

A personal letter from Joe

Hi Everybody!

It's been a while since our last newsletter and that's because we've all been incredibly busy. We've had a great start to '95 and hope it's a foreshadowing to the year ahead.

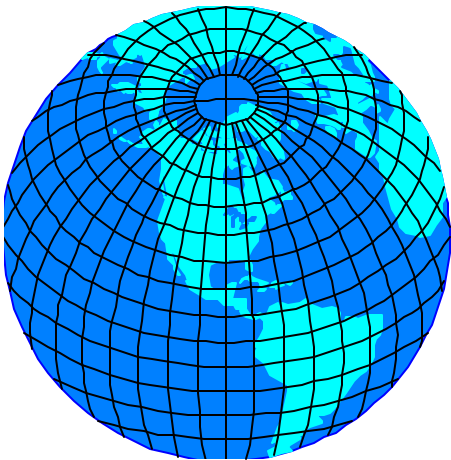
I would like to take this opportunity to talk to you about the developing markets investments that are available to today's investors. Those of you that are invested in these funds are aware of the volatility that can occur, example 1994. Given the unsteady nature of the foreign developing markets lately, the reasons for investing in the emerging markets have not changed. In the long run, the best returns will come from those countries with the highest growth. Investing in high-growth, developing nations should provide investment results far superior to the slower growing U.S., European or Japanese markets.

Obviously there will always be the potential for a Mexican-style crisis in any one country, so it is important to be both diversified and selective. Even so, with stock prices of high quality companies in these developing markets cut by as much as 50%, risk is substantially reduced.

Increasing living standards in developing countries have paved the way for a consumer spending boom. Rising demand for telephones, cars, washing machines and T.V.s is providing well-positioned companies with an outstanding profit picture. In some countries like China, there are only two telephone lines for every 100 people. Comparing this to the U.S., which has 50 lines per 100 people, demonstrates the huge potential for growth in developing countries.

Over the past decade, we have witnessed many extraordinary and unexpected events that are already having far reaching consequences for the world market. Those include the trend toward the integration of the world's major economies through measures such as the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and the European Economic Community (ECC). Newly industrialized nations are emerging with rising standards of living and increased consumer demand. And capitalism has found a new home in previously "closed" economies, most notably Eastern Europe and the Soviet Union. While all these changes and trends have translated into new foreign investment opportunities, it may be years until their true growth potential is realized.

Taking everything into account, the objectives of foreign investments remain the same - Growth. If you are looking for growth and have both the patience and the time, the potential for making more money is much higher in the developing markets than anywhere else. Call and schedule in if you have any interest in the above and especially so if you have not been in for a year or two now that our comprehensive factfinding system is fully computerized (it's the best in the industry)!!



A handwritten signature in black ink, appearing to read "Joe". The signature is written in a cursive, flowing style.

THE TEN COMMANDMENTS FOR INVESTMENT SUCCESS

- 1. Thou shalt keep thy financial house in order.** Set up a filing system. Calculate your net worth by totaling up assets and subtracting liabilities. Establish a budget and stick to it. Always pay yourself first by minimally putting the first 10% of income to reserves.
- 2. Thou shalt understand thy goals and expectations and put them in writing.** Write down what your short term goals are. Update them annually along with your New Year's Resolutions.
- 3. Thou shalt understand thy true enemies: inflation and taxes.** With a federal and state combined tax rate of over 45% for many families, and an annual inflation rate of over 3.5%, most consumers are losing the battle. This affects your buying power.
- 4. Thou shalt not gather all of thy eggs in one basket.** Diversify your portfolio. Divide your assets among different asset classes such as mutual funds, all cash limited partnerships and annuities. Mutual funds are an easy way to diversify.
- 5. Thou shalt not wait for the waters to part before making investment decisions.** There is no ideal time to start investing. The market fluctuates on a daily basis. Procrastination is your enemy here.
- 6. Thou shalt not seek the investment superstar.** Avoid the flashy new investments that may go bust next year. This year's winners are often next year's losers. Seek investments with good track records and great managers.
- 7. Thou shalt only do what thee understands.** If you don't understand an investment, or if it's so complicated no one can explain it to you, avoid it.
- 8. Thou shalt not marry thy investments until death do you part.** Know when to get out of an investment. If you have purchased a loser, take your lumps and get out. The exception here is a quality mutual fund in a good fund family with a great fund manager.
- 9. Thou shalt use time, not timing.** Trying to time the stock market or changes in interest rates when investing is impossible. The average investor fairs better by using a "buy and hold" strategy. As the great managers say, "it's time in the market not timing the market".
- 10. Thou shalt not covet thy neighbor's portfolio.** When it comes to investments, one size does not fit all. Learn what is best for your portfolio, by understanding your goals, time horizon and risk tolerance. We'll help to tailor your plan so that it fits you.

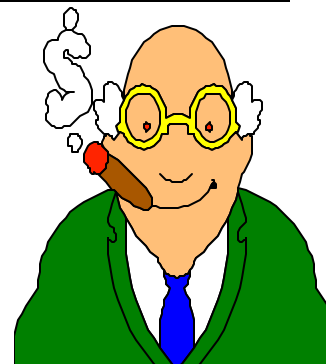
Q&A

Q: HOW MUCH CAN I EXPECT FROM SOCIAL SECURITY WHEN IT COMES TIME FOR ME TO RECEIVE IT?

A: Social Security now replaces an average of only 38% of pre-retirement income, based on a salary of \$35,000. And, the more you currently earn, the lower the percentage; if your current earnings are in the \$70,000 range, your Social Security income would equal only about 19% of your salary. Keep in mind that there is a good chance that Congress will find ways to trim Social Security benefits after the year 2000 - either by limiting the cost-of-living increases, taxing benefits or delaying the eligibility age for maximum benefits.

Q: WHAT IS THE IMPORTANCE OF INVESTING REGULARLY?

A: The key to investing on a limited budget is not necessarily how much you invest, but how often. By investing on a regular basis, you can work the amount into your household budget while making an appreciable investment over time.



Q: WHAT DO YOU SUGGEST I DO TO STAY ON TOP OF MY INVESTMENT PORTFOLIO?

A: You must keep in contact with us and try to come at least every two years (preferably every year), for a fact-finding update. This will help us stay in touch with the changes in your life - whether it's a new job, marriage children, retirement planning, etc. An ongoing relationship will also allow you to rely on our expertise to guide you as the financial markets and your needs change.

MEET THE STAFF CORNER

First we will introduce you to **Debbie Barth** of the Promotions Department. January made it one year since Debbie joined our firm. A West Seneca native, Debbie just had her 4th anniversary with husband Tom and they're proud new parents of Matthew Thomas, their first child born April 7. Her main task is to promote and advertise. If you've ever seen one of our ads in a local paper or other advertisement, chances are Debbie designed it. Other tasks include mailings and contributing to this newsletter. We wish her the best of luck with her new baby boy and anxiously await her return after maternity leave.



Next we'll meet **Jean MacFarlane** who we were very fortunate to hire this past September after having acquired 17 years of experience with a downtown insurance firm. Jean and husband Craig reside in West Seneca and have a 6 year old son Patrick who attended 1st grade this year. Jean has been a wonderful addition to our customer service department. Her abundance of knowledge in the insurance field has really made her a crucial part of our team. Feel free to ask for Jean when you call with any questions or concerns regarding your accounts. I'm confident you'll like her just as much as we do!

What's Happening

CONGRATULATIONS!!

Joe and Betsy have another college graduate in the house. Jennifer was awarded a Bachelor of Science degree in Finance from the Carroll School of Management at the 119th Commencement of Boston College on May 22. Joe is hoping that Jenny will join the firm, but she is still undecided. She will be taking some management courses this summer - we're keeping our fingers crossed!

Greg Sgroi has just completed his second year at LIU Southampton. He had another outstanding year academically and with volleyball. Greg has been named Captain of Southampton's Division 1 Volleyball team for the 1995-96 season. Way to go Greg! Way to go Joe, only four tuition payments left!

THE STORK HAS DELIVERED

We would like to welcome two new additions to the world. Jill and Debbie, employees of H. Joseph Sgroi & Associates both had their first babies recently. We filled you in on Debbie's little guy above, but, in addition, our receptionist, Jill, had a baby girl, Hope Elizabeth on March 28. Join us in congratulating them on their new bundles of joy!!

CONGRATULATIONS JOE

For the 24th straight year Joe has qualified for the MILLION DOLLAR ROUND TABLE. Only the top 1% of all insurance agents make this level. Joe has also qualified for the most prestigious Top of the Table for the 5th year in a row. This puts Joe in the company of only about 500 agents in the **world** (amazing). Joe is the only financial advisor in Western New York history to ever qualify for "Top of the Table" five consecutive times or years. We all know how hard Joe works and we're glad to see him being recognized for this prestigious award. Congratulations Again!!

Union Road's Facelift

Union Road is currently under construction. They will be repaving the road in sections from its beginning in Orchard Park in as far as Cheektowaga. The state is also planning on narrowing the median and adding sidewalks on both sides. Traffic is down to one lane in each direction. The completion date for Union Road's facelift is set for October.

The Sgroi Financial

U.S. SAVINGS BONDS ...WHAT YOU DON'T KNOW COULD BE COSTING YOU MORE THAN YOU THINK.

Americans now hold over \$170 billion in Savings bonds... and each year 14 million people buy more, making them the world's most widely held security.

- "U.S. Savings Bonds, 1994 campaign: Visions of America," NYNEX Corporation.

Given this fact, it amazes me that most people have two primary misconceptions about Savings Bonds.

Misconception #1 - *U.S. Savings Bonds are a simple investment.* The fact is that this could not be further from the truth. The concept that Savings Bonds are a simple investment is derived from the fact that they are easy to purchase. Each Bond carries a unique set of information specific to that Bond alone. This includes interest rates (two of them), timing issues, maturity dates, values, and accrued interest. Knowing the unique information that applies to each one of your Bonds can make a significant difference in the return on your investment. Not knowing can mean forfeiting hundreds or in some cases, thousands of dollars.

Misconception #2 - *Everyone knows how Savings Bonds work.* This is probably the most dangerous misconception about Bonds. The fact is that very few people actually do know how bonds work. The

author of the book, "U.S. Savings Bonds...A Comprehensive Guide for Bond Owners and Financial Professionals", Daniel Pederson, reported that in a recent survey of 400 banks, only 38% correctly answered the question, "how long does it take a Bond purchased today to reach face value?". This lack of knowledge is not limited to just banks. Most attorneys, accountants, financial planners were not able to answer that question correctly either.

Lack of information leads to costly mistakes. The following are just a few of the mistakes we have seen.

- A man was advised to redeem all of his bonds 2 years before retirement, when he was in the highest tax bracket of his lifetime. He did not realize that all the interest income from the redeemed bonds would be reported in that calendar year and should have been advised as such.

- A father purchased an EE Bond for its educational feature only to discover that he may not meet the criteria to qualify

for tax free status.

- A large portion of a clients Bonds had stopped earning interest and were sitting in his closet no longer appreciating in value.

Timing Issues at Redemption - Deciding when to cash a Bond rests solely with each bond owner. You - not the bank where you cash them in - are responsible for analyzing your bond holdings and obtaining detailed advice. Unfortunately, many people do not realize the importance of timing when it comes to redeeming their Bonds. A difference of even one day can mean the loss of hundreds or thousands of dollars to the Bond owners. Why? All Bonds purchased prior to March 1, 1993, increase in value twice a year. Cashing a

Bond one day before an interest increase results in missing out on up to six months of interest.

Seldom is the best time "accidentally" selected when Bonds are randomly redeemed. There are many other timing issues to consider, such as exchanging to HH Bonds and Final

Maturity. In

both, there are many reasons to select the correct time, so it is important to understand when and why each should be done. We are currently doing many Bond studies for our clients, so they can make educated decisions as to whether they should keep them or not. If you are interested in having a Bond study done, call the office and ask for John.



Inside This Issue

A letter from Joe 2

Investment Success 3

Questions and Answers 3

Meet our Staff 4

What's Happening ... 4