



Estate Tax Could Be Worse Than a Market Decline

If you qualify for Federal Estate Tax, the rate is 45%. And the incoming administration and key congressional leaders have signaled that the Estate Tax will remain in existence. Under current law, the number of eligible people will grow substantially. Here's the way it works:

The federal government excludes those dying and leaving their estate to a spouse. When the spouse dies, or when a single person dies, the federal estate tax kicks in on estates above \$3,500,000. Before you exhale with relief, understand that calculation includes all life insurance owned by you. Consider the value of your business, home, vehicles, personal possessions, investment portfolio, retirement plan, IRA, vacation property – and life insurance. It doesn't take much to get above that amount. The tax on the amount above the exclusion is 45%. If your portfolio goes down, say, 25%, it has the opportunity to recover. But an estate tax of 45% is permanent. You won't get it back.



BOB FRAGASSO, CFP®
President

Further, under current law, the tax will go away for one year only, in 2010. And then it will return in 2011 with the exclusion amount lowered to only \$1,000,000! Lots more people will be hit with the tax that begins at 41% at \$1,000,000 and it quickly skips through 43% and caps at 45% once again.

There are many simple and some complex actions one might take to lessen or eliminate this hefty tax burden at death. Remember that you worked a lifetime for your assets, paying income tax along the way, only to have a substantial portion of those assets taxed away from your heirs. The law governing



this tax may be changed and the best thinking today expects the exclusion limit to be fixed at or near its current level, but that is not guaranteed. But even so, consider the plight of the small business owner or professional who will find a significant percentage of his or her estate removed from family use via estate tax. Hoping it won't happen isn't a remedial strategy. So please read through this issue of our newsletter to see what tactics for lessening or avoiding the tax may be available to you. We will work with you, your family, your attorney and your accountant to help pass on the fruits of your lifetime of labor to those people and organizations that are important to you.

Life Insurance and Estate Planning

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for this article:



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What is the connection between life insurance and estate planning?

Life insurance has come a long way since the days when it was called burial insurance. Today, life insurance is a crucial part of many estate plans. How does life insurance fit into an estate plan? In three basic ways:

1. It ensures that your loved ones get money quickly without going through the process of probate
2. It solves cash flow problems caused by your death (there usually are bills to pay)
3. It allows you to give money to your favorite charity

To accomplish these goals, you need to know how to maximize the value of your life insurance or how to keep the federal government's hands off the insurance proceeds, because if you don't, as much as 45 percent (in 2009) of the proceeds of your life insurance may go to the federal government and not to your loved ones. Understanding the tax consequences of life insurance is no easy task, even for the most sophisticated estate planner. However, if you learn how to own the policy the right way, learn how to designate the proper beneficiaries, and understand the income tax ramifications of the settlement options available to the beneficiaries, you'll be halfway there.

Tip: The Jobs and Growth Tax Relief Reconciliation Act of

2001(2001 Tax Act) repeals federal estate taxes in the year 2010 for one year only. Unless this law is changed by future legislation, life insurance proceeds (or any other assets) of persons dying in 2010 will not be subject to federal estate taxes, though they still may be subject to a state death tax. In 2011, estate taxes will be reinstated at pre-2001 Tax Act levels.

What are the benefits?

Peace of mind

You believe your assets are going to increase, but you aren't rich. You want to protect your children in case something happens to you before you become wealthy. In this case, buy insurance and name your spouse or children as beneficiary(ies). Once you've bought your policy, you can stop worrying. In fact, your early years are probably the best time to buy insurance, since you are likely to be healthy enough to afford sufficient coverage to accomplish your goals.

Uses a few cents to get big bucks

Another nice aspect of insurance is that it allows you to use a few dollars to leave many dollars to your family. There are only two catches to this deal. The first is that you have to die before your beneficiaries get the proceeds. The second is that you must be able to pay the insurance premiums every year. Still, insurance is much less expensive and lets you create an instant estate.

Replaces wealth lost by estate shrinkage

Life insurance is probably the number one method of replacing wealth lost because of estate shrinkage (i.e., the costs and expenses associated with your death, like taxes, administration expenses, and funeral and burial costs).

Allows you to be generous to charity

Life insurance allows you to give to charity while enjoying the tax benefits that result.

- Income tax break: Generally, gifts to charity are deductible for income tax purposes
- Estate taxes or gift tax break: If properly structured, gifts to charity qualify for the charitable deduction and may reduce or eliminate estate taxes or gift tax

How do you own the policy the right way?

Not by you (the insured)

Depending on the year in which you die, proceeds from life insurance on your life may be includable in your estate for estate tax purposes if you own the policy outright or own any

incidents of ownership in the policy at the time of your death or at any time within three years of your death.



Not by your spouse if you live in a community property state
In general, community property states

proceeds out of the insured's taxable estate. The trust is the owner of the policy and the beneficiary of the proceeds, which are then distributed to the beneficiaries of the ILIT according to the terms of the trust agreement.

Caution: An ILIT is a complex estate planning tool. It must be properly created to be effective.

How do you designate the proper beneficiary?

Don't name your estate or your executor

Life insurance proceeds will be includable in your estate for estate tax purposes if any one of the following is true:

1. The proceeds are payable to, or for the benefit of, your estate
2. You possessed any incidents of ownership in the policy at the time of your death or at any time during the three years prior to your death
3. You transferred ownership of a policy within three years of your death

Therefore, you should not name your estate or your executor as the beneficiary.

Tip: Some states have laws providing that proceeds payable to an estate or executor are treated as if they are paid to the ultimate beneficiary. The IRS honors state law in these cases.

Technical Note: "Incidents of ownership" is a legal term. It means any right to the economic benefits of the policy, such as:

1. Retaining the right to change beneficiaries
2. Retaining the right to borrow on the policy's cash value or pledge the policy for a loan
3. Retaining the right to surrender or cancel the policy
4. Retaining the right to assign the policy
5. Retaining the right to elect or revoke a settlement option
6. Retaining the right to get the policy back
7. Retaining the right to convert group coverage to an individual policy

treat all types of property acquired during the marriage (except by gift or inheritance), including life insurance, as being owned one-half by each spouse. Thus, one-half of the life insurance policy owned by your spouse may be includable in your estate for estate tax purposes, depending on the year in which you die.

By another individual

One person can own a policy insuring the life of another. Proceeds of such a policy will not be includable in the insured's estate for estate tax purposes.

Premiums should be paid by the owner but not from joint assets or community property belonging to the insured.

By an irrevocable trust

An irrevocable life insurance trust (ILIT) is a type of trust used to keep

Life Insurance and Estate Planning

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Don't name a beneficiary to satisfy a debt

Naming a beneficiary to receive proceeds in payment of a debt will be considered to be for the benefit of your estate, and the proceeds may be includable in your estate for estate tax purposes.

Don't name a beneficiary to pay death taxes or other estate debts or expenses

Naming a beneficiary to receive proceeds under an agreement requiring him or her to pay your estate's debts or expenses will be considered to be for the benefit of your estate, and the proceeds may be includable in your estate, depending on the year in which you die.

Don't name a beneficiary to pay alimony or support

Naming a beneficiary to receive proceeds to pay alimony or support will be considered by the IRS to be for the benefit of your estate, and the proceeds may be includable in your estate for estate tax purposes, depending on the year in which you die.

What are the tax consequences of settlement options?

Lump sum generally exempt from income tax

Generally, life insurance proceeds payable in a lump sum are received by the beneficiary free of income tax.

Caution: There are some exceptions to this general rule:

- **Transfer-for-value rule:** Under the transfer-for-value rule, death proceeds of a life insurance policy that has been transferred in exchange for consideration (i.e., money or something of value) are subject to income tax to the extent that such proceeds exceed the dollar value of the consideration, premiums, and other amounts paid by the transferee for the policy
- **Qualified retirement plan:** Proceeds received by the beneficiary under a qualified annuity plan or employee benefit trust are taxable as ordinary income to the extent that the proceeds equal the cash surrender value of the policy at the time of the insured's death
- **Dividends/compensation:** If the proceeds are considered dividends or compensation because the employer paid the premiums and the insured was a stockholder/employee, they are taxable to the beneficiary as ordinary income

Interest earned on installment payments taxable at ordinary rates

When payments of interest are received by the beneficiary under an installment option, the interest (but not the proceeds) is subject to income tax. Generally, interest is taxable as soon as it is credited to the beneficiary, even if the beneficiary does not actually receive it on that date.

Tip: Interest received by the beneficiary under a government life insurance policy is exempt from income tax.

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Reminder: Time to start thinking about 529 withdrawals for the fall semester

Before we know it the 2008/2009 school year will be over and summer will flash by in a blink of an eye. That means, for many, the first semester college tuition bill comes due again. That time of year creeps up on all of us and, at times, can leave us in a panic, trying to get the money out of our education accounts and into the Universities hands so our kids can register for fall classes.

As a reminder for everyone looking to withdraw from their education accounts the process usually takes **2 full weeks** to get the money in your bank account so please plan accordingly. The last thing we want to happen is your child losing the ability to register for classes because their tuition check has not been received.

As always if you have any questions please feel free to call us directly.

Equalizing the Taxable Estates

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for this article:



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What is equalizing the taxable estates?

Equalizing the taxable estates refers to methods of arranging the estates of spouses in a way that will result in the least total amount of estate tax liability. Here is the underlying premise: federal estate tax rates are progressive (i.e., the tax rate increases with the size of the estate). Thus, two estates of equal value pay less total estate tax than one estate valued at \$0 and the other estate valued at all the assets. The spouses' goal is to avoid, or even totally eliminate, potential estate taxes.

Tip: Federal estate tax is scheduled to be repealed in the year 2010, but only for that one year. Until then, the Economic Growth and Tax Relief Reconciliation Act of 2001 modestly reduces estate tax rates. The new law also increases personal estate tax exempt amounts. Estate tax rates and exemption amounts will be reinstated in 2011 under current estate tax law. Consult a tax professional.

Equalizing the taxable estates is founded upon the following basic rules and principles:

The unlimited marital deduction

The IRS treats spouses in a special way. As long as your surviving spouse is a U.S. citizen, you can transfer any amount of property to him or her without incurring federal gift tax or

federal estate tax, as long as the transfer is made in a qualified manner. This is called the unlimited marital deduction. The unlimited marital deduction allows one spouse to defer federal estate tax payable at the death of the first spouse until the death of the second spouse.

Estate tax deferral may be attractive for many reasons, such as:

- The time value of money
- Deferred tax dollars could grow while in the surviving spouse's estate
- The need for liquidity in the estate of the first spouse to die may be avoided
- An estate tax audit of the estate of the first spouse to die may be avoided
- The surviving spouse is provided for

Estate plans that take full advantage of the unlimited marital deduction include making outright gifts or bequests, titling assets as joint tenancy with rights of survivorship or tenancy by the entirety (or community property in community property states), naming a spouse as the beneficiary of life insurance or retirement plan proceeds, or transferring assets to a trust that qualifies for the unlimited marital deduction.

Though these plans may be desirable to some couples, leaving all your property to your surviving spouse only postpones potential estate taxes; it does not avoid them. In fact, if the

assets in the surviving spouse's estate are not spent during the surviving spouse's lifetime, or actually grow significantly while in the surviving spouse's possession, the second estate may be exposed to a considerable estate tax burden.

Example(s): Dick has an estate of \$5 million consisting of a primary residence worth \$3 million in joint name with his wife, Jane, as well as a securities portfolio worth \$2 million. Jane receives income annually from several family trusts and owns no other assets other than her one-half interest in the home.

Assume that Dick has a will leaving everything to Jane. Dick dies. Dick's estate for estate tax purposes includes his one-half interest in the real estate (\$1.5 million) plus the securities portfolio (\$2 million), or \$3.5 million. The real estate passes to Jane by deed and the securities portfolio passes to Jane by will. The full value of Dick's estate qualifies for the unlimited marital deduction; thus, Dick's estate owes \$0 in federal estate tax.

Equalizing the Taxable Estates

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Assuming that Dick's assets have not diminished in value on Jane's death, Jane would have a gross estate of \$5 million. Assume that the year of Jane's death is 2008 (when the applicable exclusion amount is \$2 million) and no other variables. Jane's estate owes federal estate tax on \$3 million.

The applicable exclusion amount

Each individual has an exemption that allows a certain amount of property to be left to anyone free from federal estate tax. This is called the applicable exclusion amount (formerly known as the unified credit). A person can use his or her applicable exclusion amount to shelter up to \$2 million (in 2008).

Credit shelter planning involves the division of assets between the spouses in a marriage so that each person fully utilizes his or her applicable exclusion amount. This assumes that the married couple has combined estates in excess of the applicable exclusion amount to one person. Each spouse's applicable exclusion amount can be preserved in a variety of ways, such as using a bypass trust, also known as a credit shelter trust, or leaving all property outright to a surviving spouse who then adjusts the amount of the bequests using disclaimers.

There are two essential elements to sheltering the applicable exclusion amount: (1) ensuring that each spouse has at least the applicable exclusion amount in his or her respective name alone regardless of who dies first, and, if used, (2) drawing up a credit shelter trust in such a way as to make the

surviving spouse a beneficiary without resulting in the trust being includable in the surviving spouse's estate for estate tax purposes.

Tip: A credit shelter trust should be drafted by an experienced estate planning attorney.



Example(s): Assume the same facts as stated in the example above, but Dick's will provides that an amount equal to the applicable exclusion amount minus the value of Jane's ownership interest in the house passes outright to Jane, and the rest of his property passes to a credit shelter trust. The trust provides Jane with income for life and leaves the principal to their children. Assume that the year of Dick's death is 2008, when the applicable exclusion amount is \$2 million. Dick's gross estate is \$3.5 million. \$.5 million passes to Jane outright and qualifies for the unlimited marital deduction. \$3 million passes to the trust. Dick's taxable estate is \$1 million after applying his applicable exclusion amount. Dick's estate pays federal estate tax on \$1 million (assuming no other variables).

Assuming that Dick's assets have not diminished in value on Jane's death, Jane would have a gross estate of \$2 million. Assume that Jane dies later in 2008, with no other variables. Jane's taxable

estate is \$0 and uses all of her applicable exclusion amount. Jane's federal estate tax liability is \$0. Because both Dick and Jane have used their applicable exclusion amounts, together Dick and Jane's estates will owe federal estate tax on \$1 million, saving taxes on \$2 million. The tax would be due on the death of the first spouse to die.

Caution: This assumes that Jane will not need the principal in the credit shelter trust.

Optimizing the unlimited marital deduction and applicable exclusion amount

Marital deduction planning often entails structuring estate plans to provide for the optimum use of the marital deduction by, as well as the applicable exclusion amount of, the spouse that dies first. This is sometimes referred to as the optimum marital will plan or optimum marital deduction formula. The object is to leave the surviving spouse as much as possible without incurring federal estate tax on the estate of the first spouse to die. Assets not comprising the marital deduction disposition are typically allocated to a credit shelter trust. The surviving spouse is given a beneficial interest in the trust, but not in any way that would cause the trust to be included in the surviving spouse's estate for estate tax purposes. Depending on the year in which the surviving spouse dies, the marital deduction disposition will be included in the surviving spouse's gross estate at his or her death.

Example(s): Assume the same facts as stated in the first example, but Dick's will provides

that an amount equal to the applicable exclusion amount passes to a credit shelter trust and the rest passes outright to Jane. The credit shelter trust provides Jane with income for life and leaves the principal to their children. Say that Dick dies in 2008, when the applicable exclusion amount is \$2 million. \$2 million passes to the credit shelter trust, and the residue passes to Jane. Dick's gross estate is \$3.5 million, \$1.5 million of which passes tax free under the unlimited marital deduction and \$2 million of which passes tax free under the applicable exclusion amount. Dick's taxable estate is \$0 and uses all of his applicable exclusion amount. Dick's estate owes \$0 in federal estate tax.

Assuming that Dick's assets have not diminished in value, on Jane's death, she would have a gross estate of \$3 million. Assume that Jane dies later in 2008 and no other variables. After she uses the applicable exclusion amount, Jane's estate would owe federal estate tax on \$1 million. Together, Dick and Jane's estates would owe federal estate tax on \$1 million, again saving taxes on \$2 million. Tax would be due on the death of the surviving spouse.

Equalizing the estates and minimizing overall taxes

A married couple may have any of the following goals:

- Deferring the payment of potential estate taxes until the death of the surviving spouse
- Ensuring that the estates of both spouses take full advantage of

the applicable exclusion amount

- Equalizing the sizes of the spouses' estates to minimize estate taxes

These goals are not necessarily compatible. For example, equalizing the estates to minimize total taxes may result in some taxes being due at the death of the first spouse. Thus, your own personal circumstances should dictate which approach you should take (e.g., you may want to defer taxes if your surviving spouse will need the money for his or her financial well being).

The equalization approach stems from the principal that optimum results are achieved when both estates are subject to the same marginal tax rate. Transferring property from one spouse to the other in order to achieve equalization is facilitated by the unlimited marital deduction, and can be achieved by making lifetime gifts or bequests at death.

The estates of the spouses may be equalized if the wealthier spouse dies first and leaves the surviving spouse an amount equal to the difference in the value of their estates. The surviving spouse may also use disclaimers to keep property in the estate of the spouse that dies first. Equalization may also be achieved through the use of a qualified terminable interest property (QTIP) trust.

Example(s): Assume the same facts as stated in the first example, but Dick's will leaves one-half of his estate plus an amount equal to one-half of the value of Jane's ownership interest in the house to their children and the residue of his estate outright

to Jane. Thus, \$2.5 million is left to the children, and \$1 million is left to Jane. The value of the transfer to Jane qualifies for the unlimited marital deduction, but the value of the property left to the children is subject to federal estate tax. Say that the year of Dick's death is 2008, when the applicable exclusion amount is \$2 million. Dick's taxable estate is \$.5 million and uses all of Dick's applicable exclusion amount.

Assuming that Dick's assets have not diminished in value on Jane's death, Jane would have a gross estate of \$2.5 million. Assume that the year of Jane's death is later in 2008 and no other variables. Jane's taxable estate would be \$.5 and uses all of Jane's applicable exclusion amount. Together, Dick and Jane's estates would owe federal estate tax on \$1 million, again saving taxes on \$2 million. One-half of the tax would be due on the death of the first spouse to die, and the other half would be due on the death of the surviving spouse.

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.

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Profiles in Progress: Client Stories

Henry and Susan DeLuca

Although Henry and Susan DeLuca lived three miles apart all of their lives, they met in college when they attended nearby schools in the rolling countryside of Western Pennsylvania. Henry's friend asked him to keep his eye on his Pittsburgh girlfriend while he returned home to New Jersey for the summer following their freshman year. Henry kept a very good eye on her, they became great friends, and one year later, he and Susan were a couple. After their sophomore years, Henry transferred from St. Vincent and Susan graduated from Mount Aloysius Junior College. Both went on to the University of Pittsburgh, where they graduated two years later. In 1970, the young college graduates were married at St. Anne's Church in Castle Shannon.

Henry grew up in the South Hills, living first in Mt. Washington, then Brookline. In the 1950s, neighborhoods were full of kids who played in the streets and had fun beyond the time when the "streetlights came on." Susan had a similar happy childhood in Castle Shannon.

Henry's father and his brother, Vince, founded Vince & Henry's Restaurant in 1950. Upon his uncle's retirement, Henry's dad and his mother, Mary DeLuca, renamed it DeLuca's Restaurant, a landmark in Pittsburgh's Strip District. Almost all Pittsburghers

fondly recall the experience of dining at DeLuca's with their unique French toast (made with Italian bread), served with the banter of the cooks and the wait staff. Henry began working at DeLuca's at the age of 10. He gained a strong work ethic and a sense of customer service under the watchful eyes of his dad, his uncles and his grandfather.



Susan's father attended Carnegie Tech on the GI Bill. He graduated with a degree in Civil Engineering when Susan was three years old. He retired from Dick Corporation. Prior to that he worked for Dambaugh and Ross & Kennedy, engineering firms. He was well known as a concrete expert.

Susan's mother, volunteered at school and the community library. She is an expert baker and seamstress—skills she taught her three daughters.

Henry and Susan have three children. Their first-born, Hank, is living in

Shadyside. He'll receive his bachelor's degree in May. He is considering going to law school. Hank enjoys snowboarding in the winter, semi-pro motorcycle racing in the summer. He DJs and previously was co-owner of a young men's clothing store. Elise, their middle child, owns a house in Bloomfield. She graduated from the University of Pittsburgh with

a BFA and went on to get her teaching certification at Carlow University. Elise is an Art teacher in The Pittsburgh Public Schools. Maura, the youngest DeLuca child, graduated from Penn State University. After working in Manhattan for a year and a half, she was awarded a scholarship to study in Pisa. She attained her Masters Degree at La Scuola Superiore Sant'Anna in Pisa. She lives in the Bronx and works at Oscar de la Renta. She is active in The Socialist Worker's Party.

Henry and Susan both received strict,

excellent educations under the diligent supervision of the good sisters and the Christian Brothers, Susan at St. Anne's and St. Francis Academy, Henry at St. Pius X and South Hills Catholic. Henry still recalls two priests who ran the elementary school. They were brothers who had grown up as amateur boxers in a rough-and-tumble North Side neighborhood. That translated readily to a no-nonsense approach to early education at St. Pius and that early training still manifests itself in a strong Roman Catholic faith for both Henry and Susan today.

Henry's degree from the University of Pittsburgh is in Microbial and Molecular Biology. He went on to pursue a Masters of Science Education, after which he began teaching science at Allegheny County Schools' Warrendale Youth Development Center, known as "Thorn Hill." This author recalls his mother threatening to send him to Thorn Hill when he misbehaved, as it was a reform school for delinquent and dependent students. Henry taught there from 1969 to 1975, when the school shifted emphasis to the prevailing practice at the time of integrating students into a mainstream school environment. Allegheny County Schools had become the Allegheny Intermediate Unit (AIU). This unit was charged with working with teachers throughout the county in a team-teaching model that was meant to integrate delinquent students into a more normal educational setting. In a coincidental twist characteristic of Pittsburgh, the AIU was led by Dr. Joe Lagana, another of our clients who was profiled in a previous issue of this newsletter. Henry worked as a teacher, an

educational liaison and, finally, as the Coordinator of The Allegheny County Truancy Prevention Program, until his retirement from the AIU in 1999.

Henry also served at various times as teachers' union president and chief contract negotiator. That experience served him well in his later business career as an entertainment producer when he had to negotiate many contracts.

Meanwhile, Susan began her teaching career at what was then Gladstone High School. After giving birth to three children in 1975, 1976, and 1978, she stayed at home with the children until the youngest, Maura, attended first grade. Susan returned to the teaching career she loved. She became head of the Business Education Department at Schenley High School. When Susan retired from teaching in 2003, the school district gave her the distinct honor of delivering the retirement speech to all of that year's retirees.

All of this would have been a very full career for any husband and wife team. But Henry and Susan added an interesting angle starting back in 1978. They had always enjoyed the music of their generation and held song fests at their home centered around good food and friends. When they realized that the group that sang casually at their home was really very talented, they tried their hand at performing at a night club on Walnut Street in Pittsburgh's Shadyside. It was then that *Acappella Gold* was born. After three years it evolved into the widely popular Pittsburgh group, *Pure Gold*. Current Pittsburgh residents are familiar with their frequent concert performances, TV appearances and even a featured show at the most recent First Night Celebration on New Year's Eve in Downtown Pittsburgh. Henry has served for 30 years as the group's manager. From the group's inception, Susan has been the female lead voice in the group. Their genre is the distinctive "Doo-Wop" sound of the 1960s. Many of their renditions are



Susan DeLuca pictured here performing with other members of *Pure Gold*.

Henry and Susan DeLuca

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considered anthems for the first half of the Baby Boomer generation.

As a producer and President of HJD Enterprises, Henry branched out to producing the Doo-Wop specials for public television with T.J. Lubinsky. This collaboration resulted in a total of 26 shows which were syndicated throughout the public broadcasting system nationally. These productions have been the largest fund raisers for the national network. The first production, Doo Wop 50, raised over \$20 million for public television.

The *Pure Gold* performances and concert productions continue, the latest of which was a March 7th production of the 35th volume of the Roots of Rock and Roll, featuring Pittsburgh's own Jimmy Beaumont in his 50th anniversary performance along with the *Flamingos*, *Pure Gold*, and many more stars of the era.

Henry and Susan remain the same family-oriented people they have always been since their marriage in 1970 and the purchase and remodeling of their comfortable Shadyside home in 1979. They completely renovated and remodeled the home to suit their preference for entertaining friends with home-cooked Italian meals, great wine and lots of laughter. They are proud of their grown children, Hank, Elise and Maura, who are 34, 32, and 30 respectively.

Henry and Susan are very active in an organization named Lucchesi Nel Mondo which is meant to preserve the

heritage of descendants of Tuscany in Northern Italy. Lucchesi refers to the people who come from the medieval city of Lucca, central to the province and in easy driving distance to Florence and Pisa in that very picturesque region of Italy. The Lucchesi organization raises money to provide scholarships for the sons and daughters of the organization's members to spend time in summer study in the Tuscan province to gain an appreciation of their heritage and, like all immigrant nationalities, gain an appreciation for the sacrifices that their forbearers made to provide them with the life we all now enjoy in America.

When asked to advise young couples beginning their lives now, Henry spoke for them both in saying that the secret is to work hard together and have fun along the way. "Look out for your kids", he added, "and don't be afraid to parent." And, Henry concluded with the advice to stay optimistic as good times always follow the bad. He also counseled, "Don't give up attending concerts!"

Henry credits both his and Susan's parents for giving them the training and tools needed to navigate life. He was also kind in complimenting Fragasso Financial Advisors for its approach as a fee-based investment manager, free from proprietary product bias, in its guidance to its clients. He singled out the personal communication, the newsletters and the regular portfolio and financial planning review meetings for helping them stay on track and remaining aware. We thank Henry and Susan DeLuca for their confidence in us, and for their friendship.

News from Around the Firm



CHRISTINE ROBINETTE, CFP®, CDFATM, MSW
Vice President

We are pleased to announce that Christine Robinette earned her Certified Financial Planner® certification in January. This is a very challenging journey culminating in an intensive certification test. She received her certification from the College of Financial Planning.



DEBORAH F. GRAVER, CFP®, CLU®
Managing Director
Chief Operating Officer

Deborah Graver has earned the Chartered Life Underwriter® professional designation from The American College, Bryn Mawr, Pennsylvania. Candidates for the CLU® designation must complete a minimum of eight courses and 16 hours of supervised examinations. They must also fulfill stringent experience and ethics requirements.

**Congratulations to
Christie and Debbie!**

Our Futures Project - Keeping Our Talent in Pittsburgh

The firm is pleased to announce an initiative that enables us to lead by example in Southwestern Pennsylvania. For many years there has been a great deal of discussion about the importance of retaining our region's top university talent. Fragasso Financial Advisors is leading the way by implementing *Our Futures Project*. The project began in October, 2008.

A case study was offered to finance classes from all eight universities and colleges in Allegheny County. The only requirement was that participants had to be seniors. The project required participants to develop a strategic portfolio management plan based upon criteria established by the *Our Futures Project* committee.

Finalists were selected by individual professors from each school and ultimately students from each school were invited to present their plan to the judging committee. The judging committee had the responsibility to select one winner and two runners-



Students that participated in the *Our Futures Project*.

up. The winner will be awarded a job in the Portfolio Management Department at the firm and the two runners-up will be awarded \$5,000 and \$2,500 respectively.

Additionally, all the winners from each school will be exposed to valuable networking opportunities with Pittsburgh's top financial companies as well as community-wide promotion and media recognition.

In the July Newsletter we will announce our newest employee and the two runners-up.

Our goal for the upcoming school year is to widen this project with other companies in the region who will replicate what we did this current school year.

New Face: Aaron Moody

Aaron Moody joined the firm on February 19 as a Financial Advisor. He previously worked for MetLife. He specializes in business planning which includes succession, retirement and benefits consultation and selection. He has experience in working with people whose family members require special needs planning. These include families with children or older dependents needing access to

government funded benefits.

Aaron is married to Stephanie and has two children Jon and Jacob. He is active in the community and belongs to the Downtown Rotary Club and sits on several non-profit boards.

We are happy to have Aaron on board and wish him the best of luck going forward.





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Fragasso Named in Barron's Top Advisor Rankings in Pennsylvania

Barron's shines a spotlight on the nation's best financial advisors, whose skills are even more valuable in times like this by offering a state-by-state ranking of America's top financial advisors. Fragasso Financial Advisors is pleased to announce that the firm came in sixth in the advisor rankings for Pennsylvania. The state-by-state rankings reflect assets under management, revenue generated, quality of service and regulatory records. The rankings were produced by Winner's Circle, a research organization that is owned by Barron's.

A quote from the Barron's cover story from Monday, February 9 states "With

Wall Street shaken to its core over the past year, the strong performance of (these) top financial advisers has been one of the few bright spots for the securities industry."

All members of our firm work very hard for the benefit of our clients and are proud to be included in this prestigious group selected by Barron's.

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