edition of our newsletter to gain more specific insight about the strategies and opportunities to help you reach your educational goals.



Higher Education Opportunity Act

Your contact for this article:



KEVIN DAESCHNER
Vice President

On August 14, 2008, President Bush signed H.R. 4137, the Higher Education Opportunity Act. The Act reauthorizes the Higher Education Act of 1965 for another six years, and includes other provisions intended to improve college affordability, access, and accountability. The Act includes several provisions that may be of interest to students and their families.

in the country, the bottom ten percent least expensive colleges in the country, and the top five percent of colleges with the largest percentage increase in tuition prices over the previous three years. The schools in the last category must then report the reasons for these price increases to the Department of Education.

estimates of their Expected Family Contribution (EFC) in the years before they officially submit the FAFSA.

Creates a new website with comprehensive information on college pricing

In an effort to make college costs more transparent to students and their families, the Act directs the Department of Education to create a new user-friendly website that will contain up-to-date information on college pricing, including tuition and fees for the current year, average price after grant aid, recent price increases, and changes in per-student spending, among other items. This list will include information for all colleges in the country. The website will also include calculators that students can use to get an early estimate of their expected college costs based on income and family situations, and to estimate the annual and total cost at a particular college.

Simplifies the federal financial aid application process

In an effort to make the Free Application for Federal Student Aid (FAFSA) application less daunting and encourage more families to apply for federal student aid, the Act directs the Department of Education to streamline the FAFSA over the next five years by reducing the number of questions from the current 100+ questions. The Act also provides a two-page FAFSA-EZ form for low-income students, and simplifies the FAFSA re-application process. Also, a new calculator will allow students and families to receive

Makes textbook costs more manageable

To address the rising costs of textbooks and discourage the practice of "bundling," in which textbook publishers package books with often expensive supplementary materials like DVDs, CDs, or workbooks, the Act requires college textbook publishers to provide colleges with full price information on both bundled textbooks and unbundled alternatives, which information can then be passed on to students. In addition, publishers will be required to sell unbundled versions of every bundled textbook they sell.

Encourages colleges to rein in price increases

The Act directs the Department of Education to publish annually the top five percent most expensive colleges





The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations

for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. The tax information provided is not intended to be a substitute for specific individualized tax planning advice. We suggest that you consult with a qualified tax advisor.

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Promotes student loan literacy

The Act requires private student loan lenders to first inform students of their federal borrowing options. The Act also requires that all exit loan counseling be done with the school's involvement, and requires that students be informed of all possible repayment options. In addition, the Act requires colleges to fully disclose all relationships with private student loan lenders, and requires private lenders to prominently disclose all loan terms and conditions to student borrowers.

Expands the Pell Grant and federal Work-Study program

In an effort to expand access to college, the Act increases the maximum Pell Grant from \$5,800 to \$9,000 per academic year and, for the first time, makes it available year round. The Act also expands the community service opportunities under the federal Work-Study program.

Increases college aid for veterans and military families

The Act creates a new scholarship program for active military duty personnel and family members, including children and the spouses of active duty military service members or veterans.

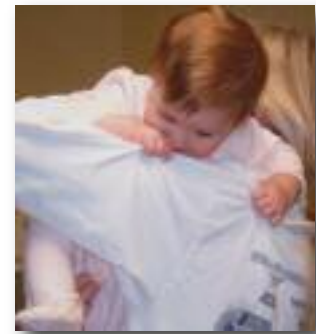
Expands loan forgiveness programs

To encourage students to enter vital public service jobs, the Act authorizes up to \$10,000 in loan forgiveness for teachers, nurses, law enforcement officers, firefighters, first responders, military service members, public defenders, prosecutors, and others serving the public interest.

Improves campus disaster readiness plans

The Act creates a National Center for Campus Safety and helps colleges develop and implement state-of-the-art emergency systems and campus safety plans.

Baby Face!



This photo was submitted by JoAnn and Bob Denmark of their granddaughter, Bryanna Noelle. Bryanna Noelle is the daughter of Mark and Jenae Denmark. JoAnn is pictured holding little Bryanna, who will be celebrating her first birthday on July 1st. A very happy birthday to our newest client!

529 College Savings Plans

Your contact
for this article:



CHRISTINE ROBINETTE, CFP®, MSW
Vice President

529 college savings plans are tax-advantaged college savings vehicles and one of the most popular ways to save for college today. Much like the way 401(k) plans revolutionized the world of retirement savings a few decades ago, 529 college savings plans are revolutionizing the world of college savings. By 2011, assets in 529 plans (college savings plans and prepaid tuition plans) are expected to grow to \$257 billion. (Source: Financial Research Corporation)

Tax advantages and more

529 college savings plans offer a unique combination of features that no other college savings vehicle can match:

- *Federal tax advantages:*

Contributions to your account grow tax deferred and earnings are tax free if the money is used to pay the beneficiary's qualified education expenses. (The earnings portion of

any withdrawal not used for college expenses is taxed at the recipient's rate and subject to a 10% penalty.)

- *State tax advantages:* Many states offer income tax incentives for state residents, such as a tax deduction for contributions or a tax exemption for qualified withdrawals.

- *High contribution limits:* Most college savings plans let you contribute over \$300,000 over the life of the plan.

- *Unlimited participation:* Anyone can open a 529 college savings plan account, regardless of income level.

- *Professional money management:* College savings plans are offered by states, but they are managed by designated financial companies who are responsible for managing the plan's underlying investment portfolios.

- *Flexibility:* Under federal rules, you are entitled to change the beneficiary of your account to a qualified family member at any time as well as rollover the money in your 529 plan account to a different 529 plan once per year without income tax or penalty implications.

- *Wide use of funds:* Money in a 529 college savings plan can be used at any college in the United States or abroad that's accredited by the Department of Education and, depending on the individual plan, for graduate school.

- *Accelerated gifting:* 529 plans offer an excellent estate planning advantage in the form of accelerated gifting. This can be a favorable way for grandparents to contribute to their grandchildren's education. Specifically, individuals can make a lump-sum gift to a 529 plan in 2009 of up to \$65,000 (\$130,000 for married couples) and avoid gift tax, provided the gift is treated as having been made in equal installments over a five-year period and no other gifts are made to that beneficiary during the five years.



Choosing a college savings plan

Although 529 college savings plans are a creature of federal law, their implementation is left to the states. Currently, there are over 50 different college savings plans available because many states offer more than one plan. You can join any state's 529 college savings plan, but this variety may create confusion when it comes time to select a plan. To make the process easier, it helps to consider a few key features:

- *Your state's tax benefits:* A majority of states offer some type of income tax break for 529 college savings plan participants, such as a deduction for contributions or tax-free earnings on qualified withdrawals. However, some states limit their tax deduction to contributions made to the in-state 529 plan only. So make sure to find out the exact scope of the tax breaks, if any, your state offers.

- *Investment options:* 529 plans vary in the investment options they offer. Ideally, you'll want to find a plan with a wide variety of investment options that range from conservative to more growth-oriented to match your risk tolerance. To take the guesswork out of picking investments appropriate for your child's age, most plans offer aged-based portfolios that automatically adjust to more conservative holdings as your child approaches college age. Caution: Remember, though, that any investment involves risk, and past performance is no guarantee of how an investment will perform in the future.

- *Fees and expenses:* Fees and expenses can vary widely among plans, and high fees can take a bigger bite out of your savings. Typical fees

include annual maintenance fees, administration and management fees (usually called the "expense ratio"), and underlying fund expenses.

- *Reputation of financial institution:* Make sure that the financial institution managing the plan is reputable and that you can reach customer service with any questions. With so many plans available, it may be helpful to consult an experienced financial professional who can help you select a plan and pick your plan investments, giving you peace of mind. In fact, some 529 college savings plans are advisor-sold only, meaning that you're required to go through a designated financial advisor to open an account. Always carefully read the 529 plan issuer's official materials before investing.

Account mechanics

Once you've selected a plan, opening an account is easy. You'll need to fill out an application, where you'll name a beneficiary and select one or more of the plan's investment portfolios to which your contributions will be allocated. Also, you'll typically be required to make an initial minimum contribution, which must be made in cash or a cash equivalent. Thereafter, most plans will allow you to contribute as often as you like. This gives you the flexibility to tailor the frequency of your contributions to your own needs and budget, as well as to systematically invest your contributions. You'll also be able to change the beneficiary of your account to a qualified family member (e.g., siblings, stepsiblings, parents, nieces, nephews, aunts, uncles, first cousins) with no income tax or penalty implications. Most plans will also allow you to change your investment portfolios (either for your future or

current contributions) if you're unhappy with their investment performance.

529 prepaid tuition plans--a distant cousin

There are actually two types of 529 plans--college savings plans and prepaid tuition plans. The tax advantages are the same, but the account features are very different. A prepaid tuition plan lets you prepay tuition at participating colleges at today's prices for use by the beneficiary in the future.

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.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. The tax information provided is not intended to be a substitute for specific individualized tax planning advice. We suggest that you consult with a qualified tax advisor.

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Retirement Planning Key Numbers

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An increasing number of retirement plan and IRA limits are indexed for inflation each year. For 2009, many of the limits eligible for a cost-of-living adjustment (COLA) did in fact adjust upward. Some of the key numbers for 2009 are listed below, with the corresponding limit for 2008. (The sources for these 2009 adjustments are Information Releases IR-2008-118 and Revenue Procedure 2008-66 from the IRS.)

	2008	2009
Elective deferral limit		
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs ¹ (includes Roth 401(k) and Roth 403(b) contributions)	Lesser of \$15,500 or 100% of participant's compensation	Lesser of \$16,500 or 100% of participant's compensation
SIMPLE 401(k) plans and SIMPLE IRA plans ¹	Lesser of \$10,500 or 100% of participant's compensation	Lesser of \$11,500 or 100% of participant's compensation
IRA contribution limits		
Traditional IRAs	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income
Roth IRAs	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income
Additional "catch-up" limits (individuals age 50 or older)		
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs ²	\$5,000	\$5,500
SIMPLE 401(k) plans and SIMPLE IRA plans	\$2,500	\$2,500
IRAs (traditional and Roth)	\$1,000	\$1,000
Defined benefit plan annual benefit limits		
Annual benefit limit per participant	Lesser of \$180,000 or 100% of average compensation for highest three consecutive years	Lesser of \$195,000 or 100% of average compensation for highest three consecutive years
Defined contribution plan limits (qualified plans, 403(b) plans, SEP plans, SIMPLE IRA plans)		
Annual addition limit per participant (employer contributions; employee pretax, after-tax, and Roth contributions; and forfeitures--not applicable to SIMPLE IRA plans)	Lesser of \$46,000 or 100% (25% for SEP) of participant's compensation	Lesser of \$49,000 or 100% (25% for SEP) of participant's compensation

	2008	2009
Retirement plan compensation limits		
Maximum compensation per participant that can be used to calculate tax-deductible employer contribution (qualified plans and SEPs)	\$230,000	\$245,000
Compensation threshold used to determine a highly compensated employee	\$105,000 (when 2008 is the look-back year)	\$110,000 (when 2009 is the look-back year)
Compensation threshold used to determine a key employee in a top-heavy plan	\$1 for more-than-5% owners \$150,000 for officers \$150,000 for more-than-1% owners	\$1 for more-than-5% owners \$160,000 for officers \$150,000 for more-than-1% owners
Compensation threshold used to determine a qualifying employee under a SIMPLE plan	\$5,000	\$5,000
Compensation threshold used to determine a qualifying employee under a SEP plan	\$500	\$550
Income phaseout range for determining deductibility of traditional IRA contributions for taxpayers:		
1. Covered by an employer-sponsored plan and filing as:		
Single	\$53,000 - \$63,000	\$55,000 - \$65,000
Married filing jointly	\$85,000 - \$105,000	\$89,000 - \$109,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	\$159,000 - \$169,000	\$166,000 - \$176,000
Income phaseout range for determining ability to fund a Roth IRA for taxpayers filing as:		
Single	\$101,000 - \$116,000	\$105,000 - \$120,000
Married filing jointly	\$159,000 - \$169,000	\$166,000 - \$176,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
Annual income limit for determining ability to convert traditional IRA to Roth IRA	\$100,000	\$100,000

¹Must aggregate employee deferrals to all 401(k), 403(b), SAR-SEP, and SIMPLE plans of all employers; 457(b) contributions are not aggregated. For SAR-SEPs, the percentage limit is 25% of compensation reduced by elective deferrals (effectively, a 20% maximum contribution). ²Special catch-up limits may also apply to 403(b) and 457(b) plan participants.

Profiles in Progress: Client Stories

David and Carrie Miller

Dave Miller's life was shaped by the loss of his father, Garrett, when Dave was age 14. He had to grow up fast being the only boy and oldest child among three sisters and a mother who, at that time, did not work or even drive an automobile. David Miller's family lived on Pittsburgh's North Side and his father worked for the Otto Milk Company. Garrett moved the family to Upper St. Clair when David was age eight to try to provide a more advantageous upbringing for the children. Garrett went to work at two jobs, one for the Upper St. Clair Parks and Recreation Department and the other in the evenings as a custodian for the school district. It is no wonder that Dave exhibits the drive that has made his business successful.

When Dave's father died, his mother, Rose, obtained a driver's license, at the age of 39, and went to work at the Westinghouse Nuclear facility as an administrative assistant.

Meanwhile, David continued on through Upper St. Clair High School and then on to West Liberty State College. Dave became an ex-officio member of the neighboring Paul and Marge Schiffer family, spending time and having sleepovers with their four sons. Paul Schiffer stepped in to the role of surrogate father to Dave. In a twist that we so often see in Pittsburgh's small/big town



The Miller Family

From left to right, back row: Alexis, Carrie, and David
Front row: Garrett and Erika

atmosphere, the Schiffers are, coincidentally, also valued clients of our firm.

After college, David took a job as the assistant manager of the Pleasant Hills K Mart and quickly moved on to sales with a major food brokerage agency. And that sales bent took him to insurance sales for a six year stint. At that time, a friend suggested a business opportunity in an industry where he had experience. Dave and the partner began *Associates in*

Rehab, an agency that medically manages worker's compensation claims, interacting between the injured worker and the insurance company or the self-insuring employer, to help get the employee back to productive employment.

Within three years, Dave had bought out his partner and was eyeing future growth. The business grossed \$5 million in revenues in 2008 and is the premier such independent firm in our geographic area.

But, characteristically, David is looking to grow beyond Pennsylvania and its contiguous states where it now primarily operates. Dave plans to expand in all directions from that base, building the business based on the same formula that created it. And that is getting close to and staying with the decision-makers in each organization and then servicing the business better than anyone else is willing to do. That growth will cause him to expand from the current 52 employees and that is good news for the economy, as the company will need nurses who serve as case managers in the geographic regions where the company will experience growth.

While still selling insurance, Dave met a beautiful young woman named

Carrie, who had grown up in Peters Township and worked in the restaurant business. They were married in 1991 and Carrie was there for the start of the business venture. During their first years of marriage and while the business was building, they had Alexis, now age 14 and an eighth grader, Erika, age 13, and in seventh grade, and Garrett, age 9 and in third grade. A recent photo shows an absolutely beautiful family, and David is devoted to them. While Dave works 12 hour days, he makes sure that they start at 5 AM and end at 5 PM so that his evenings and weekends are devoted to his family. David states that he acutely felt the absence of his father during his formative years and is determined to be meaningful in his children's lives. He works out regularly and watches

his diet to stave off the health consideration that shortened his father's life.

David explained that he follows his father's vision of providing a better life for his children and wants to be a good example for them. He knows that working smart and hard is the means to success and that those who take short cuts find them to be self-defeating. He also credits Fragasso Financial Advisors, and his advisor Gregg Daily, as a good guide in his finances.

We believe that David's success trajectory is still arcing upward and we will enjoy watching him build upon the substantial accomplishments he has made. And we thank him for his confidence in us.

Our Futures Project Winner: Damien Gottschalk

Damien was the winner of the Our Futures Competition which we highlighted in the April Newsletter. He officially joined the firm on May 18, as a Portfolio Administrator within the Portfolio Management Department.

Damien grew up in Swissvale and after graduation from high school he joined the United States Marine Corps spending two years in Hawaii at Kaneohe Bay Marine Corps Base. After being Honorably Discharged he attended Penn State University on an ROTC Scholarship majoring in journalism. At the end of two years at Penn State he enrolled at Duquesne University in the School of Business.

He was graduated in May with a double major in finance and investment management.

In his leisure time Damien enjoys reading books and has taken up woodworking as a hobby, which he is learning to do on his own.

Damien is the oldest of four children and currently resides in the Southside.

We are pleased to welcome Damien to the firm and wish him well in his new position.



Bob Fragasso with Damien Gottschalk, the winner of the Our Futures Project competition

Fragasso Gives Back

Giving back to the community is a hallmark of Fragasso Financial Advisors and is a responsibility that we take very seriously. We believe that it is important to support causes that help make the Southwestern Pennsylvania Community an even better place to live. This article highlights three of the initiatives the firm has undertaken in 2008/2009.

The National Foundation for Teaching Entrepreneurship (NFTE)

Through entrepreneurship education, NFTE helps young people from low-income communities build skills and unlock their entrepreneurial creativity. NFTE achieves this by creating engaging, experiential curricula and tools to improve academic, business and life skills. It partners with schools, community-based organizations and post-secondary institutions creating an experience that links the educational and business worlds in the classroom.



Jerry Cozewith, Executive Director of NFTE Pittsburgh, along with Cathy Blanchard, Program Director, have put in place programs at various schools in the Pittsburgh community. Fragasso Financial Advisors has become the lead sponsor for the Business Academy at Carrick High School and for the third year in a row our employees have worked with the

students as coaches. The responsibility of the coach is to review the business plan that the student prepares, to make sure the plan makes sense, that the numbers are correct and to encourage the student. We have found this to be a rewarding endeavor and enjoy the end of the year celebration luncheon where the top three students present their business plans to a panel of judges and receive monetary awards for first, second and third place.

Everybody Wins!

The Fragasso team also participated in Everybody Wins! a program established by Beginning with Books® Center for Early Literacy. It is a lunchtime literacy program that promotes reading for pleasure and utilizes a Read-Aloud approach with elementary school students. One volunteer and his/her assigned student meet one hour per week, during lunch, to read books and enjoy each other's company.

This year we partnered with the Weil Accelerated Learning Academy in Pittsburgh's Hill District and thirteen of our employees went to the school each Tuesday to read to the students. Each of our employees who participated said that it was a very rewarding experience. Feedback from the school indicated that the students were also very excited to visit with their reading partner each week.

Research has proven that reading aloud proves very beneficial to a child, opening a world of opportunities.

Additionally, by reading aloud the student is given access to complex words and concepts, it encourages independent reading, the child thrives on the adult attention, and it creates connections and overcomes barriers. It also allows adults to model their love for books and provides a stress free environment where the student and adult partner take turns reading aloud to each other.

On May 27 we attended an evening reception at the school where the students brought their parents to meet their reading buddies and to celebrate the end of a successful year of reading. We look forward to doing this again in the 2009 - 2010 school year. If you would like more information on this wonderful program please visit the Beginning with Books website at www.beginningwithbooks.org



Downtown Experience

For the fourth year in a row Fragasso Financial Advisors along with the Rivers Club has sponsored the Downtown Experience event. This event was established to recognize people and organizations that are



The school Presidents being honored at the Downtown Experience. From Left to Right:
Dr. Paul Hennigan, Point Park University
Dr. Charles J. Dougherty, Duquesne University
Dr. Gregory Dell’Omo, Robert Morris University
George L. Pry, The Art Institute

making an impact on the revitalization of Downtown Pittsburgh.

In 2006 Henry and Elsie Hillman were recognized for financing the ice skating rink at PPG Place. In 2007 Jim Rohr, CEO of PNC Bank, was recognized for his commitment to building the new bank tower in the city. In 2008 the developers of all the new housing being built in the downtown area were awarded. On April 29, 2009 **Duquesne University, Point Park University, Robert Morris University and The Art Institute** were recognized for their commitment to improving and expanding their campuses and adding to the vibrancy of Downtown Pittsburgh.

What made the event special was that all of the promotional materials produced for the event were designed by a team of students from Point Park, Robert Morris and The Art Institute. The theme they developed was Pittsburgh Alive that carried through to everything that was produced.

At the event these students were acknowledged for their hard work and dedication to the project. We are

pleased to mention their names as part of this article. From Point Park University; Amanda Crivaro, Amanda Hruska, and Miles Ritenour. From The Art Institute; Catrina Enders, Jackie McClellan, Alex Rebele, and Caitlin Wyckoff. From Robert Morris University; Scott Golmic.

We are proud to be part of these and other initiatives that help to make our community an even better place to live and look forward to continuing this involvement into the future.

Managing the Debt Side of Your Balance Sheet

The list of assets and liabilities for an individual, family or company is referred to as a balance sheet. And that word, “balance” is key. We so often concentrate on asset building activities and we neglect the management of our liabilities. That has certainly proved itself to be true nationally as many Americans have found themselves over-extended with debt. Let us focus on managing our debts as strongly as we do our assets.

We teach in our financial education courses that there are two kinds of debt: good and bad. Good debt is created to help us acquire and build assets. Examples include buying a home instead of renting or financing the start a business. It also can include financing an automobile as a means of transportation to employment or to gain additional education. Bad debt, by contrast, impedes the acquisition of assets by draining off income toward debt that serves no productive purpose. Charge card debt for consumer non-durables (think exotic vacation that you can’t afford) is financed with high interest rates and is not deductible on your federal tax return. By contrast, mortgage debt interest may be deductible and can lead to asset value growth over time.

For example, a \$10,000 charge card balance financed at 18% interest over five years may cost you about \$5,400 in interest. If, instead, you took \$5,400 and invested it at, say, 7%, you would have about \$7500 in additional earnings. So, the charge card-financed vacation that cost you \$10,000 to take also cost you a total of about \$12,900 in interest and opportunity lost. I hope that you at least ate well on your \$23,000, one week vacation!

Today’s events provide a perfect opportunity to scrutinize your debts and, if appropriate, organize them so that you are paying them down and so that the government may help you by making the interest tax deductible. By today’s events, we mean the move toward greater sanity in debt and cash flow management coupled with historically low interest rates.

Call your financial advisor now to discuss how this type of financial check-up might save and gain you many more assets as you move toward your life’s goals. If you are not now a Fragasso Financial Advisors client, call us at 412-227-3200 or 1-800-900-4492 to begin that discussion.