

A personal letter from Joe

Dear Valued Client:

Happy Easter...Welcome Spring! Thanks to everyone who entered the NFL contest in our last newsletter. We had great response and participation. Thanks to Bill Thornton at Southgate Plaza for supplying additional gift certificates. Congratulations to Leo Wells for being our special long distance winner from Atlanta.

Well the Dow fell 171 points in 1 day and came back the next to gain 110 points! Boy, this is a fun business...it definitely gets the adrenaline going. It is sometimes difficult to sit back, take a deep breath and try to think rationally.

This type of market can have an upsetting effect on someone if they react to it emotionally. When the market goes down one may be inclined to just react and not consider all the consequences. Today many people are concerned that since it is an election year, things could change for the market after the election, and that may be true. You cannot separate economics from politics. There are also concerns that the market has peaked and it is all down hill from here; that interest rates may rise again or unemployment may go down. These along with other concerns have investors wondering if now is a good time to sit on the sidelines and see what happens.

If I told you that I had a crystal ball and the following events were going to happen: interest rates were going to climb to 23%; mortgage rates were going to be 18%; unemployment rates will reach 13%; businesses and banks are going to fail at record rates; international terrorism is going to run rampant; we are going to have the worst stock market crash since 1929 and worst of all the President of the United States is going to be shot..... I doubt that I could get many of you to invest in that market. Well, everything I just mentioned occurred in the 1980s, during the biggest bull market in our history.

The point is that we don't know who or what is going to affect the world's economy. But we can put time on our side and try not to react to the potholes along the way. History tells us that over the long run we will be in good shape. As part of the whole process our firm will continue to work hard to keep your options open and to keep you well diversified.

What I recommend that you do is call and schedule in at least every other year so that we can keep on top of your goals and aspirations for the future. Thank you for the continued confidence in our firm.

Case Study - Mr. & Mrs. New Client...10 Years Later

In March of 1986, Mr. & Mrs. Client, came to my office to discuss financial strategies to reduce the amount of taxes they were paying. Both were teachers and figured all they had to do was start this thing called a Tax Sheltered Annuity(TSA). While it is true that a TSA reduces ones tax burden, in this case additional actions needed to be taken along with establishing their TSA. The Client's had a good income. They also had high credit card debt. This debt combined with their tax burden created a cash flow inadequate to their financial goals. What money was left was being invested into bank CDs. The CDs, of course, earned interest at a much lower rate than the interest being paid on the debt. The primary beneficiary of this financial relationship was the bank.

After completing the factfinder, one of the interesting things found were a dozen or more small Life Insurance Policies that had built up cash value over the years. After review, we found we could consolidate these dozen poor net cost policies, **increase** the amount of insurance and lower the premium. We then took cash value and paid down the debt.

We funded an IRA for each of them for 1985, by 4/15/86, and started a Money Market Account that paid significantly more than the bank's savings account but still had the liquidity of a checking account.

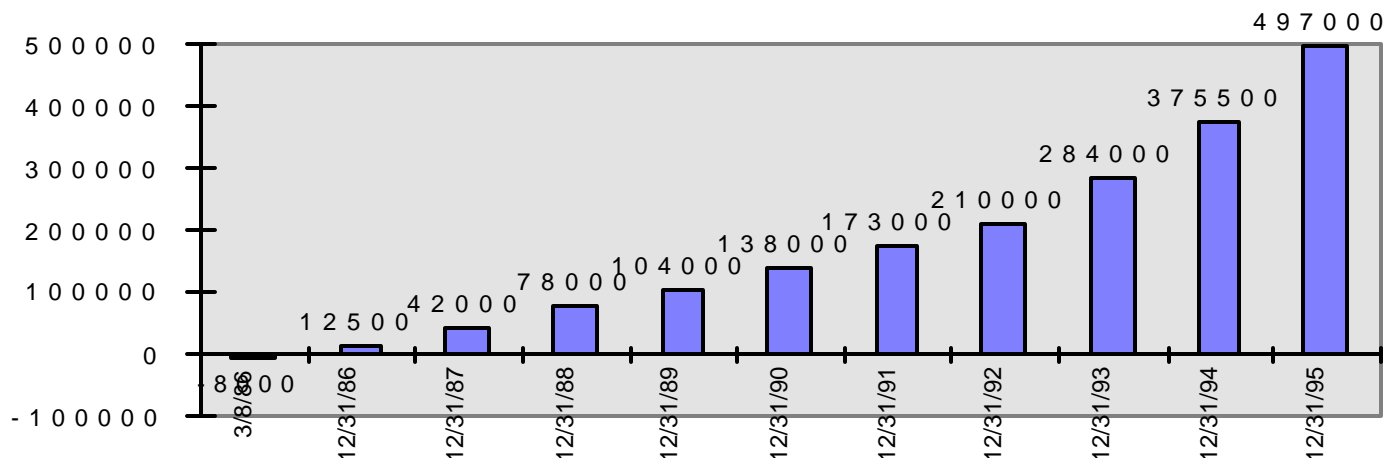
Implementing this strategy created a **greatly increased monthly cash flow**. This allowed us to maximize both of their TSA investments, reduce their taxable income to the highest extent possible at that time, and set up their insurance correctly for "Zero Option" purposes. **This strategy also cost them nothing out of pocket with their debt paid off.**

Mr. & Mrs. Client took all of our advice and have since been able to put almost \$250,000 into their 100% safe TSAs! Mrs. Client is currently taking more risk in Mutual Fund TSAs while Mr. Client is still contributing to his safe TSA. They were also able to put more money into their life insurance policies so that they would be paid up at the time they retire.

Over the years a large cash reserve was built up in the TSAs. Several years ago approximately 10% of that reserve was rolled into an IRA invested in an All Cash Real Estate. The earnings from that were dollar cost averaged into another IRA invested in Mutual Funds. Now they have more than \$100,000 in their IRAs, \$250,000+ in safe TSAs and the benefits of a diversified portfolio.

As you can see a simple TSA appointment turned into a very successful financial planning relationship which has Mr. & Mrs. Client heading into retirement with **total control** of their finances. Their net Estate the day they came in (3/18/86) was -\$8,000. Today, just ten years later, it exceeds \$497,000. Needless to say, the "Clients" are very happy.☺

G r o w t h o f A s s e t s



A GOOD FINANCIAL PARTNERSHIP

Some lessons have to be learned the hard way, often during a crisis such as a death or disability of a spouse. We may think we're helping our partner when we handle the finances alone. That is rarely the case. Like any good business partnership, your partner in home finance needs to know how to carry on.

It takes more than having joint accounts, a credit card or just knowing your net worth to control your finances. You should start with the following:

- ☞ Ensure each partner can balance a check book, make deposits, pay bills and mortgages, etc...
- ☞ Establish credit for each partner.
- ☞ Establish individual and joint savings and investment goals.
- ☞ Have an income replacement plan in case of disability.
- ☞ Own Sufficient life insurance protection in case of death. Joint knowledge of where financial records, contracts and certificates are kept (with a copy in your client file with us).

- ☞ Plan a joint financial strategy for retirement.
- ☞ Obtain an understanding of Social Security and pension benefits for both you and your spouse.

You, with your spouse should discuss the financial issues that you normally do yourself. Cover what you do month to month, why you do it, and where you keep the records.

In addition to short-term issues, review the big picture - long-term asset growth. Don't make the common mistake of confusing day-to-day money management with building your savings.

If the unfortunate were to happen to you or your partner it would be comforting to know that you have left them with all the information and resources that they need to live comfortably.

Remember, our clients' well being is the number one priority for us and we will always be there for you. Coming in at least once every other year will go a long way toward helping ensure that you or your partner will be left in good shape financially.

What's Happening

AND THE WINNER IS

Jim Spillman! Jim was the first person to return a complete and correct "Name the NFL Team" contest form. We hope he enjoys his \$25 gift certificate from the Southgate Plaza - Congratulations!

One thing that we realized was not everyone received their newsletter on the same day so because of that and also due to the overwhelming response to the contest we decided to give out five more Southgate gift certificates in the amount of \$10 each. These five additional gift certificates were picked at random on Friday, March 8th. If you were a winner congratulations, if not try again with our next puzzle at a future time.

Special thanks to Bill Thornton, Vice-President of the Southgate Plaza and a Great Friend, who donated the prizes for the contest!☺

CONGRATULATIONS JOE

Once again, Joe has qualified for the Million Dollar Round Table's most prestigious "**Top of the Table Award**". This makes the **seventh consecutive year** that he has exceeded the minimum production level by **six times** the requirement of the Million Dollar Round Table members!

In addition to the above honor, Putnam welcomed Joe to their Golden Scale Council Board of Directors which consists of investment professionals who achieved the highest professional standards in servicing investors during the previous year. Only 150 representatives nationwide have qualified for this special recognition!

WELCOME ABOARD

Jeff Hahn. Jeff is joining us as our new Vice-President of Operations. I have been trying to hire Jeff for years and I am delighted that he is on board. Jeff has an incredibly strong business and administrative background. He also has a fantastic wife, Jill, and three beautiful kids. Welcome!!! ☺

The Sgroi Financial

Equity Markets Do Fluctuate...That is Part of the package.

If the trend of the first quarter continues, 1996 may prove to be one of the more unsteady markets in recent years.

Prior to this writing, the Dow Jones Industrial average had huge swings in value (171 points down on 3/8/96 and 110 points up on 3/11/96). This type of market can be very worrisome.

It can be unsettling to pick up the paper and see headlines like: "The Dow Plunges" or "The Dow Soars".

Remember though, that the media has to sell papers to stay in business. In fact, chronicling media inaccuracy has become an industry unto itself.

The market has always gone through corrections and after each and every one, the Dow has gone on to set new highs. Over the last 70 years there have been more than 40 corrections of 10% or more and there usually is a correction approximately every two years.

Due to the size of the Dow, 100+ point swings will probably become more common place. What we have to remember is a 100 point swing in the Dow today is **less than 2%**; and a 2% correction in the market is not all that uncommon.

We cannot predict what will happen in the future. But times like these only reinforce our long standing belief in and practice of diversification.

Today we can place your funds in Safe Annuities, Mutual Funds, CD's, Life Insurance, All Cash Real Estate and other investment vehicles to fully diversify your portfolio.

Putting your money into Technology Stocks in 1994 was

a great call. The problem was many people decided too late and missed most, if not all, of the upswing in this area. Most times, people who just chase the hot area end up losing more than they gain.

That is why we believe in diversification. When our clients come in to see us on a regular basis, we are able to diversify their portfolios so these ups and downs are much less unsettling.

Diversification is very important to the family as well as the single investor. In most cases it doesn't make sense to have a husband and wife invested into the same areas.

We try to take advantage of this situation by keeping them in separate areas to maximize their investments to the fullest. I call it family diversification.

It is also very true that as you get older, your strategies for investing are going to change. It is still important for you to

stay diversified. Many older people who came in to see us for the first time in 1994 were heavily committed to the bond market. They felt it was very safe. Most were shocked at the losses of principal they experienced in that rising interest rate environment.

It is important to know that the Dow will forever be going up and down, but **more likely than not, it will continue its trend upward**. The long term trend continues to look very bullish. Always stay invested with your risk capital and be sure to schedule in for a appointment every 12 - 24 months so we can fine tune your personal financial plan.

