



Stretch IRAs By John Clouden

Whether you're age 25 or 65, planning for a financially secure future is an evolving process. As you get closer to retirement, you will have a good understanding of how far your retirement assets will really go. Will

those assets take care of you and your spouse? Will there be enough left to provide a legacy to your children? And their children? With proper planning, the assets in a traditional Individual Retirement Account (IRA) could help you create a source of income for several generations of your family. To create this type of legacy with your IRA, you will need to apply what's known as the "Stretch IRA" technique. Stretch IRA refers to the two-pronged strategy consisting of: (1) withdrawing from your IRA only the required minimum distributions each year after you reach age 70 1/2, and (2) making the proper beneficiary designations.

A Stretch IRA may appear to be a complex investment tool, but the mechanics behind it are fairly simple. The process begins when your retirement money is distributed to you.

Six steps to a good Stretch: 1. Open an IRA. 2. Name your spouse or someone younger as beneficiary. 3. After your death, your spouse rolls remaining assets to his or her own IRA. 4. Your spouse names a son or daughter as beneficiary or both. 5. After your spouse's death, your son or daughter maintains the IRA and names his or her child as beneficiary. 5. Distributions continue until the beneficiary IRA is exhausted. One cautionary note: make sure your beneficiaries know what your plans are and that each beneficiary knows what they are supposed to do. If a beneficiary cashes out, your plan won't work.

Benefits of the Stretch IRA: There are several ways that traditional IRA owners and their beneficiaries may benefit by employing the stretch technique: one being more money may be passed along by the IRA owner to the next generation. If the owner's situation changes while living, he or she still has the right to liquidate as much of the IRA as needed. If the beneficiary's situation changes after the death of the owner, the beneficiary can always take a full or partial liquidation instead of the minimum required distributions. Payments to beneficiaries are paid out as death distributions. Therefore, there is no 10% penalty even if the beneficiary is under age 59 1/2.

Is a Stretch IRA right for you? The answer varies. It depends on what you have determined your retirement needs are. If you would like more information, please call the office to schedule an appointment (or consult your tax advisor).



Snowed In -

**January 10, 2002, Ridge Rd, Lackawanna
(Old K-Mart Parking Lot)**



SGROIFINANCIAL.COM

H. Joseph Sgroi and Associates is proud to announce the launching of *Sgroifinancial.com*, our firm's official website. The idea of a website started a few years back, but only recently have we made a commitment to launch it.

A main reason that we wanted to have a website was for our expanding client base. Even as we continue to grow year after year, we pride ourselves on being a small business that cares. Any vehicle that promotes more communication between us is a welcome addition. One of the pages, "Community", is for you. In this page we want to promote clients and recognize their efforts to improve our community.

Furthermore, we are encouraging our clients to open up the lines of communication via email. Our email address is info@sgroifinancial.com. While this form of communication has been available for some time, we want to stress its importance. Feedback from you, our valued clients, has been invaluable and will shape the way we do business for years to come. **SO GET SURFING!**

A personal letter from Joe

Dear Friend,

The year 2002 came in with a bang. Western New York was headline news throughout the country, especially on the Weather Channel. After the most pleasant November in history, the snow between Christmas and New Year's came down at a record pace. On Thursday December 27th it took me over an hour from the time I pulled into the parking lot to the time I walked into the office. However, I like the way the bad weather really pulls us all together to help one another. Once again, the people of Buffalo, New York answered the bell and came out on top. I'm proud to be one of you.

My next thought is on the market. A statement we hear from our clients on a regular basis is, "there has to be a way that you can predict the market better!" My response is that no one can. Sure we can get some kind of idea which way the market will fluctuate towards, but we will never know to which depths it will rise or fall.

As an investor, you are inundated with newspapers, magazines, newsletters, mailings and the internet discussing whether the stock market is too high or too low and whether you should buy or sell. It is tempting to try to find the perfect time to buy or sell. History shows, however, that moving in and out of the stock market in order to reduce losses and capture gains is a sure fire way to reduce your return.

If your portfolio matched the S&P 500, look what would have happened if you, in an attempt to time the market, had missed some of the best days on Wall Street over the past 10 years.



S&P 500 (12/31/1990-12/31/2000)	
Period of investment	Average annual return
Fully invested	17.46%
Missed 10 best days	13.84%
Missed 20 best days	10.80%
Missed 30 best days	8.26%
Missed 40 best days	5.95%
<small>*Past performance is not indicative of future results.</small>	

This chart spans roughly 3,650 days and by missing only 40, you LOSE close to **300%** of your growth!! In my opinion, this is far too great of a risk. It is also our opinion that history usually repeats itself and, as your advisors, we like the odds of continuously being in the market. Remember, we are not in the market to get rich quick. We are in the market to get rich slowly, over time.

Everyone at H. Joseph Sgroi & Associates works very hard to improve each of our client's financial well-being. The best possible way for us to service you is if you schedule in on a regular basis. Investment plans are at their best when we can address them on at least an annual basis.

All the best to you and yours for the New Year!!





The Market Square By Jeff Hahn

As we go to print, a look at the major market indexes verifies that the current bear market continues and is now nearly two years old. These have been the toughest market conditions since the early seventies. (The good news is: it won't last forever.)

Both the S & P 500 and the NASDAQ Composite Index are currently at the same levels they were at in March 1998, essentially losing all of the gains of 98 and 99. During this period of time we have seen the Russian bond default and the collapse of the Asian economies, the impeachment trial of President Clinton, the Y2K scare, the interest rate increases of 2000, the Presidential election controversy, the oil shortages and California electric shortages, the terrorist attacks on September 11, the interest rate and tax cuts of 2001 and now Enron. These are all events.

During this same time we have seen a slowing of the U.S. economy. That's a trend. When the economy slows, companies earn less and their stocks become less valuable as a result.

We are now starting to see more positive economic signs. Earnings have started increasing in certain areas, housing has stayed strong, interest rates and energy prices remain low, and taxes are expected to come down more.

Events effect the market over the short run, trends effect it for longer periods of time. My opinion is that the market will start to recover as economic trends continue to improve. We may see somewhat swift market advances - like the recent run up - followed by periods of volatility and consolidation as current events, whatever they may be, exert their inevitable influence. It's doubtful that there will be a consistent and dramatic market rise as we had from 1995 through 1999. During that time period, we saw five consecutive years of 20% annual increases. That had never happened before and it may not again.

Good management of money will be more important than ever and the gains will likely not come as easily. This "new" market emphasizes the need for us to meet regularly and review your portfolio. As always, our research into the financial markets continues as well as the review of our recommended funds. We hope to see you soon.



Saving for Education: 529 vs. Coverdell By Pat Sgroi

As with any investment, the more knowledge an individual has the better off they are. When it comes to a child's education, there are two specific investments that we are receiving calls on: the College Savings Plan (529) and the Coverdell Education Savings Account (formerly Education IRAs). While both are important investment tools, they are distinctly different.

I hope this chart can be helpful:

	College Savings Plan (529)	Coverdell Education Savings Account (formerly Education IRAs)
Financial Aid Implications	-Lower weighting in many financial aid calculations, since assets belong to the account owner, not student -Penalty-free withdrawals up to the amount of scholarship, if the student receives a scholarship	-Assets of the student, which can have a higher impact on financial aid calculations
Contribution Limits	\$50,000 per contributor (with certain restrictions)	-\$2,000 maximum annual contribution (effective 2002) -Income restrictions for higher income households
Advantages	-High contribution limits -No income restrictions -Anyone can establish an account -Account owner controls assets -Beneficiary can be changed at any time -Can be used for broad ranging education related expenses -Distributions TAX FREE for education related expenses	-Anyone can establish an account -Can transfer to another child -Can be used for elementary and secondary education expenses including public and private religious schools -Distributions TAX FREE for education related expenses

Which type of plan is better?

It depends upon the investment needs and goals of the family. Each state has created it's own college savings programs designed to reflect the unique needs of its citizens. The plans represent affordable, flexible, and tax-advantaged options that can ensure the education of our most precious resource — children. For more complete information on this topic or any other, call the office to set up an appointment. We look forward to seeing you.

In the Community

The wheels of progress are in motion. The West Seneca Rotary Foundation golf course in two short years will not be just a poster in our lobby. Through the hard work and generosity of numerous individuals, the dream will soon become a reality.

Carl Lambein, owner of the Southgate Plaza, started the ball rolling when he donated 125 acres along Southwestern Boulevard (at Old Transit) on December 31, 1997. As an avid golfer, Mr. Lambein requested that the land be used to build a golf course which would be open to the public and the proceeds from the course be used to benefit the community.

The project will be built in three phases; Phase I (present) is to construct the Administration building, 3052 Old Transit Road, and the pro shop. Phase II, which will occur this June or July, is the official ground breaking. Phase III will be the construction of the club house.

In addition, the golf course will be part of the nationally acclaimed First Tee Program. First Tee, whose Honorary chairman is former President Bush and whose national

spokesperson is Tiger Woods, is a program designed to teach golf and important life skills to children. The Western New York chapter hopes to provide free education to roughly **500 children** a year.

Integrity and quality are the building blocks of this project. Here is a glimpse; a championship 18 hole golf course, a three hole teaching facility, short game center, driving range, computer education, blind education, handicap accessibility, integrated pest management and wetlands education program.

Fred Zillner, the Golf Course Project Manager, and the other board members would like to acknowledge some of the companies whose involvement has been instrumental; Sahlem's Roofing & Siding, Mader Construction Corp., Pirritano Excavating Inc., JL Peterson's Plumbing & Heating Inc., Hawco Services, Westney Building Products and MJH Electric.

In the summer of 2004, the Western New York community will be enhanced. If you would like to get involved in this awesome project, contact the office.



Employee Profile

Mary Radder, Assistant to Patrick Sgroi & Jeffrey Hahn

Mary started with H. Joseph Sgroi & Associates on June 18, 1997. She was hired to run the Promotions Department, where she was responsible for mailings, advertising, ordering office supplies and learning the ins and outs of the business.

When an assistant position for Patrick became available she was ready for the opportunity. Mary continued to run the Promotion Department until her duties were expanded to assist Jeffrey also.

Mary has been married to her husband Neal for 23 years this May and has four sons (Neal Jr., Andrew, Matthew & John). She loves crafts, decorating and remodeling. She celebrates her five year anniversary with us this June.

Adding Contest

The object of this contest is to find EVERY NUMERIC NUMBER on the Newsletter, add them up and call the office with your total. All correct answers will be put into a hat, with 2 winners being drawn on Friday April 12th. The winners will receive a dinner and movie package from Zebb's Deluxe Grill & Bar (located in Orchard Park and Amherst).

There is one slight hitch: all numbers will be counted individually. For example, if you are counting S&P 500 (12/31/1990-12/31/2000), you would count it as follows; 5+0+0+1+2+3+1+1+9+9+0+1+2+3+1+2+0+0+0. Remember every number is counted by itself and EVERY number is in the game. Good Luck!!!!



Christa Sgroi's Spinach and Artichoke Dip

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| 2 cups (8 oz.) shredded part-skim mozzarella cheese, divided | 1 (14 oz.) can artichoke hearts, drained and chopped |
| ½ cup sour cream | 1 (8 oz.) block cream cheese, softened |
| ¼ cup (1 oz.) grated fresh Parmesan cheese, divided | 1 (8 oz.) block fat-free cream cheese, softened |
| ¼ teaspoon black pepper | ½ (10 oz.) package frozen chopped spinach, thawed, drained and squeezed dry |
| 3 garlic cloves, crushed | 1 Package of tortilla chips |

Preheat oven to 350°. Combine 1 ½ cups mozzarella, sour cream, 2 tablespoons Parmesan, and next 6 ingredients (2 tablespoons Parmesan through spinach) in a large bowl and stir until well-blended. Spoon mixture into a 1 ½ quart baking dish. Sprinkle with ½ cup mozzarella and 2 tablespoons Parmesan. Bake at 350° for 30 minutes or until bubbly and golden brown. Serve with tortilla chips. Yield: 5 ½ cups.