*Since 1972* Third Quarter 2001

# The Fragasso Group, Inc.

*The Retirement Planning and Wealth Preservation Specialists*

*A Registered Investment Advisor*

*…For the Serious Investor*

E-mail: fgi@fragassogroup.com • Website: www.fragassogroup.com

# THE MARKET$ OF THE FUTURE

The current market is following the general path that we described in previous newsletters. We are gratified that asset allocation modeling has helped to cushion the downturn in markets for the majority of our clients. We remain convinced that this will continue to be so through all market periods.

While that is understood by most all of our clients, they still legitimately ask where we see the markets going in the immediate year and years ahead. We answer truthfully as we always do. No one can know! However, we together can gain insight from what we observe currently. Let's first go back a bit, and then project that insight into the future. Credit for many of these insights is given to Dr. W. Michael Cox, Federal Reserve Bank of Dallas Chief Economist, who presented a paper at a recent national convention that we attended. You might want to look for his new book, *Myths of Rich and Poor.* Credit is also given to Dr. Ken Dychtwald, who presented at the same conference, and whose most recent book is entitled, *Age Power,* and to Robert Froehlich, Chief Economist of Scudder Investments.

Thirty years ago, the microchip was invented. That allowed for the revolution in computing and telecommunications and control devices we have enjoyed since. Consider the impact that certain devices have had on our lives and on our investment portfolios over that thirty-year period. Advances include calculators, personal computers, cell phones, all forms of remote controls and remote actions, global positioning devices, vehicle controls and data, bar code reading, medical devices, and lots more.

That period of time might be compared to the twenty-year period of 1895 to 1915 when the auto, the telephone, the airplane, refrigeration and the radio were invented. It also could be compared to the technological and medical advances spawned by World War II.

Now we ask ourselves, "Is this over?" Be careful, we might be tempted to answer as did Charles H. Duell did when testifying before Congress in 1899. He ran the U.S. Patent office and felt that all that was worth inventing had already been invented. In 1899?!

Let's look ahead now to the advancement possibilities we can see. How about those we can't yet see? What we can see involve the fields of bio-genetics and genome mapping. Philosophers and governments cannot put the genie back in the bottle. The mysteries are becoming known. Also, new materials are being developed. They are combinations of existing materials fused by new technologies that will enable things to go faster, smoother and further. Medical science and pharmacology will stretch our lives and our productivity. Technology will continue to erase the boundaries of geography and time.

There will be winners and losers in this transformation. In 1920, there were 262 auto companies. We are suggesting that the dot.com revolution is not over. It's just progressing to its next stage. That's true, we believe, of every innovative industry. It's also true of the older, more established industries, which are learning to do things faster, better, and more efficiently and cheaply using new industry technology. What a wonderful opportunity to participate in and profit from this progress!

Don't be mesmerized by short-term market corrections. Pay attention to the wider and more pervasive patterns, and you stand a much better chance of benefiting. It's a phenomenon of bicycle or motorcycle riding that, if you stare at a turn in the road, you will steer right into that turn! Try it and prove it to yourself. Just remember to stop staring before going off the highway. Conversely, if you look *through* a turn in the road, the bicycle will steer cleanly and safely through the curve. Do the same with your investments.

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*The* ***BIG*** *Decision*

# Lump Sum vs. Pension Payments: The Pros and Cons of Each

*by Palmer Masciola*

Defined benefit plans (the traditional pension plan) today often allow participants to take a lump sum distribution in lieu of single life or joint and survivor monthly annuity payments. For many people, choosing between these options can be the single most important financial decision they may make regarding retirement.

Traditionally, electing to receive pension payments over your lifetime will provide you with a fixed, monthly payment, which can never be changed. On the other hand, a lump sum distribution is equal to the *present value* of the total pension payments the participant *would* have received. This amount is calculated using assumed earnings rates and life expectancy assumptions. If you elect to receive a lump sum, the calculated amount is transferred to an IRA Rollover account, which you will own and manage. Once either the monthly payment or the lump sum rollover option is chosen, it cannot be reversed or altered. That's a fairly serious decision as a result!

If you choose to receive annuity payments, they *must* be made to the participant (and perhaps a spouse) over that participant's (and spouse's) natural life expectancy. This method of receiving your pension represents security to many because it is seemingly "guaranteed". However, the guaranteed* nature of this arrangement, intended to provide security for participants is, in itself a source of risk and should be cause for concern. Consider that, once your monthly pension has been set, it can never be changed. While you may take comfort in the fact that your pension can never be *reduced* and will last for your entire life, consider seriously that your payment can also never be *increased* and that it will end at your and your spouse's death.

Such an arrangement allows for zero inflation hedging during your retirement years. Certainly, even assuming modest inflation, the increasing cost of living will erode your purchasing power. In fact, we and the U.S. government's inflation indicators suggest that retired consumers face even greater inflationary pressures because they draw from more inflation-sensitive sectors of the economy. Consider the ever-increasing costs associated with health care, prescriptions, energy costs and other basic living expenses. Indeed, what may seem like a generous monthly income at retirement, after adjusting for the effects of inflation, could in time prove to be a restricting factor in maintaining your desired lifestyle.

In addition to inflation concerns and the inflexibility of fixed pensions, estate concerns should also be a factor in making a decision. In deciding between pension payments vs. a lump sum, the question most people forget to ask themselves is, "Do I want to leave an estate to my heirs?" This is a real concern because with a typical monthly pension, the remainder of the family beyond the spouse is disinherited. Monthly payments will usually cease upon the death of the participant or the surviving spouse. There is no residual left for your heirs, no matter how long or short a time you collected payments. On the other hand, taking the lump sum payment offers the possibility of a residual amount at your death that would go to your heirs.

Choosing a lump sum can also offer increased flexibility in your living years. With traditional pension payments your lifestyle may be constricted by how far you can stretch that payment each month. Conversely, electing to receive a lump sum distribution puts you in control of your own destiny. You will decide how much you need to draw from your IRA on a periodic basis of your choosing. You also have the flexibility of changing that amount as your situation merits – increasing or decreasing your draws based on your needs. Because both pension payments *and* IRA withdrawals are subject to federal tax, managing your own rollover account also gives you control over the amount of taxable income you take each year.

Certainly this is a very serious issue. And, there are many factors to consider, as everyone's situation is different. In general, however, electing the lump sum option of your defined benefit plan will allow you flexibility in retirement while also possibly providing a residual sum to your heirs at your death. With proper planning and a sound, long-term asset allocation policy, the principal balance of your rollover can potentially continue to grow even as you are withdrawing a monthly stipend. The investment professionals here at The Fragasso Group can assist you in making this important decision, and it is never too early to start planning. We can do a complete analysis of your particular situation so that you can be certain that you are making the correct decisions. Contact your financial consultant here with any questions you may have on this matter.

*Guarantee based on claims-paying ability of the issuer.

## *Dressing Right*

Many corporations are grappling today with the concepts of appropriate business and casual dress. Our Group had the benefit of dress consultant Colleen Cook's years of expertise as she walked us through style, color and choices. We found the exercise very helpful. This is mentioned here as some of our readers have the same concerns and need for information for their employees. If you wish to contact Colleen regarding your own organization, she can be reached at (412) 262-1775 or by email at cacookimage@aol.com.

## View Your Accounts Whenever You Wish

*by Michael Trainor*

Each of your accounts can be viewed 24 hours per day, 7 days per week, 365 days per year over a secure Internet site. You can print off your accounts from the site at will. And, your confidentiality is protected, as access to the site can only be done via your unique password. The format of the account statements is identical to your monthly statements, so all of the information that you wish to view is readily available to you.

You can easily set yourself up for this ready and complete access to your account information. First, go to our firm's web site, www.fragassogroup.com. Then, select the "Account View" button on our home page and follow the easy instructions. You will need the account number or numbers for each of your accounts as well as the tax ID number associated with each. Having your account statement(s) handy during this set up exercise would be helpful. You select your own password, and forever after have round the clock access to your account information. You will access your data in the very same way by logging onto our web site and clicking on the Account View button.

If you run into problems, call me at (412) 227-3216 or at 1(800) 900-4492.

Also, spend some time on our web site. You will find some very interesting information. You can also email anyone of us directly from our web site by clicking on the home page "Directory" button and then clicking on the individual's direct email address from the directory.

## Have You Planned for the Golden Years?

*by Leslie Coulson*

Have you thought about long-term health care planning? Sometimes clients respond with, "Why should I be concerned with long-term health care? If something ever happens to me my kids will take care of me. I'm healthy and feel great. I have enough savings to cover a long-term care stay."

Well, while we don't want to ever think about ourselves or a loved one needing long-term care, it is a reality that, if not faced now, could cause emotional and financial devastation. Consider this before you say no to developing your long-term care plan.

Have you ever known anyone who has had to receive home health care or nursing home care? A friend, a neighbor, a relative, or even you could be one of the many Americans today that will require long-term health care in some point in your lifetime. You should be concerned about this.

**Americans are living longer**. Did you know that the fastest growing population today is age 85 and older? Today, 80%* of Americans will live past the age of 65. While our great grandparents would have loved to see age 60, we are now seeing our ninth and tenth decades. In reality, the longer we live, the greater are our chances of needing long-term health care.

**Medical technology advances every day.** Our society has managed to prolong life by overcoming many diseases and illnesses. Remember when heart disease and diabetes used to be considered "killer" illnesses? People are living longer, but not necessarily better. Also, don't mistakenly think that only older Americans need long-term care. Over 40% of those receiving long-term care are under the age of 65! A tragic example is Christopher Reeve who was paralyzed at age 44 after a horseback riding accident. Michael J. Fox, the 38-year-old actor is suffering from Parkinson's Disease and will most likely require long-term care at some point in his life. We do not know what is going to happen to us down the road, but there are ways we can prepare for our future.

**Medicare will not pay for a long-term care stay.** Don't be misled! Medicare pays only about 20% of home health and nursing home care in the United States. Medicare can approve up to 100 days in a nursing home. They will pay in full the cost for the first 20 days. From days 21-100, the recipient begins to pay, out of pocket, $97 a day. After 100 days of care, Medicare stops paying and you pick up 100% of the cost. Medicare pays for skilled care only. Skilled care is very intensive care to get you better, i.e. IV's, speech and physical therapies after a stroke, intravenous feeding, etc. Once progress stops and your condition stabilizes or improves, the care is no longer skilled and Medicare will most likely stop the benefit.

**Long-term health care is expensive**. We all work very hard for the assets and belongings that we accumulate over our lifetime. The last thing we want to see is our estate being depleted due to lack of long-term care planning. Can you afford to have $55,000 of assets taken out of your portfolio each year to pay for nursing home care? What would that do to your heirs' inheritance? Would your spouse have enough assets to live? The average cost of a long-term health care facility in Pennsylvania is between $150-$200 a day. Depending on the type of care that you need, costs can escalate to over $100,000 a year.

**Long-term health care insurance can help pay for home health care or a nursing home stay.** There are many ways that you can structure a long-term health care policy to meet your specific needs. These decisions will affect the benefits you'll receive if you use the contract along with the premium that you will pay. Here are a few things you'll have to decide: How many years do you want the contract to pay out a benefit? Do you want the contract to include care at home? What premium can you afford? Will you qualify for a preferred rating? Do you even need long-term care insurance or could your assets pay for care? As you can see, there are many questions to

*(continued on page 8)*

*Source: 1998 Data Compendium, Healthcare Financing Administration, pg. 55

## Capital Gains Tax Change

*by Deborah Sales*

Did you know that effective January 1, 2001 a new capital gains tax law went into effect?

A capital gain occurs when you sell an investment for a price greater than what you originally paid (your cost). Capital gains are taxed at different rates depending upon the type of asset sold, the income tax bracket of the owner, and the period of time for which the security has been owned.

As of January 1, 2001, taxpayers in a 15% income tax bracket receive a rate cut on long-term capital gains for securities held for more than five years and sold after 2000. For those taxpayers, the capital gains rate drops from 10% to 8%.

A similar but different tax cut applies for those in higher income tax brackets. Securities purchased after 2000 and held for five years will be eligible for an 18% long-term capital gains tax rate rather than the 20% rate that applies currently.

These changes in capital gains tax rates were part of the 1997 Tax Payer Relief Act signed into law by President Clinton on August 5, 1997. They are meant to encourage the long-term holdings of good investments.

Discuss with your Fragasso Group financial consultant how you can benefit from these changes in long-term capital gains tax as part of your financial planning process.

## The New Face of Divorce

*by Janet Bouma*

Divorce is never easy. That's for sure. But what is also for sure is that many married couples will, nonetheless, face divorce. Traditionally and historically, the way to divorce was through confrontation and possibly litigation — each side hiring an attorney and going to war. Spouses who lovingly accumulated assets throughout the years—a house, savings and investment accounts, retirement plans, vacation homes, cars, collectibles—fight tooth and nail over the division. Children suffer. Egos are destroyed. The resulting financial settlements rarely satisfy both parties.

Over the past few years, couples have begun to choose another, less adversarial way to end their marriages. Mediation, growing in popularity in other parts of the country, is starting to be an option in Pittsburgh. The purpose of mediation is for both husband and wife to come to a mutually acceptable settlement. The mediator does no individual counseling, and is limited to gathering data, setting the ground rules, and keeping both parties on track. Throughout mediation, alternative solutions are offered, issues are clarified and a settlement is agreed upon. It does require voluntary participation of both husband and wife. Mediation does *not* eliminate the need for a competent attorney to review the settlement offers and render legal advice to each side throughout the process. But, the contentiousness of pitting spouses and attorneys against each other is diffused.

Cost can be a factor when choosing between litigation and mediation. Litigation can take much longer than mediation and therefore can also cost much more. If a couple actually ends up in divorce court, it will definitely cost more! Mediators, who can be lawyers, therapists, or other professionals who have been trained in mediation, charge on an hourly basis and usually take from four to ten sessions to complete the process. Remember if a couple chooses mediation, they still need a good divorce lawyer to consult with, and a certified divorce planner to facilitate an equitable financial settlement.

Beyond cost considerations, how do you choose between litigation and mediation? If you and your spouse cannot be in the same room with each other, are not capable of having a conversation or a serious discussion about your current financial situation, and refuse to listen and cooperate with each other, litigating your divorce is your most likely option. But if you and your spouse are communicating, mediation is an option that should be explored.

And remember, in both cases, you still need an attorney, and you *always* should have a financial divorce planner to help you achieve an equitable financial settlement.

View our web site, www.fragassogroup.com, under Divorce Planning, for more informative articles on divorce and to view our ***Preparation for Divorce*** workshop schedule. Or, email me if you have specific financial divorce questions: janet_bouma@fragassogroup.com

## Administrative Reminders

*by Diana Schroeder*

Fast reference numbers if you need assistance.

**To schedule an appointment:**

- Downtown office – Call Colette @ 412-227-3200 or 1(800) 900-4492
- Bethel Park office – Call Barbara @ 412-835-3100, ext. 102 or 1(800) 218-3143

**Monthly statement questions:**

- Downtown office – Call Diana @ 412-227-3215 or 1(800) 900-4492
- Bethel Park office – Call Lil @ 412-835-3100, ext. 101 or 1(800) 218-3143

Gain Loss or Tax information:

- For all locations – Call Michael Trainor @ 412-227-3216 or 1(800) 900-4492

**A special reminder:** If you plan on gifting securities to another person or to a charity, we will need a letter with an original signature (fax signature can not be accepted) to facilitate that transaction. Please remember this, especially when fast action is required.

## The Rivers Club and Animal Friends

The Rivers Club sponsored the Third Annual Mutt Strut to benefit Animal Friends. Members, friends and staff of the Rivers Club paid for the privilege of walking their own and Animal Friends' shelter dogs one recent Saturday morning. Lunch and dog/kids games were enjoyed after the walk, and the lunches were graciously sponsored by the Rivers Club's Director of Operations, David Fortunato. The Rivers Club has positioned itself as a benefactor of several local non-profits serving people and their companion animals. The club feels that type of community service adds to the value of club membership. Judging by the turnout that morning, they are quite right! Also, the event raised almost $3,000 for Pittsburgh's only no-kill shelter. There also wasn't a peep that evening from the shelter dogs. They were joyfully tired from their excursion.

Various corporations sponsored walkers, and The Fragasso Group's Jacquie Llewellyn and her family were among them. From left to right are Tara (holding an unnamed AF's puppy); Jacquie holding family pet, Peanuts, daughters Hailey and Kate along with husband, Charles. You can readily tell from Tara's expression that she had designs on the puppy also becoming a family member.

For membership information for the Rivers Club, contact them at (412) 391-5227. For information on adoptions or volunteering opportunities with Animal Friends, call them at (412) 566-2159.

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### *Determining IRA Distributions*

# Summary of New Proposed Regulations

*by Chad Hamilton*

On January 11, 2001, the IRS published new proposed regulations, which significantly alter the rules that govern required minimum distributions. Under these new rules, the method for calculating required distributions at and after age 70½ is vastly simplified.

The most sweeping change to the existing regulations is a transition to a single, uniform table that will be used to determine the required minimum distribution for any account owner. Due to the creation of a uniform standard, the previous dilemma as to "which is the best method of determining life expectancy" (i.e., joint recalculation, fixed term, or "split" method) is eliminated.

The only exception to the uniform table occurs when an account owner's spouse is more than 10 years younger and is designated as beneficiary. In that case, the required distribution is determined by the actual joint and survivor life expectancy tables, which will provide for an even smaller required distribution amount.

Also, this is the only instance when the designation of beneficiary will have any impact on the distribution calculation. Otherwise, according to the new rules, the age and identity of the designated beneficiary is irrelevant in calculating the distribution amount.

Account owners can change their beneficiary whenever they wish up until their death with no repercussions. This differs dramatically from the old rules which dictated that a beneficiary must be "irrevocably" named prior to the date distributions commence.

Once the account owner dies, the "applicable distribution period" for required distributions will be the life expectancy of the designated beneficiary who actually inherits the account. A co-beneficiary whose designation would shorten the IRA pay out period, can "cash out," allowing other beneficiaries to use their (longer) life expectancies.

The Internal Revenue Service had scheduled a public hearing on this proposed regulation for June 1, 2001. Shortly thereafter, the IRS will finalize the regulation. The regulation as proposed is to become effective for retirement asset distributions during calendar years beginning on or after January 1, 2002. For distributions for the 2001 calendar year, account owners are *allowed but not required* to follow this proposed regulation.

In virtually all cases, the new method will result in a lower required distribution amount, thus saving taxes. Therefore, if your retirement distributions under the old rules had provided more income than you needed, it would be in your best interest to investigate your potentially lower, revised amount under the new rules. A Fragasso Group advisor would happily provide you with a prompt response to such an inquiry.

# Congress Passes Full Federal Income Tax Exemption For 529 Plans

*by John Barbe*

**529** college savings plans have always enjoyed tax-deferred accumulation. But, starting in 2002, distributions for qualified higher education expenses will also escape federal income taxes.

We know some of you that plan to fund a higher education for your younger family members are wondering what that will do for you. This means that, beginning in 2002, your beneficiary will no longer have to report income when withdrawals are used for qualifying college costs. Now, you are able to contribute to a 529 plan for each of your kids or grandkids, no matter where you live (you can use any state's plan) and without regard to your income level. As long as withdrawals are used for your beneficiary's college and graduate school expenses, you will be able to take those withdrawals free of income tax. This should affect how you are saving for a college education.

The definition for "qualified living expenses" has also been changed. The previous rule allowed for 529 plans to pay up to $2500 for on campus and $1500 for off campus room and board. The new rule indicates that education expenses will include the full cost of room and board as determined by each individual institution.

With the new bill, you will be allowed to roll over your account tax-free and penalty-free to a different state's 529 plan as often as once every 12 months. You will not be required to change the beneficiary on the account, as current law demands. This gives you the opportunity to change your investment if you like, despite the continuing rule under section 529 prohibiting investment direction changes. Now you have less reason to worry that income taxes will reduce the money you have available in the future to pay for the rising college costs.

Pennsylvania is among the last states to offer the 529 option. It will soon announce it has created an offering to invest in the Pennsylvania 529 plan. Pennsylvania's new plan is on pace to open for business this fall, although officials creating the plan would not post a date. Previously, Pennsylvania residents had to go with a plan sponsored by another state. The student does not have to go to a Pennsylvania school or be a resident of Pennsylvania to contribute to the Pennsylvania 529 plan. According to plan officials, withdrawals from the plan will be free of federal, state, and local tax.

Contact your financial consultant with The Fragasso Group to discuss how this newly enhanced planning opportunity might impact education funding for your children and grandchildren.

## CHANGES CHANGES CHANGES CHANGES

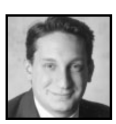
### *New Faces and Promotions*

**Janet Bouma** – Janet has joined us as a Certified Divorce Planner and Financial Consultant. Janet is a veteran of the investment industry entering in 1985. She also found the time and energy to previously act as the owner and the publisher of *The Women's Voice,* a newspaper about and for women and their unique issues. We are pleased that Janet has joined us and that she is heading up our divorce planning area. Visit with Janet and the divorce area via our web site, www.fragassogroup.com.

**Colette Griffith** – Colette has come to The Fragasso Group as our Downtown branch Receptionist. We feel very fortunate to have her calm and easy demeanor in one of our more demanding positions. As our receptionist, she is responsible for making all visitors welcome and comfortable. But, she also is in charge of all scheduling and confirming of appointments, which in a very busy practice such as ours, can prove challenging.

**Barbara Dressler** – Barbara, whose nickname is "Bubba" but doesn't look like one, joins us with extensive experience in the restaurant industry. Her effervescent personality and natural affinity for people is making her a hit at our South Hills branch as its Receptionist.

She shares with Colette the daunting task of scheduling for a busy office with many daily visitors.



**Palmer Masciola** – Palmer has been promoted to Senior Financial Consultant. Palmer has been a member of The Fragasso Group for seven years, and has been in the investment industry for 16 years. We are very proud to be able to recognize his superior work with clients with this promotion.

**Liliann Moser** – Liliann had worked with our group seven years ago at Shearson. She is taking over the position vacated by Vicki Fragasso as Operations Manager of our South Hills office. Lil has 11 years of investment administrative experience with two major investment firms. We believe you will find that interacting with Lil, and with Barb Dressler, at our South Hills office regarding your administrative needs will prove a very pleasant experience.

### *Goodbye and Good Luck...*

**Vicki Fragasso** – Vicki, who was very instrumental in getting the administrative area of our South Hills office up and running, has elected to return to her first love. That is non-profit fund development work. Vicki will be working as a development officer for the Western Pennsylvania Conservancy. We wish her well and send her off with sincere thanks for a job well done.

# The Tax Relief Reconciliation Act of 2001

This act is the most major in almost two decades. Your accountant or tax attorney has already supplied you with a summary of the act. And, our purpose here is not to duplicate that explanatory information. Rather, we want to make sure that you are aware of several investment-related issues of the act.

You will be hearing from us over the ensuing months individually as to how these items impact your personal financial planning. For now, be alert to the existence of these items and call your financial consultant with The Fragasso Group if you have questions specific to your situation.

**Individual brackets reduced.** This will occur over time between 2001 and 2006. This offers the opportunity for income shifting and recognition in lower bracket years.

**Tax Refund in 2001.** While the amount is relatively small, it's potential growth is not. A $300 or $600 refund today invested properly may return many times that value come retirement time. Consider contributing that refund to a Roth or traditional IRA and letting it grow tax-free or tax deferred until retirement. If you are already retired, and don't need the money for living expenses, consider contributing it to a child's or grandchild's Roth or traditional IRA. It could amount to a meaningful legacy by their retirement years.

**Estate tax.** This is a cloudy issue. The estate tax exemption will rise every year until 2009. Then, the estate tax will go away – but only for one year – in 2010. In 2011, the law reverts back to the provisions in effect during year 2000. That means estate tax "reform" is repealed unless a new law is passed extending it. There are several congresses and presidents to be elected between now and 2011. Also, and very importantly, the new law while seeming to eliminate estate tax, if only for a one-year period, also contains a provision (called the modified carryover basis) for increasing income tax at death in the form of capital gains tax. Finally, the state inheritance tax remains in force. So, that tax would be added to the potential capital gain tax even if the federal estate tax were to be repealed. One conclusion seems inescapable. Even if the federal estate tax is repealed, the middle class and the wealthy seem solidly doomed to pay death taxes of one sort or another.

As the long-term future of estate tax law remains very murky, it is imperative that you consult with your estate attorney to clarify how this current law may impact your long term estate planning.

**Education Funding.** This tax law has added another benefit to the new 529 education funding program. The benefits are meant to be *tax-free* when withdrawn for education expenses. See John Barbe's article in this issue dealing with the benefits of 529 plans.

**Retirement plans and IRAs.** This may be one of the most significant and long lasting of the changes, and the least understood. Not only will contribution limits rise over the next 5 and 10 years, but the formulas for contributing to various qualified retirement plans are changing. This will likely lead to the demise of certain types of retirement plans and the enhanced usage of others.

We will schedule special informational seminars for our clients, their advisors and their invited guests beginning in early September and continuing through the Fall. These seminars will deal with the investment implications of the tax act, like those generally discussed above.

## PRIVACY OF FINANCIAL INFORMATION

*by Robert Fragasso*

Last year, Congress passed the Gramm-Leach-Bliley Act. This act caused the federal Securities and Exchange Commission to promulgate rules dictating how financial institutions disclose and share information about you. As a result, you will receive letters from banks, insurance companies, mutual funds and investment firms spelling out their respective policies. You do not need to respond or react to those letters. They are informational only.

The Fragasso Group has always followed a policy of safeguarding your personal information. Some of the highlights of that policy are:

- We do not disclose your personal information to anyone, except those whom you have specified to us. That would include your accountant and attorney of record, and only when they are recorded as such with us. No one calling and claiming to be your advisor will receive information other than your officially recorded advisors.
- We do not share information among family members unless you have specifically told us to do so.
- We never share information among friends or coworkers.
- We do not sell names as lists to any entity.
- We shred discarded papers that contain your confidential information before putting them into the trash.
- While the new federal law covers only individuals and not corporations, we protect the privacy of all of our clients and prospective clients.

We have always guarded your confidentiality, and applaud the federal law that has now mandated that as a wide spread industry practice.

# The Fragasso Group – Five Years of Independence

The Fragasso Group, Inc. is proud to have celebrated five years of independence serving its investment clients as of President's Day weekend, 2001. The Fragasso Group previously was housed within a national firm where Bob Fragasso began building the group in 1979.

Prior to that time, Bob was a sole practitioner beginning in the investment business in 1972. As of March 2001, Bob celebrated 29 years in the investment industry. We congratulate him on that longevity in the business. We suggest to you an article that Bob wrote some time back for *The Pittsburgh Business Times* where he described the evolution of the investment business from protected and fixed commissions to the brave new world of unfixed and fully competitive pricing methods. The article was written in the context of the currently evolving health care industry. But, the article has broad application to any company or industry in adapting to change, focusing on client and customer service and utilizing productivity enhancements to keep costs and client fees low. If you wish a copy of that article, email **Jennifer Hill** at fgi@fragassogroup.com or call her at (412) 227-3234 or 1(800) 900-4492.

The Fragasso Group thanks its clients and referral partners for their faith in us that has made our success possible.

**Golden Years** *(continued from page 3)*

be answered before purchasing a long-term care insurance contract. One size does not fit all!

***You do not have to do this on your own!*** Working with an experienced professional to help guide you through the selection process will make long-term care planning easy.

At The Fragasso Group, we have access to most companies that sponsor long-term care insurance. The companies vary relative to the segments of the marketplace that they wish to serve, and with regard to how they price their various products. Because we are knowledgeable about all of those companies and their pricing structures, and because we have no proprietary products to sell, we can search out the best company and the best contract for your particular needs.

Please contact your financial consultant at The Fragasso Group to find out how you can start planning before it's too late.

**The Fragasso Group, Inc.**

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