

A personal letter from Joe

Dear Valued Client:

1995 has been a very good year for most of your investments. It has also been a great year for **H. Joseph Sgroi and Associates**. Because of our hard work and integrity, many things are happening to keep us very busy. We dedicate many hours to the important things like studying new products and keeping up with the endless changes that may effect our clients.

I would like to personally thank all of you that refer your relatives, friends and neighbors to us. Without your confidence, all of what we do would not be possible.

I would like to continue this letter by addressing my TSA (tax sheltered annuity) clients. For years, the IRS has not been very interested in the 403(b) market. Due to the growing numbers of eligible people and the amount of money going into TSAs, Uncle Sam has decided to give it some attention.

It appears that the IRS is going to get very tough on enforcing the rules associated with TSAs. They will be doing audits in the future on employers, looking for errors in calculating contributions, contributions exceeding the \$9,500 limit (not including catch-up provisions), failure to begin minimum distributions, and violations on early distributions (including loans that are delinquent).

What adverse repercussions might occur when a defective plan is discovered by the IRS? In the worst case, a plan defect could result in loss of the plan's 403(b) qualified status, with IRS penalties assessed against the employer.

Plan disqualification could also have a tremendous negative impact on the participants. For the above reason, you will notice the employers getting a little stricter with policy and procedures when it comes to salary reductions.

We have, from the very beginning, been very conscientious about sticking to the rules regarding percentage contributions, minimum distributions, only allowing one change per calendar year (an IRS rule), etc.

I firmly believe that, as your financial advisor, we are responsible for educating our clients so they are comfortable with what they are doing. We will continue to be proactive in helping the employers and our clients in any way possible. If you or your employer have any questions or need any assistance whatsoever with this complex tax law, please call. We've been at this for 25 years and now have 65+ school systems, hospitals, etc. and all of the experience that goes with that to help.

A handwritten signature in black ink, appearing to read "Joe". The signature is stylized with a large, looping initial "J" and a smaller "oe" following it.

IS INTERNATIONAL INVESTING RIGHT FOR YOU?

Like any investment with a potentially high return, global investing poses its own set of challenges and conditions. One of the most important factors to consider about global investing is the amount of time you have to allow for long-term investment growth. While industrial development in many countries is moving along at a rapid pace, it's not going to happen overnight.

Over the past decade, we've witnessed many extraordinary and unexpected events that are already having far-reaching consequences for the world market. These 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 (EEC). Newly industrialized nations are emerging with rising standards of living and increasing consumer demand. And capitalism has found a new home in previously "closed" economies, most notably Eastern Europe and the Soviet Union.

While all of these changes and trends have translated into new foreign investment opportunities, it may be years until their true growth potential is realized. So if you have a short term investment strategy, global investments may not be the best course for you.

Of course, time is just one factor that you

should consider before investing in foreign markets. The following questions can help you determine whether you should explore the opportunities in international investing. The best way to determine if global investing is right for you would be to schedule in so we can do a complete factfinding update. We can help familiarize you with the many options available and help you evaluate the role foreign investments can play in your particular situation.

ARE YOU READY TO INVEST ABROAD? YOUR ANSWERS TO THESE QUESTIONS MAY HELP YOU FIND OUT.

- 1.) Are you prepared to be patient for five years or more?
yes no
- 2.) Can you ride out short-term ups and downs in the anticipation of long-term gains?
yes no
- 3.) Do you feel that your portfolio needs more diversification?
yes no
- 4.) Would you like to see even more growth potential from your investments?
yes no
- 5.) Has it been more than a year since you reviewed your investment strategy with us?
yes no

If you answered "yes" to most of the above questions, you may be in a position to benefit from a global mix.

Some Great News From Oppenheimer Funds.

As reported by the Wall Street Journal, Oppenheimer has agreed to buy the 12 Quest for Value funds. "The Quest for Value funds have an outstanding reputation for value investing, while we have a more growth-oriented style," said Bridget Macaskill, President of Oppenheimer. "This transaction will enable us to offer investors an expanded product line of top-performing mutual funds with complementary investment styles." Each of the six Quest fixed-income funds will be merged into funds now managed by Oppenheimer in the following manner.

<u>Quest for Value</u>		<u>Oppenheimer</u>
Investment Quality Income	-	Bond
U.S. Government Income	-	U.S. Government Trust
Global Income	-	Strategic Income
National Tax-Exempt	-	Tax Free Bond
California Tax-Exempt	-	California Tax-Exempt
New York Tax-Exempt	-	New York Tax-Exempt

The portfolio of the six stock funds will continue to be

managed by Quest For Value Advisors and their current portfolio managers after the merger. The six stock funds are: Quest for Value, Value Global Equity, Value Opportunity, Value Small Capitalization, Value Growth & Income and Value Officers.

Joe was recently one of a few selected top producers invited to visit with Oppenheimer and many of their top fund managers at their New York City offices in the World Trade Center.

He has always been impressed with Oppenheimer management and their ability to look forward, as evidenced by their recent purchase of the Quest For Value Funds.

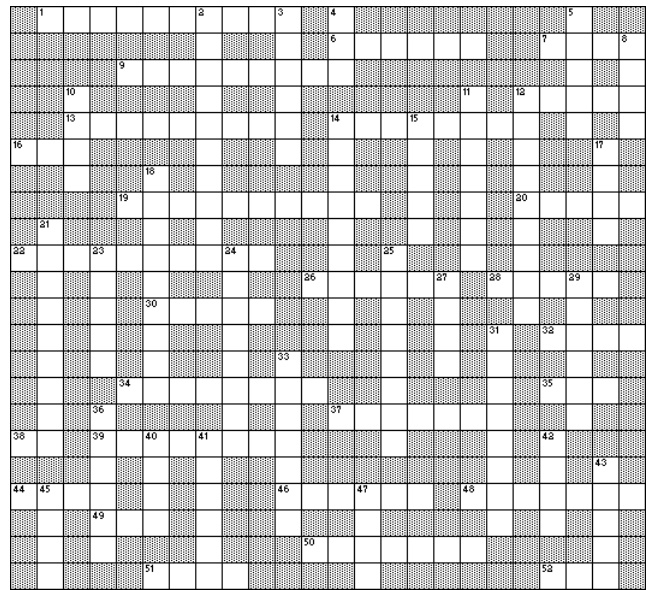
Oppenheimer has once again done something positive and added more choices to an already great fund family.

Across

- 1 Something expended to obtain a benefit or desired result
- 6 Fairness
- 7 Trade in
- 9 Plaza across street
- 12 Proficient
- 13 Payment now for future benefit
- 14 Paid by companies
- 16 Joe's Initials
- 19 Stocks, Bonds, & Mutual Funds
- 20 Joe's car
- 22 Name of system used by Joe
- 26 Easily converted to cash
- 28 The "real" boss
- 30 Anything having value
- 32 Information
- 34 Joe's only daughter
- 35 Joe doesn't charge one
- 37 Joe's favorite word
- 38 Offered at a bank
- 39 Something earned on an investment
- 44 One of Joe's titles
- 46 Guest speaker last September
- 48 ___ gains
- 49 Goal
- 50 In ads with Joe
- 51 Joe's Birthday Month
- 52 Purchase

Down

- 2 Type of investment
- 3 A person engaged in buying and selling
- 4 Local Newspaper
- 5 Put off
- 8 Bad fee
- 10 Chance
- 11 Business next door
- 12 According to value
- 14 ___ your investments
- 15 Statistical composite measuring change
- 17 Number of kids
- 18 ___ your home for a lower rate
- 21 Joe's favorite Basketball Player
- 23 A common headache each April
- 24 Make use of a right available in a contract
- 25 Joe's real name
- 27 Something owed
- 29 Unit of ownership in stocks
- 31 Thanksgiving gift from Joe's office
- 33 Assets put aside for retirement
- 36 ___ year; pecuniary
- 40 Type of insurance
- 41 Profit
- 42 Federal Agency
- 43 Cheerful; Joe
- 45 Unusual object in Joe's Office
- 47 Tax



THE FIRST PERSON TO RETURN A COMPLETED AND CORRECT PUZZLE WILL RECEIVE A \$25 GIFT CERTIFICATE TO THE **EBENEZER ONION RESTAURANT**. SEND REPLIES TO: DEBBIE BARTH, 965 UNION ROAD, WEST SENECA, NY 14224

What's Happening

CONGRATULATIONS!!

To Patrick Sgroi! He recently got engaged to his long-time girlfriend Christa Tuzzalo. Christa is a graduate of Buffalo State College with an Elementary Education Degree. Pat and Christa are planning a Fall 1996 wedding and we wish them the best of luck!

CONGRATULATIONS AGAIN!!!

Patrick Sgroi! Pat has recently been chosen by Channel 4 TV News to be the Financial Planner for their "Talk Back" segment at 5:00 PM every other Tuesday (yes, that was Pat live on September 12th). **Way to go Pat ☺**

5K RUN/ WALK

This year, our very own John Clouden is co-chairing the West Seneca Chamber 5K Run/Walk on October 21st. If anyone is interested in joining the fun or would like more information, call the Chamber office at 674-4900. The fee is \$13 which includes a T-Shirt and a post run/walk party at the Southgate Plaza. Hope to see you there!

AND THE AWARD GOES TO:

Betsy Sgroi! Betsy was recently awarded Rotary International's most prestigious Paul Harris Fellow award. This award is given "for contributions to Rotary and the West Seneca Community in appreciation of tangible and significant assistance given for the furtherance of better understanding and friendly relations between peoples of the world." Joe is especially proud of her and comments "Betsy has, over the years, been the support and strength that has enabled me to be a part of an organization that I truly love and enjoy. Without her endurance and overall understanding, being a Rotarian would not have been possible." Congratulations Betsy!!!

THANKS FOR THE MEMORIES

Thanks to Jay Eich and Mindy Coffey for all the hard work they put in for us this summer - they'll be sorely missed. Jay is heading into his senior year at Alfred University and will graduate with an Accounting degree. Mindy, a recent graduate of St. Bonaventure University, is going to the Big Apple to pursue her career in business. Best of luck to both of them!

The Sgroi Financial

Getting An Early Start on Early Retirement

Americans are not only living longer, they want to retire earlier. But if you are like most Americans, it's likely that unless you make a serious and consistent effort to boost your savings, you will not achieve your goal.

Whether you are dreaming of sailing the Caribbean or spending time in your own garden, it can be a mistake to assume Social Security and a pension will be enough to keep you comfortable.

There is a good chance that Congress will find ways to trim Social Security after the year 2000 - either by limiting cost-of-living increases, taxing benefits or delaying the eligibility age for maximum benefits.

Regarding your pension, according to Buck Consultants, a respected benefits consulting firm, a full 20% of pension plans are currently underfunded. The bottom line is, a successful early retirement depends on you - and on your willingness to prepare for it aggressively.

Make sure your expectations are realistic.

Keep in mind that as you begin your retirement years, your post career expenses will likely equal approximately 80% of your pre-retirement income. In addition, inflation is an important factor to consider. Even modest inflation, like we are seeing today, can cut the purchasing power of your dollars substantially over time.

How much can you expect from Social Security and your company pension? 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 would equal only about 19% of your salary. For a more accurate estimate, feel free to call the Social Security Administration at 1-800-772-1213. Pension formulas are typically based on years of service and your average salary for your last 3-5 years on the job. You can ask your company's benefits department for an estimate of what you can expect at age 55 as well as the normal retirement age - usually 65.

Save enough money.

How much more will you need to set aside each month to retire at age 55? For an estimate, find yourself on the chart above. As you can see, if you're about thirty, earning \$40,000 a year, you must set aside \$317 each month until you retire to maintain a similar lifestyle at age 55. But if you're 50 earning \$100,000 and you haven't gotten started, you would have to invest more than \$10,000 each month!

While these numbers are staggering, the point is that it is important to get started saving enough money now.

Be sure you can handle your medical bills.

Although health insurance could become more prevalent if the Clinton reforms are eventually implemented, until Medicare kicks in, you could get stuck paying as much as \$10,000 a year for coverage from age 55 to 65. According to recent statistics, only 41% of companies with more than 200 workers offered retiree health benefits last year. Without health care reform, it is anticipated that the percentage could drop to 25% by the year 2000.

Start early and invest for growth.

As we've said, time is an even better friend than safety. Starting early gives you the time you need to ride out the short term fluctuations in the market and take advantage of the superior long term performance of equity investments. Remember, your concern as a long-term investor is inflation, not volatility. It can be a mistake to put too much of your savings into so-called "safe" investments with guaranteed return, such as CD's and money market funds, because their earnings have not historically kept pace with inflation.

With a long range investment plan, you can invest aggressively because time can be your safety net. While stocks can experience volatility in the short term, over time, the ups and downs have tended to cancel each other out, in favor of the upward trend.

Invest more.

Americans now save on average only 5% of their disposable income, less than half the percentage we saved in the 1970s. To achieve early retirement, you may need to save as much as you can possibly afford. Even a small increase in monthly savings can make a major difference over time when you let the interest compound. As your assets grow, earnings can be reinvested for additional gains that could make your savings grow even faster. One of the easiest ways to take advantage of compounding is to reinvest the income and capital gains from you investments.

Invest regularly and keep a long term focus.

Despite best intentions, many investors find it difficult to get into the habit of putting aside money every month. Yet it is impossible to exaggerate the importance of regularly investing as much as you can afford. So remember, pay yourself first and always keep your eye on the long term.

AMOUNT NEEDED TO BE SET ASIDE <u>MONTHLY</u> FOR RETIREMENT, IF YOU HAVE NOT STARTED YET						
Current Age	Current Gross Income					
	25k	40k	60k	75k	100k	
50	\$0	\$833	\$3,875	\$10,333	\$12,583	
45	\$0	\$625	\$2,183	\$5,250	\$6,417	
40	\$255	\$533	\$1,375	\$3,042	\$3,583	
35	\$192	\$417	\$875	\$1,892	\$2,208	
30	\$175	\$317	\$625	\$1,300	\$1,500	