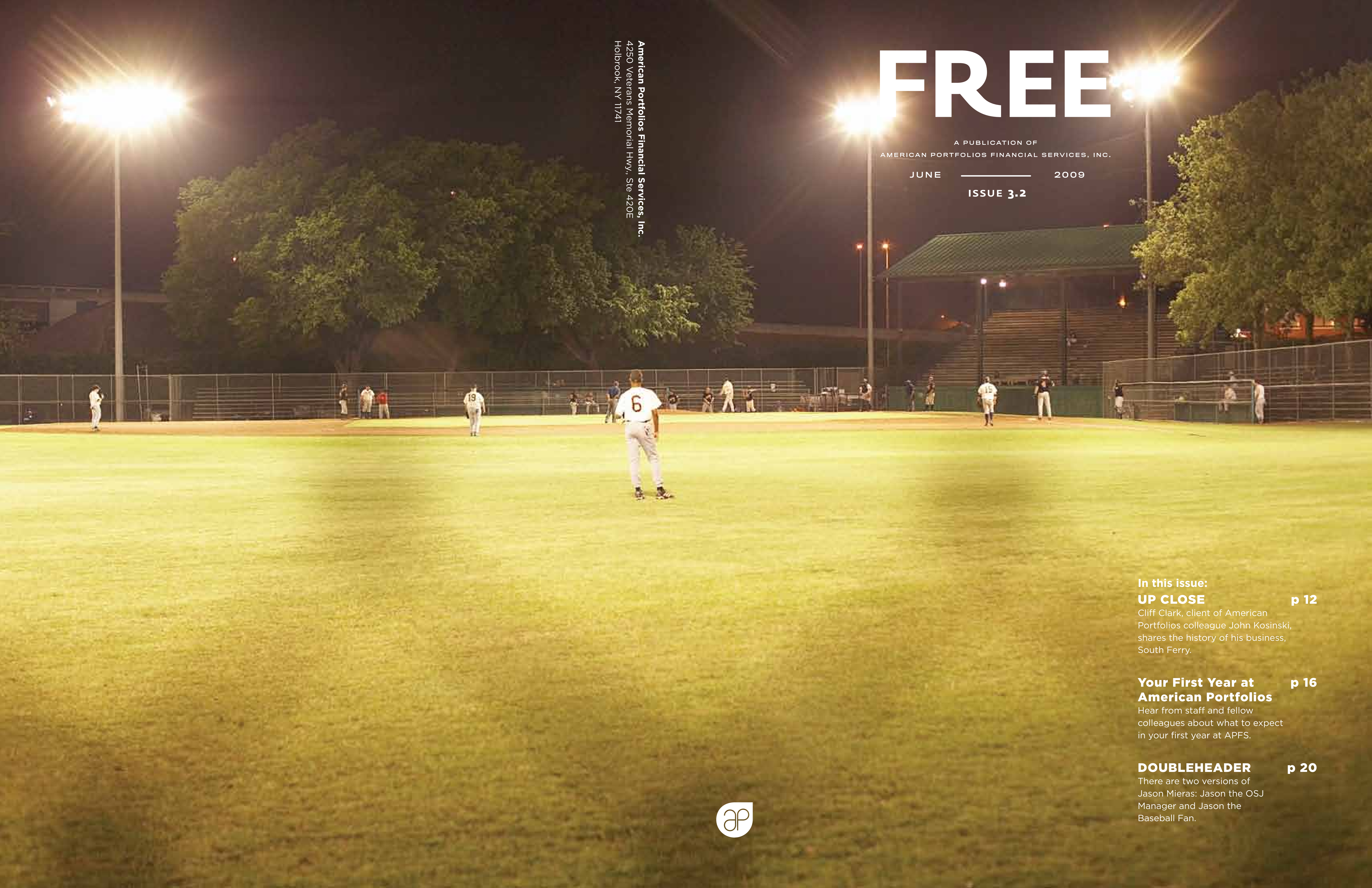


American Portfolios Financial Services, Inc.
4250 Veterans Memorial Hwy., Ste 420E
Holbrook, NY 11741

FREE

A PUBLICATION OF
AMERICAN PORTFOLIOS FINANCIAL SERVICES, INC.

JUNE —— 2009

ISSUE 3.2

In this issue:

American Portfolios Financial Services, Inc.
4250 Veterans Memorial Hwy., Ste 420E
Holbrook, NY 11741

For further information, please contact:

Melissa Grappone
Director of Corporate Communications
800.889.3914 ext. 108
mgrappone@americanportfolios.com

www.americanportfolios.com
Member: FINRA/SIPC

Contents

From the Editor-in-Chief

With the events of a toppled market and economy playing out at the end of 2008, the first quarter of 2009 felt like the aftermath of a natural disaster. As with loss, first you are in shock, then denial, then downright anger, and finally you move on. The resilience of the human spirit of those I've observed in business, personally, and in my travels during these last months has been surprisingly encouraging.

In February and March I escorted my daughter to several accepted-student orientations hosted by various state colleges and universities in New York, one of which she will attend in the fall. As we found ourselves in close proximity to other New York families doing the same due diligence—in the auditoriums, residence hall tour lines, courtesy buses, and college cafeterias—we took in the conversations, the questions being asked, and the occasional quarrel between parent and child. We realized the impact that the economy and market had on the intended plans of thousands of future college freshmen, my daughter included. With decreased values in college savings plans, equity losses in homes, and the prospect of a future of debt for subsidizing a four-year education, prospective students and their families declined acceptances to exorbitantly expensive private schools in favor of a more affordable education through the State University of New York (SUNY) system. Some begrudged having to decline these acceptances, but most did so happily.

In this edition of *FREE*, you'll read content by staff, affiliated colleagues, and partners about adjusting and re-strategizing in response to the events of recent months, and in planning for the future. Chief Operating Officer Dean Bruno summarizes the preparation and implementation of plans for the conversion of all Bear Stearns accounts to Pershing, a necessary business decision that, in the long run, will benefit the firm and its colleagues (pg. 6). Executive Vice President and General Counsel Frank Tauches lays out the implications of impending regulatory changes in the industry, their impact on independent broker/dealers, and what we can all do on a grassroots level to shape these regulations properly (pg. 8). Chief Executive Officer Lon T. Dolber, in his state of the firm commentary, draws a parallel between the shift from superstore retail establishments to more local, community-based businesses and the changing focus in financial services from large brokerage houses to independent financial professionals (pg. 28). And focus partners Pacific Life, National Integrity, and Nationwide provide solutions, offer insight, and raise questions on reviewing required minimum distribution strategies for 2009 with the passage of Bush Administration policy changes (pg. 24), easing clients back into equity positions (pg. 25), and rethinking the value of systematic withdrawal programs (pg. 26).

But if OSJ Manager Jason Mieras and affiliated colleague Judy Rubin are any indication of the dedication and commitment that's being put forth during this difficult time in our business, then investing clients should feel encouraged that their financial futures are in good hands. Mieras, the featured rep in this edition of *FREE*, has one thing on his mind when he wakes up and when he goes to bed: the people he serves and supports (pg. 20). Judy Rubin's greatest challenge, as told to *FREE* in a Q&A, is finding a way to balance her time between work and family in light of the extra attention her clients and their investments require these days (pg. 18).

Starting with this issue, *FREE* has added new commentary to its line-up, PRESIDENT'S PERSPECTIVE by Tom M. Wirshafter (pg. 7) and TOOLS OF THE TRADE, an under-the-hood look at a product or service and how it can be incorporated into your business (pg. 23). We've also opened up interviews with end-clients for our UP CLOSE column. Contributing writer Rebecca E. Dolber had the opportunity to speak with Cliff Clark, owner of South Fork Ferry in Riverhead, New York and a client of colleague John Kosinski, about being a fifth-generation owner of a family-run business that dates back to the 1800s (pg. 12).

Be sure to read another INSPIRE installment from Manager of Advisory Business Development Joe Borriello about culling your transactional book for potential advisory clients (pg. 9), take some elder care lessons from colleague Tim Rossiter about the differences between Medicaid and Medicare (pg. 11), and learn about what some recently affiliated colleagues have experienced in their first year with American Portfolios (pg. 16). Finally, read the economic commentary by colleague Steve Molyneaux of Atlanta, Ga., to see why he believes that we are nearing the beginning of the end of the recession (pg. 10).

As you work through the challenges of your day, be heartened by the human spirit within you and in everyone you know and meet.

Enjoy your summer!

Melissa Grappone
Editor-in-Chief and Director of Corporate Communications
Holbrook, N.Y.
800.889.3914, ext. 108
mgrappone@americanportfolios.com

Want to share your thoughts?

We'd like your feedback on the articles you read here. What did you like? What can we do better? What would you like to see us cover? Send your thoughts and ideas to **Terri D'Arrigo** at *tdarrigo@americanportfolios.com*.

CORRECTION

In FREE 3.1, the photo credit for "UpClose: Relationship Management" belongs to Andrea L. Parker. We regret the omission.

Free

Editor-in-Chief Melissa Grappone
Managing Editor Terri D'Arrigo

Chief Executive Officer Lon T. Dolber
President Tom Wirtshafter
Chief Operating Officer Dean Bruno

Contributing Writer Rebecca Dolber
Design Exit10 Advertising, LLC

CONTRIBUTORS

Timothy Rossiter is an affiliated colleague in Huntington, N.Y. He began his career in the banking industry in 1966 and earned the professional designation of Certified Financial Planner from Adelphi University in 1988. Tim, a regular contributor to "View from the Field," currently conducts seminars on financial services, estate planning, and elder care.

Timothy Rossiter
Huntington, N.Y.
631-549-7612
trossiter@americanportfolios.com

Stephen Molyneaux is an affiliated colleague in Atlanta, Ga. He is a regular contributor to *FREE*, having shared his thoughts in "Economic Commentary" and "View from the Field" in several previous issues.

Stephen Molyneaux
Atlanta, Ga.
770.392.3998
smolyneaux@americanportfolios.com

Calendar

FP – *Focus Partner Corporate Events at American Portfolios, Holbrook, N.Y.*
(Please call Mary Ann Rosolino at 800.889.3914 ext.154 to confirm your attendance.)

Date	FP	Event
July 3		Market Closed for Independence Day
July 13	FP	Lunch Meeting sponsored by John Hancock | Valerie Freiberg, noon
July 15	FP	Lunch Meeting sponsored by Jackson National | Steve Burke, noon
July 20	FP	Lunch Meeting sponsored by AXA | Lorraine Lods, noon
July 27	FP	Lunch Meeting sponsored by Cornerstone Real Estate Funds Mike Carroll, noon
August 3	FP	Lunch Meeting sponsored by National Integrity | Keith Carravone, noon
August 5		OSJ Manager/Principal Conference Call, 4:15 p.m.
August 5	FP	Lunch Meeting sponsored by American Funds | Steve Calabria, noon
August 10	FP	Lunch Meeting sponsored by Franklin Templeton | Bill Sheluck, noon
August 24	FP	Lunch Meeting sponsored by MetLife | John Nahas, noon
August 31	FP	Lunch Meeting sponsored by AXA | Lorraine Lods, noon

Date	FP	Event
September 7		Market Closed for Labor Day
Sept. 13 – 16		Schwab Institutional IMPACT2009 National Conference San Diego Convention Center San Diego, California http://www.impact.schwab.com/
September 14		Lunch Meeting sponsored by Nationwide | Susan O'Connor, noon.
September 21	FP	Lunch Meeting sponsored by OppenheimerFunds Wendy Ehrlich, noon
September 28	FP	Lunch Meeting sponsored by Prudential | Carrie Short, noon.
September 29 – October 1		2009 FSI Advocacy Summit Renaissance Mayflower Hotel, Washington, DC http://www.financialservices.org/
Oct. 10 – 13		FPA National Conference Anaheim, California www.fpaannualconference.org
Oct. 12 – 14		American Portfolios Regional Meeting Hilton Hotel | Indianapolis, Indiana
October 19		TD Ameritrade Institutional 2009 Regional Conference | Grand Hyatt New York, NY www.tdameritradeconferences.com/ partnership/

STUDIO 4|5|4

ON-DEMAND VIDEOS
LINE-UP

STUDIO 454 IS COMMITTED TO CREATING INTERESTING and informative video programs for American Portfolios' affiliated colleagues. Throughout the first quarter of 2009, the studio premiered a collection of seminars originally presented at the firm's regional meeting on Long Island in January. To view a video, click on the Studio 454 button at the top of the American Portfolios broker website and enter the title of the video in the search field. To scan the program line-up, click on "Top Videos" or "Browse."

Alternative Financial Solutions
American Portfolios Executive Vice President and Chief Legal Counsel Frank Tauches and Advisor Asset Management Regional Vice President Scott Peppard discuss several alternative investment concepts, including unit investment trusts.

Ibbotson Study: Enhancing Retirement Income Strategy
Nationwide Regional Vice President Evan Wald discusses the results of an Ibbotson study and presents a technique for enhancing the portfolios of retirees using variable rate annuities.

Lockwood & Pershing Managed Account Solutions
Pershing Relationship Representatives Rich Touhill and Brendan O'Neill provide an overview of the vast capabilities of the Pershing Managed Account Solutions software system.

Morgan Stanley Global Outlook 2009
Morgan Stanley Executive Director Dan Stolbof offers a fast-paced, insightful overview of today's economy, featuring opinions from several of Morgan Stanley's top economic experts.

Retiremetrics
Franklin Templeton Vice President Bill Sheluck illustrates innovative techniques for preserving your client's retirement assets.

Webman Financial Outlook
Oppenheimer Funds' Chief Economist, Dr. Jerry Webman, delivers an engaging presentation on the state of the economy and the financial outlook for 2009.

Employee of the Quarter
David Molter

NEW ACCOUNTS SUPERVISOR DAVID MOLTER IS proof that opportunity is what you make of it. He joined American Portfolios as a new accounts associate in April 2007 looking for career growth, and now, less than two years later, he's managing a staff of four. He's also busy training new colleagues on STARS, the firm's supervision transaction accounting reporting system, and overseeing the processing, review, and interactive completion of new account forms and new account information. He's willing to go beyond his job description, and that has earned him not only a promotion, but kudos as the firm's new Employee of the Quarter.

Molter is well-respected among the New Accounts staff for his ability to balance leadership with a willingness to let them try new ways of solving problems.

"He delegates what he needs to, and we each know our daily tasks," says New Accounts Associate Laura Maguire. "But it's also comfortable to work with him. If I make a mistake, I'm not afraid to go to him."

It doesn't hurt that he has a sense of humor, she adds, noting that his wit has helped his staff tackle more than one challenge. "He's great with the one-liners," she says. "Transitions require a ton of paperwork, and sometimes we're here until 6:30 or 7:00, but his sense of humor helps the time go by."

Molter is only too happy to help, and he enjoys interacting with staff and affiliated colleagues alike. "I love it," he says. "I'm always busy helping reps, training, and handling my responsibilities as a manager, and all the different personalities keep me on my toes."

He credits his management style to his predecessor and supervisor Jared McGill, who is now Manager of Representative Services. "Jared has always given me freedom of input, and he lets me fix my own mistakes and take credit for my accomplishments," he says. "From him I learned that as long as the job gets done, there's more than one way to do something, and that's okay."

Congratulations, Dave!

David Molter
New Accounts Supervisor
Holbrook, N.Y. | 800.889.3914, ext. 200

Promotions
Michelle Schwab

AMERICAN PORTFOLIOS IS PLEASED TO ANNOUNCE the promotion of Michelle Schwab to the position of Finance Supervisor. In this new position, Michelle will supervise Accounting Associates Kristen Lee and Mary LoBue and direct their daily workflow. She will also continue to oversee the daily accounting and commission functions and prepare various statistical reports as required by management.

Michelle joined the firm five years ago as an accounting/commissions associate. Over the years she has gained a great deal of knowledge and has become an expert on the Advisory Billing Platform.

"She is always eager to take on new assignments and regularly goes beyond what is expected of her," says Director of Finance and Accounting Anne Antunovich. "Overall, she views problems as opportunities and strives to make meaningful and challenging contributions for the betterment of the department and the firm as a whole."

Congratulations, Michelle!

Michelle Schwab
Finance Supervisor
Holbrook, N.Y. | 800.889.3914, ext. 168

New Employees

Jeffrey Superdock
Position: Operations Associate
Department: Operations
Phone: 800.889.3914, ext. 232
Fax: 631.439.4698
E-Mail: jsuperdock@americanportfolios.com
Joined APFS in February 2009

Responsibilities: Jeffrey's responsibilities involve all day-to-day functions of the operations department for the brokerage business through our clearing firm, Pershing, LLC. These include issuing checks and wires and processing incoming ACATS transfers, journals, check deposits, stock certificate deposits, and ACH requests.

Biography: Jeffrey received his B.A. in Classical History with a minor in Religious Studies from the State University of New York at Albany in 2005. Prior to joining American Portfolios, Jeffrey managed an upscale local restaurant in St. James, N.Y. He is currently a member of the Smithtown Fire Department as well as a licensed Emergency Medical Technician. He is a resident of Smithtown, N.Y.

William Flinter
Position: New Accounts Associate
Department: New Accounts
Phone: 800.889.3914, ext. 287
Fax: 631.439.4698
E-Mail: wflinter@americanportfolios.com
Joined APFS in March 2009

Responsibilities: William works with the New Accounts team in processing, reviewing, and interactively completing new account forms and new account information for hard-copy forms and through STARS. He conducts homeland security checks for new clients, scans all incoming hard-copy NAFs, opens brokerage accounts through STARS, and provides support and training to reps in the field on STARS.

Biography: Prior to joining APFS, William worked for Capital One as a bank teller. He graduated from Siena College in Loudonville, N.Y. in May 2008 with a B.S. in Finance.

Philip Cordero
Position: Advisory Trainer
Department: Executive
Phone: 800.889.3914, ext. 195
Fax: 631.439.4659
E-Mail: pcordero@americanportfolios.com
Joined APFS in March 2009

Responsibilities: Phil trains advisors on several platforms and operational procedures, including the Pershing Managed Accounts Solutions platform. He develops and maintains advisory training material, and schedules and trains advisory representatives in individual and group settings through conference calls and webinars. He also maintains the Advisory focus section of the firm's broker website and works with Manager of Advisory Business Development Joe Borriello on the department's special projects as they arise.

Biography: Phil brings more than 10 years of experience in financial services to the firm, having held several positions with U.S. Trust Company. He resides in Farmingville, N.Y., with his wife and two children. In his spare time he enjoys fishing, cooking, surfing, tennis, and international and domestic travel.

Gerald Gibbons
Position: Compliance Associate
Department: Compliance
Phone: 800.889.3914, ext. 209
Fax: 631.439.4659
E-Mail: ggibbons@americanportfolios.com
Joined APFS in April 2009

Responsibilities: Gerry is responsible for the surveillance and review of BPM, including review of DPP, REIT, private placements, and equity index annuities business and their associated documentation (NAF, APFS compliance forms, checks, and letters of intent). He monitors the email surveillance system nationwide, administers the Firm Element of the continuing education program, and generates and supplies regulatory documents for FINRA audits. Gerry also generates compliance surveillance reports and reconciles the results by contacting affiliated managers and representatives in the field.

Biography: Gerry has more than 15 years of experience in financial services and compliance, having held positions with Park Avenue Securities, TD Waterhouse/Ameritrade, Datek Online, and Compliance Consultants. In his spare time, Gerry enjoys kayaking, mountain biking, and playing soccer. He resides in Lake Ronkonkoma, N.Y. with his wife, Dee, and their daughter.

Things Change

by Dean Bruno

If someone came to me six years ago to say that Bear Stearns would cease to exist and no longer be our clearing firm, I would tell them they were seriously misinformed. We started with Bear Stearns as our clearing firm back in 2001, and two years later, in 2003, added Pershing to accommodate affiliating registered representatives unwilling to change their clearing firm platform. As time went by, it became apparent that the efficiency and costs associated with executing trades through Pershing were better for the firm and the registered representative. The fact is that the perceived value of having Bear Stearns as a clearing firm came mostly from its name, and that is what we were paying for. In March of 2008 that changed.

As *FREE* went to press, plans were in place for the conversion of all clearing firm accounts from J.P. Morgan (formally Bear Stearns) to Pershing to take place on July 2. I am amazed at the level of preparation that has been made this far, yet equally astounded by the amount of work that is still left.

Since January 1, there have been more meetings and teleconferences with Pershing than I care to count. We have posted intricate timelines and critical tasks of the minutest details to our portal (the Microsoft Sharepoint tool for managing and sharing data), notified all colleagues about the planned conversion and conducted three follow-up conferences calls, and conducted more than 50 training sessions on NetExchange Pro. Thousands of customer documents have been downloaded from J.P. Morgan, with thousands more to go, and more than 16,000 negative response letters have been sent to account holders. By the time you read this, J.P. Morgan will have delivered to Pershing a registration file containing client information, and account holders will have returned the necessary paperwork for margin, options, pro cash, and adoption agreements.

But you know all of this by now. So let's look forward. There are several important steps to keep in mind as we finalize the transition.

Important Steps to Keep in Mind

- All standing instructions with the exception of periodic wires on J.P. Morgan accounts will transfer to Pershing.
- All Reserve Money Market fund positions will be transferred to client accounts at Pershing.
- Unrealized gains and losses will be transferred into Pershing's Net Exchange Pro system.
- The APFS operations team has been downloading the past six years of client statements and the past three years of confirms as well as 1099s and other documents of concern.
- Pershing-related materials, brochures, facts, and contact information summarized to the right have been posted to General Securities Documents in the broker website under Clearing Firm Consolidation.

Dates to Remember

June 29	The last trading day for normal securities at J.P. Morgan for three-day settlement on July 2.
June 30	The first trading day at Pershing.
July 2	J.P. Morgan positions and balances will be sent to Pershing.
July 7	Positions and balances will begin filtering into client accounts on July 3 and be completed.

The conversion teams at American Portfolios, Pershing, and J.P. Morgan are working well together and we are all in sync with the plan and the process.

The operations staff and I are here to help and support you during this transition. If you have any questions or concerns, please do not hesitate to contact Operations Manager Phil Bredow at 800.889.3914, ext. 133, or me at ext. 138.

Pershing Contact Information

Pershing Technology Help Desk/ Net Exchange Pro Help Line	Toll Free Number: (888) 878-3142
Pershing Customer Service Retirement Products, Retirement Plans & Processing	(888) 559-4423, Option #2 *Hours of operation:* *8:30 a.m. to 6:00 p.m. (ET)*
Pershing Customer Service – Portfolio Evaluation Services (PES)	(888) 559-4423, Option #3 *Hours of operation:* *8:30 a.m. to 6:00 p.m. (ET)*
Pershing Customer Service – Annuity Products & Subscribe Platform	(888) 559-4423, Option #4 *Hours of operation:* *8:30 a.m. to 6:00 p.m. (ET)*
Pershing Customer Service – Pro Cash Plus – Cash Management Products	Your clients can call the Pro-Cash Plus Support Group directly at (800) 547-7008
Pershing Managed Account Solutions Third-Party Money Managers, Mutual Fund / ETF Wrap Products, Unified Managed Accounts Technology Workstation & Performance Reporting	Sales Support (800) 200-3033, Option #2
Pershing Fixed Income Traders dedicated to American Portfolios	Dina Ruffo & Mike Higgins (800) 924-9696 (201) 413-4880
Pershing's Fixed Income Portfolio Solutions (FIPS) Technology	FIPS Desk (866) 221-4464 (201) 413-4229
Bond Central	Bond Central Support Line (201) 413-3434

NOTHING IS ~~FREE~~

by Tom Wirtshafter

I know the name of this publication is *FREE*. And even though my mother always says "don't look gift horses in the mouth," I remain skeptical. Perhaps I've been living in New York City for too long, but I have learned, "nobody does nothing for free."

So, I wanted to know why we don't put a price tag on *FREE*, but what I really wanted to know was if there was a perceived value for American Portfolios representatives. After all, my father always said, "If you give it away, it probably has no value."

In this time of instant access and instant obsolescence, isn't it nice to have something that isn't here today, gone tonight?

FREE is not an inexpensive proposition on our part. From the great pains we take to research and write what we hope are interesting and thought-provoking articles, to the efforts of the talented designers and editors who help turn the publication into something truly beautiful and professional, to packaging it up and sending it off to you via a very expensive postal service, *FREE* is an investment of our resources and funds. There's also the cost of publishing, which includes the price of paper, ink, and printing. When you add it all up, you will see that *FREE* is anything but free for us to put together. So why are we giving it away?

As a publication of American Portfolios Financial Services, Inc., *FREE* is the best way we know to explain and promote our culture—that is, your culture of independence. This is the culture of a group of independent business people who have chosen to be part of a firm that respects their choice, never takes it for granted, and embraces their independence. Articles outlining our representatives' and colleagues' lifestyles, business models, and spirit illustrate the advantages of being independent. Columns about practice management and what we do in Holbrook to help you are important ways of communicating with you and reinforcing the benefits of independence as a business model. And don't forget the feature stories that highlight how others are meeting the challenges and opportunities of independence. These articles provide practical information and advice that can be adapted to your practice or perhaps prompt ideas of your own.

In this time of instant access and instant obsolescence, isn't it nice to have something that isn't here today, gone tonight? *FREE* is something tangible, something you can hold in your hands that represents our service to you, our intention to have a long and prosperous relationship with you, and our commitment to your success.

We understand the power of technology and how it can help us be more efficient and productive. Indeed, our firm is widely recognized for our open architecture and technical expertise. But we also recognize the power of relationships, and if we don't take the time to share and rejoice in them, we are missing the true gift of freedom that technology brings. American Portfolios is about people, not technology, and creating a magazine about all of us is our way of honoring that.

So if we decide to use our resources and time to make *FREE* free, it is a conscious decision. Can you say that about all of the things you do for free? The other day I heard from a representative who wanted to get rid of some small accounts he took on as a favor: They never did anything and now he wants to be clear of them. What surprised him was the number of favors he had done for people over the years. Now, I am not saying to stop doing favors. But don't do anything that doesn't have value, and make sure your clients understand that value. If they can see the value in what you do, they will appreciate it whether you put a price on it or not.

Tom M. Wirtshafter
President
Holbrook, N.Y.
800.889.3914, ext. 288
twirtshafter@americanportfolios.com

The Battle on Capitol Hill

by Frank A. Tauches, Jr.

As we face significant challenges caused by market turmoil, decline in individual business, and the failure of major institutions in finance and manufacturing, one of the greatest threats to our profession is proposed legislation designed to "reform" the financial services industry. It seems that any time the system fails to protect the individual investor from economic harm, Congress and state legislatures try to solve the problem by passing new laws, rather than mandating regulatory agencies to enforce the laws they have. As an independent broker-dealer, American Portfolios must be vigilant in commenting on and influencing any proposed legislation or regulation that could affect our firm, our valued colleagues, and our clients.

Through the firm's membership in the Financial Services Institute (FSI) we have been able to stay ahead of the legislative curve. Chief Executive Officer Lon Dolber and I have met with members of Congress over the last several years through FSI's Advocacy Summit held in Washington, D.C. In FSI's early years, only CEOs and key executives who attended the Summit met with legislators. However, over the last two years, all association members at the Summit have been invited, and they have been encouraged to meet with Representatives and Senators from the legislative districts where they live and work. This approach greatly leveraged the efforts of FSI and its members and tripled the number of meetings on Capitol Hill.

> We can do a good job framing the issues in Washington, but legislative battles will be won at home.

Although this effort produced solid results, it is only a prelude to a greater grassroots effort. We can do a good job framing the issues in Washington, but legislative battles will be won at home through local visits and contact. A single constituent like you, whose life and business will be affected by your Representative's and Senators' votes, will have far more influence than three executives and lobbyists meeting with staff in Washington. Remember that your members of Congress will be seeking your vote in the next election, and they must be made aware of how proposed legislation will affect you.

With the expansion of American Portfolios over the last two years, we have significantly increased our presence in Congressional districts across the nation. This provides us the opportunity to influence lawmakers with respect to issues that will affect our profession. Let me briefly share with you several important issues currently under consideration in Congress.

Rule 12(b)-1 Reform

In March the director of the Securities and Exchange Commission's (SEC's) Division of Investment Management announced that the SEC would no longer actively pursue the repeal of or modifications to Rule 12b-1 this year. However, we must be prepared to face this issue again, if necessary.

Rule 12b-1, which authorizes mutual funds to use their assets to pay for marketing and distribution expenses, provides fair compensation to financial advisors for providing their clients with critical support and guidance in meeting their lifelong financial goals. The retention of 12b-1 fees is an essential way of aligning the interests of financial advisors with the interests of the fund shareholders they serve.

Independent Contractor Status

Another major issue is proposed federal legislation that would change the IRS rules on worker classification. Although the proposal is intended to address worker classification problems in other industries, it would have serious unintended consequences for independent broker-dealers, independent financial advisors, and the middle-class clients they serve. The proposed change would remove an important safe harbor and give the IRS an unnecessary reason to question the independent contractor status of independent financial advisors affiliated with independent broker-dealers. Because of President Barack Obama's pledge to cut the deficit in half by the end of his first term, the White House is looking for any and all available sources of revenue. The Treasury estimates that stopping misclassification of independent contractors could bring in an additional $35 billion to $60 billion per year.

FINRA Rulebook Consolidation

FINRA continues to work through the rulebook consolidation process and regularly releases rule proposals that can significantly affect broker-dealer operations. Earlier this year, FSI submitted several comment letters to FINRA about FINRA's recently proposed regulations.

REPORTING REQUIREMENTS. The reporting requirements are designed to provide important regulatory information that assists FINRA in identifying problem broker-dealers, branch offices, and financial advisors and detect and investigate sales practice violations in a timely manner. FINRA's proposal would greatly expand the reporting requirements. FSI's comment letter offered specific steps for improving the proposal by restricting its scope and clarifying its language.

INFORMATION AND DATA REPORTING. The proposed rule is intended to establish a new information-reporting requirement; require broker-dealer firms to report additional applicable contact information; and consolidate, streamline, and modify into one rule several separate reporting and filing requirements. This proposal would give FINRA sweeping powers to request data and information from broker-dealers in the format and timeframe of their choosing. FSI's comment letter expressed significant concerns with the open-ended nature of the proposal and urged FINRA to involve the industry in developing more specific information- and data-reporting requirements.

Each of these proposals could have a great impact on how we do business, and American Portfolios is committed to preventing them from being passed or implemented. We are fortunate to have both Lon Dolber and APFS President Tom Wirtshafter in active roles on FINRA committees and in a position to influence FINRA's stance and actions. Since my election to FSI's Board of Directors in December, I have been involved with the development of the association's legislative agenda, which will culminate in FSI's Advocacy Summit in Washington, D.C. from September 29 through October 1.

But the most important factor in determining our success in these legislative efforts will be the impact that you have on your Senators and Representatives. Through the APFS website I will keep you abreast of legislative and regulatory issues as they arise. But I will need your help at the grassroots level.

As always if you have any thoughts, ideas, or comments, please feel free to contact me directly.

Frank A. Tauches, Jr.
Executive Vice President and Chief Legal Counsel
Holbrook, N.Y.
800.889.3914, ext. 206
ftauches@americanportfolios.com

Transition from Transactional:
Combing Your Book

by Joseph Borriello

Identifying qualified candidates for fee-based accounts isn't hard, but you will need to roll up your sleeves and mine through your book of business at first. As previously discussed, you should be identifying clients that fit your ideal client profile and be a part of the niche you serve.[1]

There are two main things to consider when evaluating clients who might fit, at least on paper, into a fee-based account: the clients' assets and needs.

Assets

Clients who have Class A shares in mutual funds, Class B shares in mutual funds that have no contingent deferred sales charge (CDSC) fees, variable annuities that are no longer appropriate, or unmanaged dormant, concentrated, or non-diversified equities positions could be good candidates for separately managed accounts.

General Schedule for Moving Assets
1. Class A shares 12 months after the initial sale.
2. Class B shares past the period of their CDSC; if a CDSC applies, then the client must sign a disclosure document.
3. Annuities that are past their surrender period and are no longer appropriate for the client. If a surrender charge applies, the client must sign a disclosure document.
4. Individual equities after 12 months of receiving a commission.
If you have any questions, please call Advisor Compliance Associate Dee Gibbons on ext. 265.

However, it's a given that you must act in the best interest of the client and cannot move assets into a managed account for which you have collected a commission in the past 12 months. The table above provides a general schedule for moving assets.

To start, look for mature Class A or Class B mutual fund shares past their CDSC period. Moving away from these traditionally more expensive mutual fund assets should ultimately lower the internal expenses for the client, especially when you take into account the expense ratio[2] plus the brokerage commissions.[3] Moreover, using a separate account manager will practically eliminate the "phantom income" discussion most advisors have had with clients in recent months. That is, mutual funds distributed capital gains in 2008 to client accounts as those accounts lost value, yet clients have had to pay taxes on those gains.

Non-qualified variable annuities that are beyond their surrender period and are no longer appropriate for a client could also present an opportunity. Granted there are many variables when evaluating these situations—insurance needs, client's age, contracts value, and tax penalties, to name a few—but in the right circumstances it should be beneficial to cash out and move the assets to a separately managed account. Having clients cash out and moving them into a managed account program, when appropriate, should reduce overall program costs, boost performance, and create tax savings because annuities are treated as ordinary income. Also, separately managed accounts available at American Portfolios don't have a surrender period, so liquidity should not be an issue. Furthermore, a number of firms have variable annuities that are specifically designed to be used as a managed account. Some of these have optional riders and no mortality, expense charges, or commission.

Again, depending on the type of managed account, converting these assets should lower the client's portfolio expenses and provide the client individualized cost basis and the opportunity for tax loss harvesting, when applicable. More importantly, it should also give you the opportunity to bring value to the relationship by offering products that clients cannot invest in without you, the investment advisor.

Building your managed book of business should also boost your production in the long run and increase the value of your practice overall. Managed business is sticky, and although production is down, reflecting declines in assets, advisors are still collecting their fees and servicing their clients without having to worry about earning a commission. Commission-based reps cannot make the same claim.

For example, if you collect a 25 basis points (bps) trail on a mutual and convert your client over to a separately managed account for which you charge 100bps, you've quadrupled your income. Sure you'll be sitting with the client at least once a year and reviewing the manager's performance and the client performance reports, and you'll be servicing the client rather than selling to the client, but with that responsibility comes the added revenue and reward of not working for a commission.

Servicing your clients allows you to communicate with them without the pressure of having to sell them something. It allows you to sit on the same side of the table as your clients and objectively help them invest their money in programs that serve their best interests—and nothing underscores that more than how you are paid. You are the client's advocate.

Needs

Aside from a potential client's investments and investable assets, which should not equal less than $25,000 for some programs, you'll need to consider the client's needs and goals.

Clients with long-range goals and horizons of five years or more might make good candidates. The long-term nature of managed accounts meshes well with the planning aspects of advisory services, many managers' investment styles, and the way advisors are compensated. Also, look for clients who wish to develop different types of financial planning, including estate planning, education planning, multigenerational planning, philanthropic planning, tax planning, and retirement planning.

On the other hand, clients who have short-term goals and horizons of less than three years might not be the best choice: A client who needs all of his or her funds in three years to pay for a certain event would probably be better served by a commission-based account.

Likewise, clients who need to be involved in day-to-day investment decisions are almost definitely not well-suited for fee-based services, as such involvement defeats the purpose of hiring an institutional money manager. Although portfolio managers may be available for periodic updates, I have yet to see a manager who is available on demand in the retail space.

The process of finding appropriate clients is much like solving a puzzle: Putting the pieces together can be trying at times. Therefore, American Portfolios polled the firm's business partners and found that two have resources to help you. First, Curian Capital has provided American Portfolios with material to share on the firm's broker website. When you log in, click on the Focus Section tab, then Advisory Services in the pull-down menu. Clicking on Curian Capital and opening the folder titled "Transitioning Your Business to Fee-Based" will bring you to several well-written pieces on tax issues and mutual fund costs. For those do-it-yourselfers who are managing their own portfolios, our focus partner TD Ameritrade has an outside business consulting service available on a case-by-case basis. Please feel free to call me directly to discuss it.

Using these resources and keeping your clients' assets and needs in mind when combing your book of business will help you identify the best candidates for fee-based accounts.

[1] *See past issues located under Advisory Services/ Practice Management folder on the APFS broker website*
[2] *Expense ratio= Management fee + 12b-1 fee + Other Expenses*
[3] *Brokerage fees= The funds transaction costs from buying and selling not included in the Expense ratio*

Joseph Borriello
Manager of Advisory Business Development
Holbrook, N.Y.
800.889.3914, ext. 159
jborriello@americanportfolios.com

The Beginning of the End of the Recession?

by Stephen Molyneaux

The waning weeks of March prompted a sigh of relief among investors when equity markets demonstrated a strong rebound after the abysmal months of January and February. Although "happy days" may not be here again for some time, there are some encouraging, if tentative, signs that the economy is showing some life. Consumer spending rose slightly in February, as did consumer sentiment, according to a survey by the University of Michigan. Mortgage rates are at historic lows. Home sales are up slightly. Even though a majority of the sales involve foreclosures selling at greatly reduced prices, that is still activity in the housing sector. Moreover, the latest durable goods data showed a slight gain in big-ticket purchases.

Have we hit a bottom? Is the current rally a bear market rally or the beginning of a new bull market? No one can say when a recession is over until months after it's over. However, at the end of the first quarter of 2009, there were signs that the economy is nearing its bottom. The beginning of the end of the recession may be near.

Employment

Previously, some labor officials predicted the national unemployment rate to top out near 8.5%, but in March, Federal Reserve Chairman Ben Bernanke said it could rise above 10% "for a period of time." What's more, 49 states have registered increased rates of joblessness and more than six states already suffer 10% unemployment or higher. March was the fourth straight month in which the economy lost more than 600,000 jobs.

Some analysts are forecasting the mother of all jobless recoveries. According to the UCLA Anderson School of Management's quarterly economic forecast, the national unemployment rate should spike near 10.5% in mid-2010, but will remain above 9% as late as the beginning of 2012.

Keep in mind that these forecasts were made before the latest round of problems with GM and Chrysler. No matter what solution Washington deems necessary, automakers will face a minimum loss of tens of thousands of additional jobs as more production lines are permanently shut down.

Housing

Home prices continue to spiral downward. Tight credit, a bleak economic outlook, and ballooning job cuts have placed tremendous stress on home prices. Defaults on FHA insured mortgages are increasing: 7.5% of FHA loans are 90 days or more overdue, in foreclosure, or in bankruptcy. Many analysts follow the Californian housing sector closely in the belief that California was the first to fall into the foreclosure mess and will be the first to rebound from it. Banks there have slashed foreclosed property prices to the bone in an attempt to rid unwanted properties from their balance sheets, which has led to an 83% increase in the number of homes sold in California in February of 2009 compared with February 2008.

The surge in sales in California may be a sign that home prices are approaching a bottom. It would make sense for the true bottom to become apparent in the most discounted market, foreclosed properties. There the news is mixed: Some analysts believe the steep decline in Sun Belt home prices will level off this year but that there will be a sharp plunge in many of the nation's largest metropolitan areas, especially where there has been a spike in unemployment.

> The economy will struggle as long as typical American consumers feel stressed out about their own financial well-being.

Economy

Consumers face a rough road ahead. The latest Federal Reserve report shows that U.S. household wealth shrank for the sixth consecutive quarter at the end of 2008. The total net worth of households fell from $56.59 trillion in the third quarter to $51.48 trillion. The 9.0% drop was the largest ever. With the deteriorating job market, consumer confidence has hit its lowest point in 30 years and consumers are saving their money in an effort to cushion against the recession.

Personal credit is tightening, as well. Analysts predict a 45-60% contraction in available lines of credit for credit-card holders. Banks are rewriting their underwriting standards, reclassifying credit-card holders as noncreditworthy, and pulling lines of credit.

In an economy where consumer spending makes up 70% of gross domestic product, this mix of consumer thrift and contracting credit is a worrisome sign: The economy will struggle as long as typical American consumers feel stressed out about their own financial well-being.

Outlook

There is still a great deal of volatility in the market. Since the beginning of March, the Dow has had seven triple-digit–point gains and six triple-digit–point losses, and there is still an array of troubles to contend with: The credit-card crunch, the commercial property crisis, and the uncertainty surrounding toxic assets on some bank balance sheets. The recent changes in the U.S. accounting standards on how banks value billions of dollars in securities on their balance sheets may help strengthen the banking sector and loosen up credit markets, but some accountants claim the change in standards is nothing more than new-age accounting hocus-pocus. Only time will tell if the new standards help.

Investing

Although we may yet face more bad economic news, it appears that most of it has already been discounted by the financial markets. Asset valuations are attractive and should move much higher as the global economy stabilizes and ultimately begins to expand again. The economic deterioration should slow down in the next quarter, but the process of absorbing the losses related to the investment bubble will be lengthy and could keep economic growth below the historical trend for several more quarters.

Fortunately, asset prices should begin to rise in anticipation of improvement in the global economy. There is an increased probability that annual returns on stocks could approach double digits in the coming three-, five- and ten-year periods. Keep in mind that the decline in asset prices occurred in a jagged line. So should the rebound. Investors should begin the process of slowly shifting back into stocks, commodities, lower credit fixed income, and real estate.

Above all, we must be patient. The financial crisis may not be over yet, but there are signs that the worst of it may be behind us.

Stephen Molyneaux
Atlanta, Ga.
770.392.3998
smolyneaux@americanportfolios.com

Adapted from Hanover Advisors' Investment Commentary, *April 2009.*

The views in this commentary do not necessarily represent those of the firm and are not intended as specific investment advice.

Medicare, Medicaid, and Your Clients

by Timothy Rossiter

To provide your clients who are age 60 or older with comprehensive information about expenses they may incur and topics about which they should be aware, please be certain to remain educated about Medicare and Medicaid. All too often, Medicare and Medicaid are referred to interchangeably, and they should not be.

Medicare is a federal health insurance program for people age 65 and older, certain people younger than 65 who have disabilities, and certain people with kidney disease. Medicaid is also a federal program, but it is administered by each state individually. Although Medicaid eligibility depends in part on age and disability, it also depends on income, assets, and how high a patient's medical bills are. In order to be eligible for Medicaid, individuals are allowed no more than $13,050 in total assets and they must contribute all but $50 per month of their income to their care facility. Coverage is paid for by the county in which the applicant resides.

> *It is important to remind your senior clients about applying for* **Medicare Parts A** *and* **B**

Planning for a Crisis

In crisis-planning situations involving a married couple, it is often advisable to transfer all of the assets to the well spouse and procure a long-term care insurance policy to cover him or her. Please remember that under Medicaid, the well spouse of a person in a nursing home is permitted to keep up to $104,400 in total assets and may also receive a monthly income of $2,610. Amounts above these levels will result in the county asking the well or at-home spouse to make a financial contribution to the support of the spouse in the nursing home. These amounts may change, so in this situation it is advisable to work with an attorney who specializes in elder law. This attorney will also consider the overall situation and may suggest other directives such as a personal care contract or the strategy known as "half a loaf." Additionally, long-term care insurance* is clearly going to become a necessity for our clients because of the present economic environment and the fact that we can expect the current look-back period of five years to increase.

Medicare and Your Clients

It is important to remind your senior clients about applying for Medicare Parts A and B. Approach them about this at least three months before they reach age 65: If no Part B coverage is elected at this important time, a penalty may be assigned and an additional waiting period assessed when the application is eventually filed. The table to the right indicates the monthly premiums for Part B.

MONTHLY PREMIUMS FOR MEDICARE PART B

If you are married and if your 2008 modified adjusted gross income was:

More than:	But not over:	Your 2009 monthly premium will be:
$170,000	$214,000	$134.90
$214,000	$320,000	$192.70
$320,000	$426,000	$250.50
$426,000	---	$308.30

If you are single and if your 2008 modified adjusted gross income was:

More than:	But not over:	Your 2009 monthly premium will be:
$85,000	$107,000	$134.90
$107,000	$160,000	$192.70
$160,000	$213,000	$250.50
$213,000	---	$308.30

With regard to Medicare Part D coverage, the best advice will likely come from your client's pharmacist who, armed with a listing of current prescription requirements, will be able to recommend the insurance plan that will best meet your client's specific prescription needs. We must teach our seniors to be vigilant about checking with their pharmacists at least every six months to be certain that their plans are still adequate.

It is also important for financial professionals and advisors to understand the benefits of Medicare, particularly with respect to coverage for long-term care. Medicare will only pay for skilled nursing care. It will cover skilled-care needs for 20 days in full, then for an additional 80 days with an applied deductible for which the senior must pay $133.50 each day.

Let us remain committed to educating ourselves about all of the considerations relevant to our elder and senior clients. Our clients rely on us to stay current and informed so that we may better serve their needs.

Timothy Rossiter
Huntington, N.Y.
631.549.7612
trossiter@americanportfolios.com

**The only thing constant is change:*
After my last article about elder care appeared in FREE *("Elder Care Report: Selling Long-Term Care Insurance,"* FREE 2.4, *December 2008), UNUM withdrew from the retail marketplace and is no longer offering policies on an individual basis. UNUM policies remain available on the group side, and this change does not affect the administration of any in-force policies.*

UP CLOSE

SOUTH FERRY, INC. has been taking passengers across Long Island's Shelter Island Sound to New Haven, Conn., for more than 200 years. Its current owner and operator, Cliff Clark, is a client of American Portfolios affiliated colleague John Kosinski of East End Financial in Riverhead, N.Y. Clark recently shared with *FREE* the history of his great-great-grandfather's business and discussed the course now charted for South Ferry's future.

INTERVIEW BY REBECCA E. DOLBER | PHOTOS BY ANDREA L. PARKER

FREE: **Tell me about South Ferry.**
Cliff Clark: South Ferry has been an immediate family business since the early 1800s. I'm the fifth generation, and I have a nephew and a son-in-law to hand down to. My nephew spent the winter researching our ancestry and the history of the ferry company for a book he's writing. He's confirming the information that's been told to us for years.

ONE SIZE *doesn't* FIT ALL. People have unique needs and if you can honor those things and make them part of the fabric of the team, *then everybody wins.*

FREE: **How did the company start?**
CC: My great-great-grandfather Samuel G. Clark came to Long Island from Saybrook, Conn. He started the company by rowing people over to the island. By the mid 1800s, we'd progressed from rowing to sailing, with a barge towed behind the sail, and by the late 1800s, we owned a gas-powered boat. Over the years, we've built different vessels but we're up to five now.

FREE: **When did you get involved in the business?**
CC: I worked at the ferry every summer through high school and college. After spending eight and a half years in the Air Force, I had some options, but ultimately resigned my commission and moved my family out to the Island. My dad was getting up in years and had a lot on his plate. I'm glad I did it. My brother and I are now co-owners of the company.

FREE: **Tell us about Shelter Island.**
CC: Shelter Island is a unique, really neat place. The sense of community, belonging, and neighborliness here is strong. Crime is virtually non-existent. There are no chain stores, just single stores run by families and individual people. It's a country island that is close to everything, but without the chaos that is the Hamptons.

FREE: **What is the hardest thing about running a business?**
CC: We are a private company that provides public transportation, and public transportation is always looked upon as being public property. But, we are private. We pay for everything, including the boats and the docks. Transportation is often scrutinized and there are certain expectations, like you are going to get people safely and efficiently to where they are going. The challenge is to make it seem simple, seamless. The only way you can do that is to have good service and a fair price.

FREE: **How has the current economy affected South Ferry?**
CC: We're a barometer of what's happening with other businesses, and what's happening is not good right now. Because there aren't as many trade vehicles, landscapers, contractors, pool people, you name it, we're not seeing the traffic. We were down 22% in trucks for the month of April, and about 7% in cars. It's a serious thing, so we're modifying the way we run the boats and running them a little more gently to save fuel. I'm also watching the part-timers' hours and cutting a couple projects. We are like any business that you might talk to right now; optimistic that this will come back, not confident that the government is doing it right, and dealing with it until we get through it.

FREE: **What is your relationship with the community?**
CC: We have a wonderful relationship with our community. Our rates are controlled by the county, so when we want to raise our rates, we have to go to the public and explain what we need. The last time we raised prices, we had people from the community come out and speak out in support of us. We didn't plan on that.

FREE: **Why do you think you got that kind of response?**
CC: I think it comes down to getting them pleasantly across the channel without question. We take our Christian faith very seriously and insist our people maintain a pleasant environment. But everything comes from our faith in God and our belief in treating people mercifully. We ask people on crew to bring their best character to their job, to treat people as guests rather than annoyances. If they feel good when they land, then the community benefits from that. They will give their waiter a better tip and be good ambassadors to the island.

FREE: **What kind of sacrifices have you made along the way?**
CC: I don't ever clock out. I'm on 24/7. But, that's true of any business owner here, whether it's the gal who owns the convenience store or the man who owns the bus company. When you are responsible, you have to subordinate some of your own desires and pleasures to run your business.

FREE: **What advice do you have for people who want to own their own business?**
CC: Don't know if I'm qualified to answer that question, as each business is different, but what has worked for us is that your people go before programs. That includes customers and staff. When someone comes to us with a legitimate need, we try to help and be there. If I have a program that I think is important, but it's going to be a detriment to our people's well-being, I rethink it. One size doesn't fit all. People have unique needs. If you can honor those things and make them part of the fabric of the team, then everybody wins.

FREE: **How did you meet John Kosinski?**
CC: I met John through Bill Southwick. Bill grew up on Shelter Island and was in a financial planning business. He partnered with John back in the 80s and at the time he approached us about our financial planning. We spent some time planning with Bill, and when he moved to Tennessee, we stayed with John.

FREE: **How was that transition?**
CC: At first, I hired John purely as a consultant. I needed help considering our insurance options. I asked him to review programs and advise me on new insurance. I wanted someone who wasn't trying to sell me anything. He knew from get-go that I wouldn't even have conversation about sales. He helped us a lot—we ended up wrapping up one program and got everyone here into a 401k.

FREE: **I understand you are part of his client advisory board. Can you tell us about that?**
CC: It's an advisory group of business owners that get together every quarter to talk about things John wants to do or implement and we give feedback. My wife and I serve on it along with some other clients. We act as board of trustees. He listens, picks up what he likes, and tries to make East End Financial better because of it. We are a trusted group of people who care about John as person. The board is really his way of doing just what I talked about. He's a guy that puts people before programs. I admire the way he does business.

I LOVE *what* I DO. It's in my blood five generations deep. It's a legacy that can't be denied.

FREE: **What do you look for in a financial advisor?**
CC: Well, John's involvement has been really centered around our 401(k) plan only, but we are happy with him and APFS. He is caring and watches out for me. He doesn't overreact and he advises carefully in investments—reminds us not to jump, to just stay in there. East End Financial is also very accessible. If I call someone at [a large financial firm], I don't talk to the CEO. I get a long run of people down the food chain. I can have lunch or play golf with John anytime and get the straight scoop.

FREE: **What's the best advice anyone's ever given you, business or otherwise?**
CC: I'd have to say it comes from the scripture, Matthew 6:33. "But seek first His kingdom and his righteousness and all these things will be added to you." It doesn't mean everything will work out the way I want, but in the end, it's the way it is supposed to be.

FREE: **What are your plans for the future?**
CC: Professionally, well, I'm going to be 65 in August and am pretty much on my career path! I'm a ferry boat man and I want to be involved as long as I have the health and mental faculties to do so. My next step is to transition this business to the next generation. I love what I do. It's in my blood five generations deep. It's a legacy that can't be denied.

YOUR 1ST YEAR *at* AMERICAN PORTFOLIOS

by Rebecca E. Dolber

Transitioning to a new broker/dealer can be challenging. Here's what to expect.

The first year of any life change can be challenging, especially when that change affects your business. Even if you've been an independent financial professional for years, affiliating with a new firm can be a lengthy process. However, knowing what to expect and working with a back office staff that's eager to help can smooth your transition and free up your time so you can do what you do best—serve your clients. Here's what to expect in your first year at American Portfolios Financial Services (APFS), and how to get the most out of it.

START WITH TRAINING

One of the challenges of moving to a new broker/dealer is learning new technology.

"Reps often put off training and just have their assistants learn, but they should know the systems too," says Relationship Manager Melissa Wade. "Not only will they need the info if their assistant is out of the office, but it's important to understand the dynamics of how business is processed at APFS."

Enter the New Accounts team, which trains all new registered representatives on the firm's homegrown technologies such as STARS (the supervision transaction accounting reporting system), and on other systems such as Albridge and CashEdge. Training starts right away, and a member of the New Accounts team will visit your office during the first week of your affiliation with the firm.

"When a rep comes on board we get them trained early so they're not just waffling in the wind," says Chief Operating Officer Dean Bruno. "When the training begins, our new colleagues are usually blown away."

When Mark A. Gajowski, a representative based in Hauppauge, N.Y. transferred to APFS from Nationwide in December 2008, he chose the firm based on its technology. He feels the support he has gotten only validates his decision.

"Once I saw how technologically advanced the back office was, I was convinced. The speed at which business could be done was unbelievable," he says. "Then [New Accounts Supervisor] Dave Molter came to the office and trained my entire group. The employees at APFS are above board. They understand the technology, embrace it, and have the drive to get it done."

Len Clarizio, who transitioned to APFS in July 2008 and now has an office in West Paterson, N.J., is similarly impressed. "[Manager of Representative Services] Jared McGill came to our office, and all the guys gathered around the computer and he went through, step by step, how to process business and look through commissions. It was definitely helpful."

New colleagues and APFS personnel can also access a series of interactive conference calls through a WebEx demonstration. The New Accounts team then provides follow-up training, regardless of where you are located.

"The WebEx conferences are convenient and easy," says McGill. "Reps can schedule them for whenever they want, sign in remotely, and watch as we demo all the platforms. All they need to do is sit back and listen."

TRANSFER ACCOUNTS

During your first few months with the firm, it is crucial that all of your accounts are properly transferred. Here's where the Transitions Department comes in.

Once your clients return their paperwork and you pass it to APFS, the firm will notify the proper management companies of the change and open your new account in STARS.

"This a perfect scenario," says Bruno. "There are a few common setbacks, but nothing that can't easily be avoided."

One of those setbacks is incomplete paperwork, he says. He recommends that you make sure all new account forms are signed before you send them to the home office.

Bruno notes that transfers take time. "Transfers will not be complete in a week. It takes time for accounts to move and then more time for them to show up in Albridge. We tell reps from experience, honestly, how long these things are going to take," he says. "This way, everyone is on the same page even if there are some delays."

> "When a rep comes on board we get them trained early so they're not just *waffling in the wind.*"
>
> *– APFS COO Dean Bruno*

Wade encourages you to get to know your manager or supervising principal. If you're not familiar with that person, the Relationship Management team can set up a meet-and-greet or conference call to introduce you. Wade stresses that the Relationship Management team is there to act as a liaison and a coordinator, and adds that although each representative is assigned an individual relationship manager, the entire team is there to field calls and handle issues.

IMMERSE YOURSELF

Taking advantage of all APFS has to offer starts with networking. The firm conducts regional meetings and OSJ conference calls every quarter and company and leadership conferences almost every year, as well as the American Forum, an online community of APFS affiliated colleagues. The firm's focus and business partners also conduct meetings and presentations at the home office in Holbrook, N.Y., many of which are offered as continuing education credits.

Staying abreast of developments in company news will also help. To that end, the firm offers *The Independent,* a weekly company newsletter prepared by Relationship Management and Corporate Communications. Then there's *The American Perspective*, a bi-weekly Web-based news program produced by APFS's in-house studio, Studio 454. Studio 454 also airs interviews with a host of industry experts, including product representatives, portfolios managers, tax attorneys, and retirement specialists.

Studio staff can help you produce personalized content for APFS-approved websites or messages to your clients. Alan Grodin of Roslyn Heights, N.Y., was one of the first colleagues to take advantage of this service.

"The best way I can describe my experience at Studio 454 was a partnership," Grodin says. "The staff was as interested as I was. They listened to my ideas, were proactive with their input, and helped determine the best way to get my message out."

Other marketing resources are accessible through the online purchasing site, APFS Enterprise Print Management Center Online (EPM Online), you can review, customize, and order a variety of materials to promote your business and affiliation with the firm. A host of approved brochures, pamphlets, business card designs, stationery, promotional items, and apparel are available with a click of the mouse.

GIVE BACK

Employees and friends of APFS regularly participate in charitable events. Whether it's affiliated professionals organizing child safety fairs in their local communities or Chief Executive Officer Lon Dolber trekking to the top of Mt. Kilimanjaro with seven disabled athletes, the firm continually looks for ways to donate time and assistance in a hands-on manner. Last year, approximately 30 employees and representatives participated in events to benefit World Team Sports, an organization that pairs disabled athletes with able-bodied athletes to engage in various competitions. Dolber serves on the board of World Team Sports.

"It's part of our company's culture to give back to our global and local communities," Dolber says. "We encourage affiliated reps to take part in our causes, like World Team Sports, but we as a company involve ourselves in their causes, as well. It's important that we be involved."

Your first year with APFS will be filled with new technology, new people, and new ways of doing business. Working with APFS staff will make the transition go more smoothly and enable you to focus on serving your clients.

JUDY RUBIN

makes time for **all** *of life's adventures.*

Interview by Terri D'Arrigo | Photos courtesy of Judy Rubin

FREE: **Tell us about your career.**
Judy Rubin: I started out in nutrition. I have a degree from Cornell in nutrition and wanted to work in nutritional therapy. I wanted to get involved with innovations in areas such as anti-aging.

FREE: **That's quite different from what you do now. How did you get into finance?**
JR: I got bored with nutrition, I wanted to work with people in an analytical way and when I saw an ad in the paper for a small broker/dealer in White Plains, New York, I thought it would be a great opportunity. That was 22 years ago.

FREE: **Tell us about your career path from there.**
JR: Initially I worked with that small broker/dealer. Following that, I went to Cigna Financial Services. Then I worked as a bank representative with Fleet Bank in Larchmont and Scarsdale. I left after the birth of my second child and went to Nathan & Lewis, which became Walnut Street.

FREE: **What made you decide to go independent?**
JR: What appeals to me is the ability to work on long-term goals with my clients. For instance, I'm currently in my tenth year of working with a client company. When I first met them, their SEP IRA contributions were $3,500. They've grown from one company to five and their annual contributions are now $75,000 a year. They respect the fact that I had the foresight to see they were growing and that I stuck with them through all of that time. It's different from being employed by someone else, where month to month they want to know what your production is. When you work for yourself you can use your own insight and develop a relationship with your clients that will grow financially and prosper over time.

FREE: **How did you come to affiliate with American Portfolios?**
JR: I learned of American Portfolios through Larry Mieras [affiliated colleague in Spring Lake, N.J.]*

FREE: **What appeals to you about American Portfolios?**
JR: I like the philosophy of independence and the way the company is growing. The transition was seamless. The back office operations staff are fantastic. If you call and they don't know the answer to your question, they will find it for you. The technology is great, too. I use STARS [the APFS supervision transaction accounting reporting system], Albridge, and NetExchange.

FREE: **What would you say to someone who has recently affiliated with the firm?**
JR: It's very important to come to the meetings and conferences and find out about all of the services. Talk with other people who have worked with the firm and find out what their experiences have been. And don't be afraid to use the technology.

FREE: **You mentioned servicing a company. What is your mix of business?**
JR: I'm atypical in that 40% of my revenue comes from insurance, mainly life insurance and some long-term care insurance. I've been doing insurance for about 18 years or so, and I'd love to be able to develop more relationships with insurance agencies through American Portfolios. The rest of my business is primarily retirement planning and wealth accumulation. The bulk of my individual clients are Baby Boomers and older. Most of my business comes from referrals and networking in the community.

FREE: **What are you doing to help your clients through these chaotic times?**
JR: I'm reexamining their risks and goals. I stay in touch with them and communicate with them frequently, and I meet with them to define what their goals and risk tolerance are. In this market, risk tolerance can change. Not necessarily for everyone, but people who thought they were risk tolerant may no longer be. There's some hand-holding, too. It's 80% psychology. It's a very draining time for us as advisors, but it's what we get paid to do.

FREE: **What kind of challenges have you overcome since becoming independent?**
JR: One of the biggest challenges of being independent is time management. You have to be able to use your time wisely, either through technology or support staff, so you can focus on your clients.

FREE: **What kinds of sacrifices have you made along the way?**
JR: There is an initial transition time when building your business when you don't earn much. It's an around the clock job because you have the responsibility of the financial well-being of your clients. During the market we've had for the past eight months it can be extremely stressful. The trade-off in being in a business as an independent is great because you can work at the level that works best for you and the success of your business is attributable to you. I like it because there's a nice balance for me in how I manage my business and balance it with my personal life, and I enjoy providing a service to my clients.

FREE: **Finance is still a predominantly male field. Do you feel women face more pressure than men in juggling the demands of a career and their responsibilities toward their families?**
JR: Yes, depending on your situation, especially if you have a husband who doesn't have the ability to pick up a child or run a quick errand during the workday. It was easier when my husband Wayne was working near our home. He could fill in when I needed to work late. He recently started with a law firm which is 40 minutes from the house. He also travels, so the bulk of the family responsibilities fall to me. It really depends on your family situation and dynamics. It's different for everyone.

FREE: **How do you manage it?**
JR: I try to take advantage of certain windows when they come up, times when I can work late or on a weekend. For instance, yesterday [a Sunday] Wayne took the boys [Evan, 14, and Grant, 12] shopping. That was my opportunity. I worked a few hours and today I feel more relaxed.

FREE: **How do you stay connected to your family?**
JR: We like to participate in events together and I try to go to most of the boys' sports events. I also take the boys skiing frequently and we try and take day trips to places like Ellis Island, Madame Tussaud's Wax Museum, or rock-scrambling at the Gunks. We did a mini-triathlon this past March where Grant skied, Wayne rode 10 miles on a bike, and I ran 3.5 miles. We love to travel together, be it to lounge at Long Beach Island or hike in the Grand Canyon.

FREE: **You're an active bunch!**
JR: Oh, yes. I met my husband through running. He's very competitive and was just gloating that he beat me in a race. I've run many charity events with groups of women, which were a great deal of fun. I used to run marathons—my best time is 3 hours and 21 minutes. Now I prefer shorter distances. I have a Vizsla [a breed of hunting dog]. He and I need fresh air and exercise everyday so we go out running on the trails. Sitting at the computer all day long can be physically debilitating, and running enables me to be more relaxed when I work.

FREE: **Do you still run races?**
JR: Yes, just shorter ones. My best time in a 5K time is 19 minutes, 15 seconds. That was about 10 years ago, I'm getting slower with time, but I still love to compete in my age group. My son Evan started running cross country this year. It finally happened and the torch has been passed: He beat me in a race! I'd love to get American Portfolios to run a race as a corporate team.

FREE: **Any plans for your next adventure?**
JR: I plan on going to Costa Rica this summer. My husband and I would love to go scuba diving, which we haven't done since our honeymoon, and we can all go rafting, ride a zip-line, and see the rain forest. I'd love to see the national parks there. I've been told the flora and fauna are incredible there. I also like the idea of all of us being immersed in a completely different culture.

FREE: **What are your plans for the future?**
JR: As my children become more and more independent, I'll have more time to spend on my business. My co-workers and I have spoken about getting support staff, even if it's just part-time. That's my next objective. There are times when I'm spending too much time processing paperwork. As with anything else, it comes down to managing my time.

Judy Rubin
Harrison, N.Y.
914.777.2436
jrubin@americanportfolios.com

**Larry Mieras has a talent for acquiring talent, and that includes his own son Jason, as you'll see on page 20.*

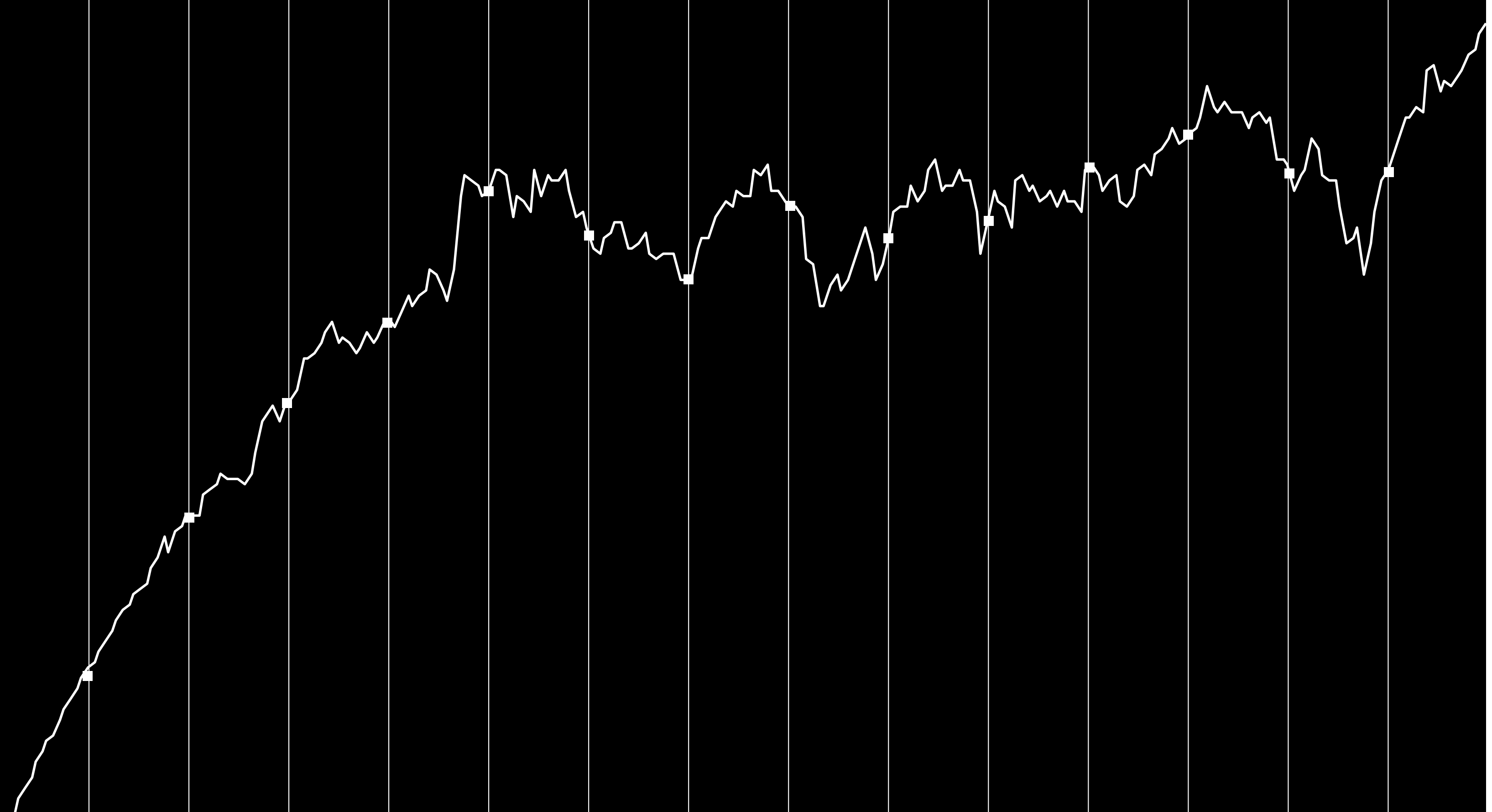
JASON MIERAS

moves between two worlds.

by Terri D'Arrigo

Photos by Andrea L. Parker

DOUBLE HEADER



Jason Mieras is the classic Gemini: as with the celestial twins, there's a pair of him. There's Jason Mieras, the Certified Financial Planner and managing principal at the American Portfolios OSJ in Spring Lake, N.J., the largest OSJ in the firm. He's the one with the tie who makes sure all of the documentation is in order, the one who thinks about his clients as soon as he opens his eyes in the morning. Then there's Jason Mieras, the guy's guy. He's the one in jeans who plays poker, loves Vegas, and considers a Yankees game on a warm sunny day to be a little slice of heaven.

"It's my nature to be easy-going and laid back, but I'm a completely different person in a professional environment," says the 38-year-old June baby. "My clients deserve for me to be professional and to take them very seriously. At times I've been accused of being too uptight."

If he seems a bit formal, it's because he takes his work to heart. "I approach my duty as a principal as having three equal responsibilities," he says. "First, to the firm, to make sure the firm is not at undue risk. Second, to the reps to make sure they are in compliance and help them keep their liability to a minimum. And third, to the clients, to ensure that their best interests are being served." It's a tall order, but Mieras embraces it. "I spend about 60% of my time as a principal and the other 40% as an advisor. It's a big part of what I do," he says. "There's more to being a principal than putting a signature on a new account form. You need to be a piece of the reps' support staff, and if the reps have questions or need assistance, you need to be available to provide help and advice."

And then there's that documentation. Mieras regards it as a matter of protection, and he uses STARS, the supervision transaction accounting reporting system developed by American Portfolios, not only to review trades, but to assist offices in maintaining their compliance.

"Compliance in this day and age has become so onerous for reps and branches," he says. "The primary focus of reps should be producing. That is what they are good at. As an OSJ principal, I try to monitor the compliance side and make sure they submit what they need to submit."

This is especially true of the information on new account forms. Mieras feels the protection new account forms provide goes both ways—to the client and the firm.

"You have to be able to document the business you do with clients, to help ensure that they understand what they are investing in and that it's suitable for them," he says. "But also, in just about every arbitration case, the new account form is Exhibit A."

Mieras's attention to detail comes from empathy. Because he has clients of his own, he knows how much paperwork is involved and understands that there is ample opportunity for something to fall through the cracks. "Everyone forgets things from time to time," he says. "It doesn't mean they aren't doing a good job. It just happens, and it helps to have someone looking out for you."

CAREGIVING

In many ways, Mieras is drawn to caregiving. When he graduated pre-med with a degree in biology from Seaton Hall University, he had every intention of becoming a physician. He found a job working in the emergency room of a trauma center and began applying to medical school.

"I wanted to be a doctor as early as I can remember, and when I started working at the hospital, I met a lot of doctors who were very encouraging," he says. "But then the managed care revolution began to take hold, and that wasn't the direction I wanted to go."

Yet an undergraduate degree in biology wasn't opening many doors for Mieras, as he didn't see himself continuing on to grad school and becoming a scientist.

"I really just wanted to find a career, something with stability, and my background wasn't providing too many options," he says.

While discussing his dilemma with his father over lunch one day, he asked his father about finance. Lawrence Mieras had been in the business since 1983 and was working at Nathan & Lewis Securities, Inc., at the time. The elder Mieras was quick to point out the need for level heads in the financial sector, and the more he explained, the more interested his son became.

"I didn't know a whole lot about investments, so I started with my series 7 in 1997 and registered with Nathan & Lewis," Mieras says. "I didn't go back to school. Instead, the real benefit was my father's experience in the business. He was a terrific resource for me, and helped train me in investment products, then in sales."

A few years later, father encouraged son to take the exam for the 24. "My father had been a principal with First Investors, so he had quite a bit of experience to share with me," Mieras says. But also, the senior Mieras had strong friendships with dynamic, enthusiastic professionals in the industry such as Lon Dolber, who would later form American Portfolios and serve as the firm's chief executive officer.

Mieras notes that Dolber was instrumental in training him as a principal. Dolber offered hands-on instruction—Mieras traveled with Dolber to learn how to conduct office inspections.

"I have a connection with Jason. We were both brought into this business by our fathers and we share a common experience of being mentored by strong, accomplished individuals," says Dolber. "I was impressed by his eagerness and willingness to accept advice and counsel from his father. That was me twenty years ago. He's a good listener, really sharp, and very capable at what he does."

Mieras took Dolber's advice from the get-go. "Back in 1999 or so, Lon told me not to focus too short-term in this business," he says. "He told me that if you always do what is in the best interest of your clients, you'll always be successful in the industry."

Mieras has tried to live by that in terms of his career, and he finds it rewarding to help his clients feel secure about their future. "When most people retire, they only know how much is in their accounts, but they don't know how that will translate to their lifestyle going forward, or how much income they can generate from the assets they have," he says. "Setting up income plans with retired clients and giving them the assurance that they can still be comfortable in their lifestyle is some of my most fulfilling work."

However, it does keep him up at night. "I never leave work," he says. "My clients and the reps I supervise are sometimes the last thing I think about when I go to sleep, and then I think of them again when I first wake up."

SANCTUARY

MIERAS IS THE FIRST TO ADMIT THAT SOMETIMES he has trouble distancing himself from his work. With so much on his mind—clients, compliance, market volatility—he notes that it's easy to forget to take care of himself. This is especially true in the long winter months, as he's not a fan of cold weather. But when the days grow longer and the sun warms the air, he finds his other side, usually somewhere between the salt-tinged breezes of the Jersey shore and third base at Yankee Stadium.
"I grew up on the beach and very rarely had shoes on in the summer when I was a kid," he says. "I have lived about five blocks from the beach for the majority of my life."

Although he now lives 30 miles from the breaking waves, his office is about six blocks from the boardwalk and he makes a point to take a stroll at lunch. He says it clears his mind and helps him relax.

But his real sanctuary is baseball. Humphrey Bogart once said that a hot dog at a ball park is better than a steak at the Ritz, a sentiment Mieras seems to share. "Watching a baseball game can make me forget about work," he says. "I love the strategy and appreciate the level of talent that's out there on the field."

Mieras is a Yankees fan, which, depending on your world view, you can credit to or blame on his college roommate. He tries to get to five or six Yankees games each season, and will travel to New York or Baltimore as necessary. Yet as much as he likes the team, he tries not to begrudge their bitter rivals, the Boston Red Sox, their success.

He *tries*.

"I don't hate any Boston players. Just the uniforms they wear," he says. "You can't help but to respect their talent, but as an adversary, you have to hate the institution."

Regardless, he knows that whenever the two teams meet, the odds are favorable for a good game, unlike the odds of him winning in Vegas or at a poker game with American Portfolios colleague Steve Ziniti of Franklin Square, N.Y. and Transitions Supervisor Carl Kirchner of the APFS home office in Holbrook, N.Y.

"I've been to Vegas five or six times, but I've never won big there," he says. "My luck isn't much better at poker with the guys."

As much as he doesn't like to lose, he chooses to focus on the camaraderie and enjoys the gaming for what it is: A way to relax and unwind—a way to take off the tie.

Jason Mieras
Spring Lake, N.J.
732.449.4422
jmieras@americanportfolios.com

TOOLS OF THE TRADE

AdvisorFlex

by Joseph Borriello

IN THIS ISSUE OF *FREE* WE INTRODUCE A NEW COLUMN, "TOOLS OF THE TRADE." IN EACH ISSUE, THIS COLUMN WILL HIGHLIGHT A FINANCIAL PRODUCT OR TOOL AND DISCUSS HOW IT MAY BE APPLICABLE TO YOUR PRACTICE.

WHO: Lockwood Advisors, Inc. (Lockwood)

WHAT: Lockwood Advisor*Flex* Portfolios (Advisor*Flex*) is an objective-based client proposal and managed account program that allows advisors to structure customized portfolios of mutual funds and exchange-traded funds (ETFs) by using independent investment research and model allocation from Lockwood and Morningstar, Inc. Features include periodic automated rebalancing, account monitoring, and drift tracking.

WHERE: Advisor*Flex* is available through Pershing's NetExchange system, under the Pro tab and Managed Accounts link.

WHY: In a nutshell, Advisor*Flex* offers the benefits of professional money management, allowing the advisor, if so desired, to adjust investment holdings in the portfolio.

WHEN: Advisor*Flex* is currently available. Please note that your NetExchange ID must be enabled for you to use the program, which can be arranged by contacting Philip Cordero, Advisory Trainer at American Portfolios (APFS), on ext. 195.

COST: 70bps, which includes access to all the features and benefits of the program. This fee does not include the advisor's fee and the internal cost of the investments.

GETTING STARTED

The investment process for Advisor*Flex* accounts includes creating a client investment profile, asset allocation, investment selection, monitoring, and investment oversight. After obtaining your entitlements, you would log into the managed accounts section of NetExchange Pro, select the Advisor*Flex* program, and generate a portfolio. (Please note that generating a portfolio in the Pershing system is synonymous with creating a client proposal.) The system will walk you through the process using a series of fields, each of which has a help icon should you have any questions. However, if you need assistance, please call Advisory Trainer Philip Cordero on ext. 195.

You'll need to complete the following steps to generate a portfolio:

1. Input portfolio title	5. Enter your client's tax bracket
2. Select type of account: individual or corporate	6. Enter income streams
3. Select account type	7. Enter retirement assets (equity, fixed income, balanced), if any
4. Input account value	8. Enter non-retirement assets (equity, fixed income, balanced), if any

USING THE PROGRAM

This program emphasizes flexibility and the option for you to select portfolio investments to meet specific client needs or preferences. You may use the primary mutual funds and ETFs identified by Lockwood or you may substitute alternate selections from a list of available funds and ETFs.

To use the program, you must first answer an objective-based question about the strategy that most closely reflects your client's investment objectives, and then complete a corresponding risk tolerance questionnaire. The system will use this information to generate a recommended model and display selected model portfolios along side one another and you may choose another model or accept one that is offered. You may adjust your chosen model's risk variance one step in each risk direction (more conservative or more aggressive), which will adjust your client's risk profile in the system and the investments in the model.

Lockwood provides research on more than 120 investments, and after you select a portfolio model to use, the system will populate the model with recommended investments. You have the flexibility to adjust the model's holdings and add or replace investments by choosing from among those in the Lockwood universe. You will have to note your reasons for making such changes and your client will be able to see your reasoning when you generate the report—which provides an excellent opportunity for you to demonstrate the value of your expertise.

The next step is assessing the fee charged to your client. The system defaults to the highest fee allowable, which is 300 basis points (bps), but you may edit the fee to the appropriate level, taking into account the program's cost of 70bps (i.e., a total fee of 150bps less the program's cost of 70bps would mean that you receive 80bps).

At this point, you're almost done. After you print out the investment proposal, account opening documents, and disclosure documents for your client to sign, set up a clearing firm account on the Pershing system and blotter the documents in the STARS business processing module. The American Portfolios New Accounts team will finish the set-up and coordinate with Lockwood to open the account.

Joseph Borriello
Manager of Advisory Business Development
Holbrook, N.Y.
800.889.3914, ext. 159
jborriello@americanportfolios.com

Philip Cordero
Advisory Trainer
Holbrook, N.Y.
800.889.3914, ext. 195
pcordero@americanportfolios.com

PACIFIC LIFE

Required Minimum Distributions Waived for 2009

In the current economic environment, many contract values have been severely affected by the deep declines in the stock market. Retired clients with investments that do not offer a guaranteed rate of return or downside market protection have a relatively large exposure to sequence-of-return risk. Taking a distribution following a bear market can have a devastating impact on the success of their financial plans. The more extensive the bear market, the higher the probability that the retirement financial plan will not be successful.

On December 23, 2008, former President George W. Bush signed into law the "Worker, Retiree, and Employer Recovery Act of 2008" (the Act). Among other things, the new legislation contains a provision that provides a temporary waiver of 2009 required minimum distributions (RMDs) for IRA owners, plan participants, and their beneficiaries. It is important to note that this waiver does not apply to beneficiaries of nonqualified annuity contracts. By suspending 2009 RMDs, the intent is to lessen the impact of sequence-of-return risk and to help taxpayers preserve retirement accounts. The table below notes the changes that resulted from the passage of the Act.

Results of the Worker, Retiree, and Employer Recovery Act of 2008

Before the Act	Result of the Act
RMDs for 2009 are required.	RMDs for 2009 are not required.
RMDs are not eligible: • For rollover treatment. • To be converted to a Roth IRA.	Amounts that would otherwise be RMDs are eligible: • For rollover treatment. • To be converted to a Roth IRA (if taxpayer is eligible).
Qualified plan distributions eligible for rollover treatment are subject to mandatory 20% federal tax withholding.	Qualified plan distributions that otherwise would have been 2009 RMDs are not subject to mandatory 20% federal tax withholding.
Beneficiaries taking distributions using the five-year rule must deplete the account no later than December 31 of the fifth year following the year of death.	Beneficiaries taking distributions using the five-year rule now get an extra year to deplete the account. The year 2009 is excluded and the account must be depleted no later than December 31 of the sixth year following the year of death.

What has not changed?

Keep in mind that the Act does not affect all aspects of RMDs. The following does not change:

» RMDs for 2008 and 2010 are required.
» RMDs for 2009, even if they can be postponed until April 1, 2010, waived.
» There is no change to the method of calculation of the RMD amount.
» The waiver does not apply to distributions from defined benefit plans.
» The 50% penalty on RMDs not taken is not waived. However, because the RMD for 2009 is zero, there is no penalty if no distribution is taken.
» There is no change to the definition of required beginning date.
» There is no effect on charitable IRA rollover tax treatment.

Next Steps

Consider taking advantage of this opportunity to help reduce your clients' exposure to sequence-of-return risk. Incorporate the temporary waiver into your clients' retirement financial plans by taking several steps:

» Review your clients' RMD plans.
» Confirm that the 2008 RMD requirements have been or will be met.
» Determine if your clients would prefer to waive 2009 RMDs.
» Contact the applicable financial institutions and provide instructions to accomplish your clients' 2009 objectives.
» Implement a plan to be sure 2010 RMDs will be distributed.

This material is not intended to be used, nor can it be used by any taxpayer, for the purpose of avoiding U.S. federal, state, or local tax penalties. This material is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by this material. Pacific Life, Pacific Life Funds, their distributor, and respective representatives do not provide tax, accounting, or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Investors should carefully consider a variable annuity's risks, charges, limitations, and expenses, as well as the risks, charges, expenses, and investment objectives of the underlying investment options. This and other information about Pacific Life and Pacific Life Funds are provided in the applicable product and underlying fund prospectuses. These prospectuses should be read carefully by clients before investing.

Variable annuities are long-term investments designed for retirement. The value of the variable investment options will fluctuate and, when redeemed, may be worth more or less than the original cost. Withdrawals and other distributions of taxable amounts, including death benefit payouts, will be subject to ordinary income tax. If withdrawals and other distributions are taken prior to age 59½, a 10% federal tax penalty may apply. A withdrawal charge also may apply.

Withdrawals will reduce the value of the death benefit and any optional benefits. Values will fluctuate, and when redeemed, the shares may be worth more or less than the original cost.

For broker/dealer use only. Not for use with the public.

Required minimum distributions (RMDs) from IRAs and qualified plans are withdrawals for purposes of these benefits. RMDs taken under Pacific Life's automated RMD program are exempt from rider percentage limits if they are the only withdrawals in that contract year. If RMD amounts are not calculated and withdrawn under this program and the withdrawal amounts are greater than the rider percentage limits, your client's future income benefits and the guaranteed protected amount may be reduced. RMDs taken under the program in excess of the protected amount may shorten the payout period.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state. Each company is solely responsible for the financial obligations accruing under the products it issues. Product and rider guarantees are backed by the financial strength and claims-paying ability of the issuing company and do not protect the value of the variable investment options.

Variable insurance products issued by Pacific Life and mutual funds issued by Pacific Life Funds are distributed by Pacific Select Distributors, Inc. (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company, and are available through licensed third-party broker/dealers.

Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state.

No bank guarantee. Not a deposit. May lose value. Not FDIC/NCUA insured. Not insured by any federal government agency.

Integrity Life Insurance Company
A member of Western & Southern Financial Group

IRRATIONAL PESSIMISM:
Principal Protection Strategy Gets Clients Off the Sidelines

Your clients likely aren't pursuing growth opportunities these days, and who can blame them? The 24-hour news cycle reports dismal economic prospects here and abroad. In his first news conference, President Barack Obama termed the current recession the "greatest economic challenge of our lifetime." Shell-shocked from unprecedented volatility, investors are hunkered down, fearful of leaving the sidelines.

But the observation your clients should heed, from Stanford economist Paul Romer, is that "a crisis is a terrible thing to waste." Historically, bull markets usually begin during—not after—periods of an economic downturn. A recession can bring new opportunities for your clients to take advantage of a future market upswing. Yet getting your clients to jump feet-first back into rocky equity markets is a difficult, if not altogether impossible, task.

Introduce a happy middle, a way to make your clients comfortable with dipping back in the equity market waters while protecting hard-earned principal. Aim to reintroduce the growth potential of equity investing while seeking to prevent further erosion of a battered asset base.

When your clients indentify volatility risk and the need for future income as top concerns, consider a principal protection strategy. A split between fixed and variable options may improve growth potential while increasing the likelihood of protecting principal.

Think of it as a way for your clients to balance confidence and potential. Consider what could happen if your client invested $100,000 as shown in the table below.

We won't know the exact point the next market upswing will happen, but taking advantage of a down market can be extremely beneficial to your clients' retirement plans. As Warren Buffet counseled, "Be fearful when others are greedy, greedy when others are fearful."

INTRODUCE A PRINCIPAL PROTECTION STRATEGY	
$100,000 INVESTMENT OVER 10 YEARS	
INITIAL INVESTMENT	
$100,000	
↓	↓
$82,035	$17,965
IN FIXED ACCOUNT AT 2%	IN VARIABLE ACCOUNT
↓	↓
$100,000 PREMIUM GUARANTEE + POSSIBLE MARKET GAIN	

Chart disclosure:
This hypothetical example is for illustrative purposes only and is not intended to predict or project actual investment results. It does not reflect any product or fund. It assumes a $100,000 initial investment with no withdrawals or transfers, held for a 10-year period. At an annual compound 2% rate (guaranteed minimum interest rate), an allocation of $82,035 to the fixed account will grow to $100,000 after 10 years. The $17,965 balance is invested in a variable account. The illustration is intended to show how the performance of the underlying investment accounts could affect an annuity account value.*

**10-year guaranteed rate option (GRO) = 3.85% (declared as of 2/28/09 for AnnuiChoice® flexible premium variable annuity). Rates are subject to change.*

General disclosure
Annuities are issued by Integrity Life Insurance Company, Cincinnati, OH and National Integrity Life Insurance Company, Goshen, NY, and distributed by Touchstone Securities, Inc., Cincinnati, OH. All companies are members of Western & Southern Financial Group. Integrity operates in all states except NH, NY, ME and VT where National Integrity has operating authority. Product and feature availability, as well as benefit provisions, may vary by state.*

** A registered broker-dealer and member FINRA/SIPC.*

Nationwide® On Your Side
Investments Retirement Insurance

Is Systematic Withdrawal All It's Cracked Up To Be?

Many investment professionals use a retirement income strategy known as systematic withdrawal for their clients. This approach involves investing retirement assets conservatively, then taking regular withdrawals throughout retirement.

It's a common strategy, but does it really work?

If a client averages an 8% increase each year, and takes 6% of his or her assets for income, that should be fine, right? Yes, as long as the market performs consistently throughout the client's retirement. Unfortunately, the market usually doesn't perform consistently—and that means your clients may be at risk of running out of money.

The Flaw of Averages in Retirement

The idea that average rates—regardless of market ups and downs—are what really matter over time is both true and false. It can be true when clients are accumulating for retirement, but it often breaks down when withdrawals are thrown in the mix.

Take an example of the two hypothetical funds below. Both experience identical average returns and standard deviations, so it shouldn't matter which you choose for your client, right? Take a look at the figure below.

		Fund A	Fund B
Average return	=	7.81%	7.81%
Standard deviation	=	16.60%	16.60%

Modern portfolio theory says it shouldn't matter—and if these funds were in the pre-retirement accumulation phase, it wouldn't. But let's take a closer look at what happens in distribution as shown in Table 1.

Although both funds experience identical average rates of return and standard deviations, Fund A runs out of money after 14 years while Fund B is still going strong.

The difference is that Fund A experienced early losses and was never able to recover. Even with a 38.18% gain in year four, the burden of annual withdrawals for income was too much.

Of course, these investments are purely hypothetical and an investor's experience will vary. Nonetheless, the point is that the order in which returns are experienced makes a difference in retirement.

The Retirement Income Puzzle

Market volatility is just one challenge around managing assets for income in retirement. Trying to solve for the risk of market loss early in retirement only exposes your client to other risks. Let's look first at the primary risks your client is exposed to with a systematic withdrawal strategy.

Inflation Conservative to moderately conservative investments are common with systematic withdrawal strategies. Although they can help protect against market loss, they tend to have lower returns that may not be enough to cover the impact of inflation.

How much growth does a portfolio need to outpace inflation? Since 1980, the average rate of inflation has been a seemingly low 3.8%. But compounded over 25 years, that equals 154%. A systematic withdrawal strategy is tasked with providing enough growth to account for the client's withdrawal rate and the inflation rate, all with a portfolio that's conservative enough to account for market volatility.

A portfolio that can't keep up with inflation over time suffers from reduced buying power. With costs rising over time, the client withdraws more to pay for more expensive food, utilities, and clothing, and the portfolio depletes faster until it runs out.

Market Volatility A typical systematic withdrawal strategy often relies on investments that currently offer no protection against down or even prolonged flat markets. If the market underperforms, income later in retirement could be seriously diminished, having an inflation effect. If the down periods are experienced early in retirement, as we saw previously, the consequences can be even worse.

Longevity Chances are that your client is concerned about outliving his or her income. This is easy to misjudge, with serious consequences. Table 2 reflects a historical period where early losses coupled with continued systematic withdrawals exhausted a retirement portfolio years too early. This sample time period was selected because it contained a mix of market ups, downs, and flat periods.

At a 5% withdrawal rate, Table 2 doesn't look too bad, until you consider that the average length of retirement for investors today is about 25 years. Our 5% withdrawal example still ran out three years early.

What's worse, the table doesn't reflect fees. With fees of, say, 1%, the withdrawal rates shown here would have actually meant about 1% less to your client. So the 5% line would have meant more like a 4% actual withdrawal rate.

The Risks May Be Too Great

Although systematic withdrawal can and often does work, there are times when early losses can quickly erode a retirement nest egg. Truth is, it's nearly impossible to tell if today's market decline is a temporary dip or the start of a bear market.

With a systematic withdrawal strategy, once the losses begin to accumulate, the strategy has no way to recover other than to invest more aggressively to make up for the losses, thereby exposing the portfolio to even greater risk. For those in retirement, this risk may be too great.

Disclaimer

Your Nationwide wholesaler can tell you more about our retirement income strategy, and how it can help transform your business. Or you can contact the team of income planning specialists at the Nationwide Income Planning Desk. From complete retirement income strategies to just answering questions, the professionals at the Income Planning Desk are ready to help. Contact them at 1-877-245-0763 Monday through Friday 9:00 a.m. to 6:00 p.m. Eastern or by e-mail at IPLNDESK@nationwide.com.

Remember, when evaluating the purchase of a variable annuity, your clients should be aware that variable annuities are long-term investment vehicles designed for retirement purposes and will fluctuate in value; annuities have limitations; and investing involves market risk, including possible loss of principal.

Nationwide® variable annuities are issued by Nationwide Life Insurance Company, Columbus, Ohio. The general distributor is Nationwide Investment Services Corporation, member FINRA. In MI only: Nationwide Investment Svcs. Corporation.

NFM-5849AO (06/08)

TABLE 1

Losses early in retirement are devastating when clients are taking withdrawals

Fund A runs out of money in the 15th year

Assumption in both scenarios:

- systematic withdrawal
- start with $100K
- Annual withdrawals of $9,000

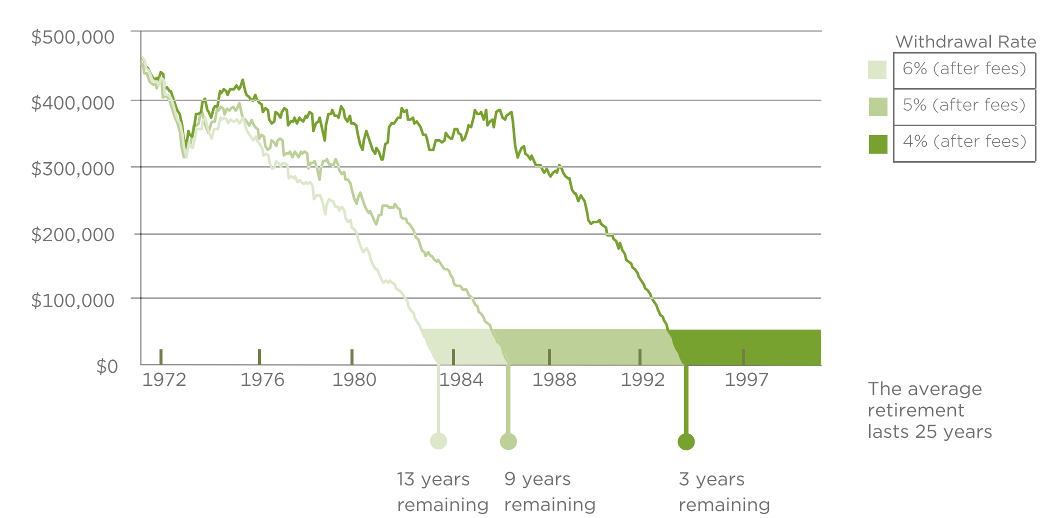
Source: Asset allocation and the transition to income: The importance of product allocation in the Retirement Risk Zone, Milesky and Salisbury, Sept. 2006.

Year	Return	Balance	Return	Balance
1985	-10.75%	$80,293	$17,37%	$108,374
1986	0.79%	$71,924	11.63%	$111,973
1987	-6.90%	$57,964	37.35%	$147,719
1988	38.18%	$71,093	-14.41%	$117,436
1989	5.97%	$57,849	10.15%	$120,352
1990	29.73%	$66,051	20.87%	$136,469
1991	13.87%	$66,209	-9.77%	$114,138
1992	-13.90%	$48,003	39.82%	$150,585
1993	34.87%	$55,740	32.50%	$190,523
1994	-1.52%	$45,894	-8.55%	$165,225
1995	-4.20%	$34,967	-5.62%	$146,932
1996	24.81%	$34,641	23.53%	$172,510
1997	-11.37%	$21,702	9.48%	$179,856
1998	34.08%	$12,754	4.20%	$178,407
1999	11.14%	$5,175	11.19%	$189,367
2000	14.30%	0	-1.58%	$177,372
2001	-1.82%	0	-11.06%	$148,760
2002	-9.26%	0	-7.98%	$127,890
2003	14.75%	0	10.38%	$132,163
2004	7.25%	0	7.45%	$133,005
2005	5.96%	0	-14.44%	$104,803
Average return =	7.81%		7.81%	
Standard deviation =	16.60%		16.60%	

TABLE 2

Hypothetical value of $500,000 invested at year-end 1972. Portfolio: 50% large company stocks/50% intermediate-term bonds. Assumes reinvestment of income and no transaction costs or taxes. This index performance does not reflect fees and charges. If it did, the performance would be lower than cited above. Inflation averaged 4.7% during the period presented. An investor cannot invest directly in an index. Actual results will vary.

WILL SYSTEMATIC WITHDRAWAL LAST LONG ENOUGH



State of the Firm

Lemon Juice and Steel Wool

by Lon T. Dolber, CEO

I PRESENT YOU WITH THE FIRST-QUARTER 2009 PERFORMANCE RESULTS FOR American Portfolios. 2009 first-quarter gross revenues and fees of $13,138,590 decreased by 22% from first-quarter gross revenues and fees received in 2008 of $16,794,484. Despite a disappointing quarter in overall business for the first quarter largely due to a lack of confidence in the market, losses in assets under management were significantly less between quarters, (a 2% decline from Q4 2008 to Q1 2009 compared to a 20% decline from Q3 2008 to Q4 2008). This can be attributed to incoming assets from new rep affiliates offsetting losses to existing asset values and redemptions, but perhaps also due to a stabilizing market environment. A historical analysis of the quarterly performance results shows that 2009 first-quarter revenue figures were $2.8 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and approximately $1.8 million more in gross revenues received for the first three quarters of 2003 combined ($11.3 million).

There has been much discussion among executives and financial service professionals about the future and direction of the financial services industry. Some feel the landscape as we currently know it is going through a major transformation and will no longer resemble what we've seen over the last 20 years. Others feel the markets will settle down and will eventually return to business as usual. Investor confidence in the markets has never been lower and Americans are worried about whether they can accomplish their financial objectives by investing as they did in the past.

It's plenty tough out there for the investing public and those professionals who are dedicated to providing financial and economic advice. It takes gumption and grit to function as a financial service professional in what some are calling the "Great Recession." Clearly the road ahead will have bumps and curves and will require professionals to examine all areas of their practice and make modifications to client portfolios as market conditions change.

However, there is an opportunity to recognize what might very well define your practice in the years ahead. It's an underlying theme that I always come back to—the value of independent advice.

Recently I purchased a vintage bass guitar case. It was in excellent condition for its 40 years, but the hinges were rusted. I jumped in my car and headed over to Home Depot to find something to clean the rust off without damaging the case. After walking up and down the aisles for 40 minutes with no one in sight to help me, I gave up and headed home. Passing by the local hardware store I decided to stop in and see if I could get some help there. The hardware store is a family-run business and the owner is of second generation. Coming out from behind the counter, the owner's mom asked me if I need help. When I explained what I needed, without hesitation she said, "A little lemon juice and steel wool will do the trick."

And what do you know? It worked. I didn't need the fanciest solution from the biggest home retail conglomerate. I didn't need the help of a salesperson who no doubt would have tried to sell me something from a pre-approved list of products. All I needed was clear advice delivered by a local businessperson who listened to me and considered my needs.

So it is in financial services. We have emerged from a period of time when all that mattered with consumers was price. We are surrounded by superstores where you certainly can get a better price, and if you know what you want, you can get it quickly. But look around: One superstore after another is closing, the latest casualty being Circuit City. Likewise, we have seen some of the biggest and oldest financial service firms fall, and others are in jeopardy of closing their doors. The safety that investors sought from the largest and biggest firms has not materialized.

In the final analysis, the American public has come full circle and is starting to place more value on the customized advice to be found in a relationship with a trusted advisor, whether that advice pertains to the purchase of a computer, a home appliance, or finance. The fallacy that only the biggest firms can offer sound and credible advice is a thing of the past.

Granted, the complexity of offering financial advice to clients differs from that of recommending the purchase of a clothes dryer, computer, or lemon juice and steel wool. But building relationships in which people can trust you has always been the cornerstone of business—any business.

Lon T. Dolber
CEO
Holbrook, N.Y.
800.889.3914, ext. 106
ldolber@americanportfolios.com

2009 Quarterly Review

January 1st – March 31st, 2009

The first-quarter 2009 review for American Portfolios is shown on pages 29 through 33. This review has also been posted to the American Portfolios broker website in Rep Services.

Corporate Overview:

AMERICAN PORTFOLIOS HAS 60 FULL TIME EMPLOYEES SUPPORTING 560 REGISTERED representatives, which includes 53 registered assistants and 22 registered employees as of March 31, 2009.

Financial Overview:

FIRST-QUARTER GROSS COMMISSIONS AND FEES OF $13.1 MILLION WERE LOWER than the first quarter of 2008, a 22% decrease of $3.6 million from $16.8 million. Gross revenues for the firm have increased over eight times since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $13.1 million in 1Q 2009). In an across-the-board analysis of products and services offered through American Portfolios, fixed annuities received the highest percent increase in gross commission of 207%, (Table 1). All other products and services were down from the first quarter in 2008. Assets under management also dropped 20%, from $9.1 billion in the first quarter of 2008 to $7.3 billion in the first quarter of 2009 (Table 2).

Fig. 1

Gross Commission & Fee Revenue

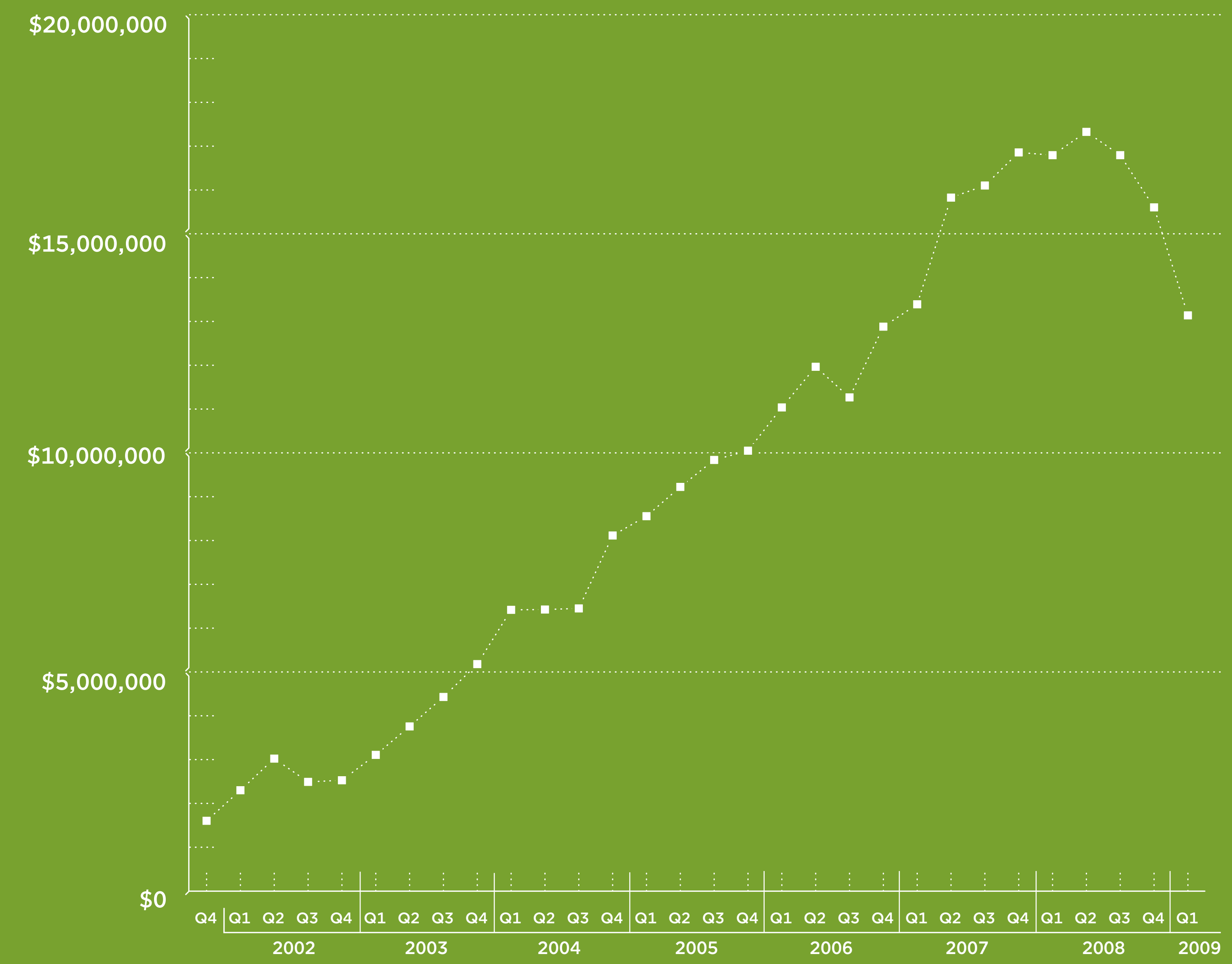


Table 1

Gross Commission & Fee Overview

Quarter	Mutual Funds	12B-1 Fees	Variable Annuities	Fixed Annuities	Life Insurance	Managed Accounts	General Securities	Alternative Investments
2001 4Q	$377,677	$337,396	$327,855	$483	$16,140	$ 0	$463,096	N/A
2002 1Q	$550,413	$389,682	$697,756	$28,245	$24,979	$32,406	$502,945	N/A
2002 2Q	$697,511	$500,594	$894,388	$14,003	$16,144	$89,201	$681,635	N/A
2002 3Q	$446,671	$480,835	$608,129	$90,130	$54,978	$66,546	$602,265	$10,500
2002 4Q	$504,510	$473,900	$514,489	$78,876	$41,808	$66,739	$667,726	$10,500
2003 1Q	$738,065	$465,601	$944,138	$111,164	$51,006	$90,852	$414,066	$42,740
2003 2Q	$890,264	$590,360	$902,892	$48,075	$186,158	$99,223	$747,131	$48,788
2003 3Q	$932,171	$745,759	$1,171,706	$107,766	$88,621	$126,321	857,482	$44,554
2003 4Q	$1,052,379	$891,779	$1,469,274	$185,860	$88,509	$250,466	$850,436	$73,784
2004 1Q	$1,392,634	$1,114,582	$1,961,656	$65,424	$75,229	$269,938	$1,090,539	$28,549
2004 2Q	$1,219,564	$1,207,981	$2,021,864	$38,002	$157,260	$433,380	$905,050	$118,893
2004 3Q	$1,219,144	$1,296,661	$1,833,477	$36,692	$163,314	$521,670	$823,100	$147,785
2004 4Q	$1,481,154	$1,486,261	$2,414,798	$29,594	$215,654	$583,219	$1,474,892	$43,848
2005 1Q	$1,824,456	$1,576,125	$2,453,958	$81,319	$144,146	$704,188	$1,298,549	$39,431
2005 2Q	$1,764,832	$1,649,075	$2,763,990	$90,674	$243,589	$790,887	$1,310,025	$87,983
2005 3Q	$1,594,608	$1,862,325	$2,791,314	$35,528	$235,170	$910,537	$1,658,235	$56,358
2005 4Q	$1,822,784	$2,025,972	$2,719,060	$102,760	$201,046	$1,125,763	$1,401,672	$25,772
2006 1Q	$2,168,221	$2,264,472	$2,946,526	$ 89,373	$162,797	$1,233,534	$1,743,557	$12,403
2006 2Q	$2,235,356	$2,547,285	$3,277,267	$84,973	$348,799	$1,463,952	$1,592,118	$91,368
2006 3Q	$1,586,985	$2,688,432	$2,902,267	$47,216	$291,917	$1,585,138	$1,392,330	$107,219
2006 4Q	$1,805,784	$2,762,047	$3,687,567	$64,962	$440,852	$1,764,368	$1,566,537	$265,725
2007 1Q	$2,228,559	$2,924,400	$3,713,477	$21,970	$322,265	$1,862,473	$1,647,707	$183,430
2007 2Q	$2,548,211	$3,110,878	$4,225,425	$153,306	$394,174	$2,263,331	$1,775,617	$520,311
2007 3Q	$2,237,248	$3,479,640	$4,517,128	$120,463	$412,929	$2,560,301	$1,932,932	$280,375
2007 4Q	$2,241,822	$3,458,638	$4,999,588	$170,699	$373,518	$2,826,110	$1,744,203	$437,141
2008 1Q	$2,315,571	$3,471,954	$4,360,367	$145,745	$736,771	$3,040,161	$1,814,538	$272,025
2008 2Q	$2,241,371	$3,457,992	$4,981,427	$169,016	$681,404	$3,103,679	$1,511,312	$445,075
2008 3Q	$1,855,832	$3,540,274	$4,641,943	$209,199	$906,442	$3,207,233	$1,396,466	$400,785
2008 4Q	$1,206,333	$3,060,978	$4,823,976	$483,905	$889,985	$2,828,270	$1,418,478	$223,561
2009 1Q	$1,301,853	$2,538,557	$3,405,101	$447,609	$665,130	$2,763,311	$1,158,586	$116,793
Change from Q1 2008	-44%	-27 %	-21 %	+207 %	-10%	-9 %	-36 %	-57 %

Top 5

Top Five Fund Families by Commissions for the First Quarter of 2009

1. $ 1,007,333 American Funds
2. $ 777,652 Oppenheimer Funds
3. $ 382,031 Franklin-Templeton Funds
4. $ 167,128 Eaton Vance Funds
5. $ 133,294 Fidelity Funds

Top Five Variable Annuity Vendors by Commissions for the First Quarter of 2009

1. $ 464,584 Nationwide
2. $ 408,241 John Hancock
3. $ 393,405 Prudential
4. $ 277,284 Jackson National
5. $ 262,645 ING

Top Five Vendors Assets Under Management as of 3/31/2009

1. $ 945,001,367 American Funds
2. $ 702,430,641 OppenheimerFunds
3. $ 414,978,305 Franklin Templeton Funds
4. $ 231,768,025 Nationwide VA
5. $ 219,940,390 American Skandia VA

Table 2

Assets with American Portfolios

Quarter Ending	Clearing Firm Assets	Assets Held Directly	Total Assets	Increase Over Last Quarter
09/11/2001	$407,939,561	$824,718,413	$1,232,657,974	
2003 2Q	$922,936,847	$1,212,135,975	$2,135,035,662	
2003 3Q	$1,039,499,742	$1,377,732,480	$2,417,232,222	
2003 4Q	$1,464,631,538	$1,701,665,682	$3,166,297,221	
2004 1Q	$1,379,050,247	$1,915,885,560	$3,294,935,807	
2004 2Q	$1,529,313,892	$2,005,769,082	$3,535,082,974	
2004 3Q	$1,621,558,602	$2,266,246,669	$3,887,805,271	
2004 4Q	$1,793,608,828	$2,525,624,801	$4,319,233,629	
2005 1Q	$2,072,980,621	$2,599,152,578	$4,672,133,199	
2005 2Q	$2,087,549,824	$2,714,366,636	$4,801,916,500	
2005 3Q	$2,283,338,949	$3,001,917,860	$5,285,256,809	
2005 4Q	$2,423,074,182	$3,201,420,077	$5,624,494,259	
2006 1Q	$2,707,615,433	$3,484,538,873	$6,192,154,306	
2006 2Q	$3,119,371,820	$3,471,519,408	$6,590,891,228	
2006 3Q	$3,274,773,125	$3,627,859,456	$6,902,632,452	
2006 4Q	$3,477,988,173	$3,809,967,199	$7,287,955,372	
2007 1Q	$3,686,918,635	$4,128,268,176	$7,815,186,811	
2007 2Q	$3,873,325,137	$4,475,309,135	$8,348,634,272	
2007 3Q	$4,200,417,192	$4,836,172,531	$9,036,589,723	
2007 4Q	$4,428,919,887	$5,080,882,861	$9,509,802,748	
2008 1Q	$4,450,873,800	$4,673,183,354	$9,124,057,154	
2008 2Q	$4,506,944,841	$4,753,584,991	$9,260,529,832	
2008 3Q	$4,486,928,475	$4,811,026,955	$9,297,955,430	
2008 4Q	$3,650,509,827	$3,806,557,881	$7,457,067,708	
2009 1Q	$3,709,229,426	$3,620,473,004	$7,329,702,430	
+/- over 2008 1Q	-17%	-22%	-20%	

Representative Overview

09/10/2001 – 03/31/2009

Between September 10, 2001 and March 31, 2009, 692 new representatives have joined the firm while 356 representatives have been encouraged to leave. During the same period, quarterly revenues have increased by $11,535,501 (Q4 2001 $1,603,089 – Q1 2009 $13,138,590).

Table 3

First Quarter 2009 New Colleagues

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Jason	Waxler	Katonah	NY	Jane Desmond	1/2/2009	Account Executive
Douglas	Siebert	St. Louis	MO	Michael Diemer	1/8/2009	Principal
Tracy	Galdys	Getzville	NY	Jason Mieras	1/13/2009	Account Executive
Deborah	Testa	Lyndhurst	OH	Michael Lytle	1/13/2009	Account Executive
Nagendra	Singh	Riverhead	NY	Mark Gajowski	1/13/2009	Account Executive
Maryjo	Morello	Lyndhurst	OH	Michael Lytle	1/26/2009	Account Executive
Jeffrey	Davidson	Stuart	FL	John Wiswell	1/27/2009	Account Executive
Frank	Novy	Medina	OH	Jack Butler	2/3/2009	Account Executive
Rochelle	Zasa	Lyndhurst	OH	Michael Lytle	2/11/2009	Account Executive
Robert	Kennedy	Massapequa Park	NY	George Elkin	2/12/2009	Account Executive
Robert	Bolebruch	Rockville Centre	NY	Steven Sherman	2/20/2009	Principal
Stephen	Immordino	Richmond Hill	NY	Jane Desmond	2/21/2009	Account Executive
Rachel	Jaspers	Reading	PA	Rodney Breyer	2/23/2009	Assistant
Eric	May	Rockville Centre	NY	Robert Bolebruch	2/24/2009	Account Executive
Carl	Friedrich	Rockville Centre	NY	Robert Bolebruch	2/27/2009	Assistant
Elizabeth	Munday	Cornelius	NC	Timothy O'Grady	3/5/2009	Principal
Wendell	Bernier	Greenfield	MA	Jeffrey Baker	3/5/2009	Account Executive
Donald	Carlson	Kentwood	MI	Timothy O'Grady	3/11/2009	Principal
Ronald	Waseleski	Lawrenceville	NJ	Ronald Chakler	3/11/2009	Account Executive
Daniel	Macdonald	Saratoga Springs	NY	David Bangert	3/26/2009	Account Executive
Anthony	Sciuto	West Paterson	NJ	William Dudes	3/31/2009	Account Executive

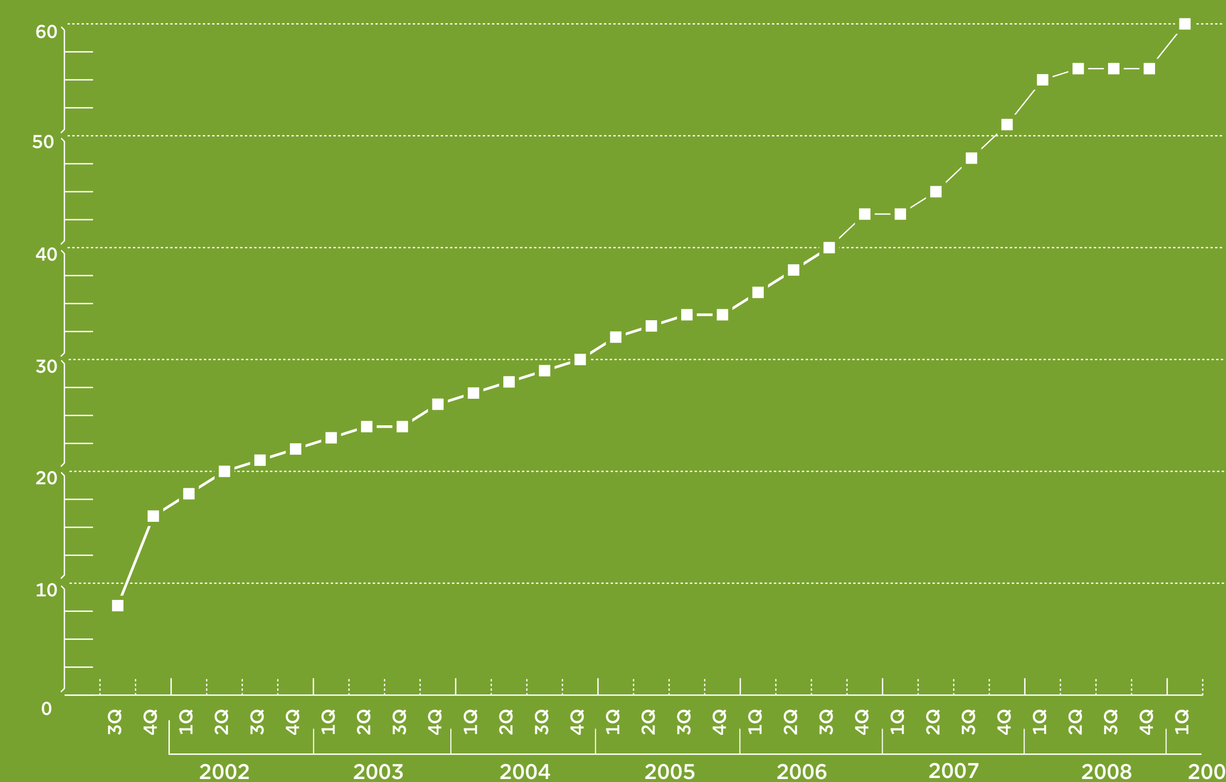
Recruiting and Marketing Overview

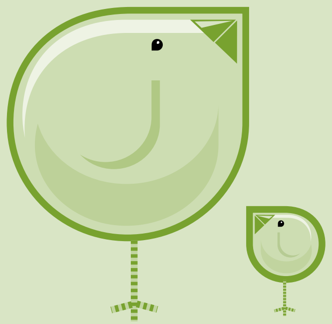
The firm continues to attract new colleagues. Networking opportunities and calls from prospective candidates are a regular occurrence for the new business development area. As of March 31, 2009 the broker/dealer had 560 registered representatives, which included 53 registered assistants and 22 registered employees working from 81 Offices of Supervisory Jurisdiction as well as 301 Branch Office locations. There were 21 new associates affiliated with the firm in the first quarter of 2009. As of March 31, 2009 there were 485 producing registered representatives at the firm.

A total of 21 new representatives have joined the firm while 10 representatives have been encouraged to leave during the first quarter of 2009. During the period of September 10, 2001 to March 31, 2009, quarterly revenues have increased by $11,535,501 (Q4 2001 $1,603,089 – Q1 2009 $13,138,590).

Fig. 2

Employee Growth



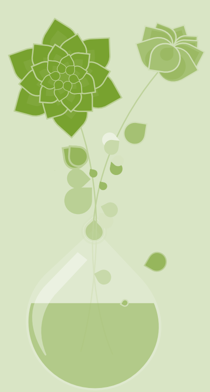


Nurture.

American Portfolios' first responsibility is to its valued employees, the men and women working for us who provide the highest level of service to our customers, the financial service professionals. American Portfolios is committed to providing a clean, safe, and orderly workplace where employees are treated with respect and dignity and are recognized for the unique and special qualities they bring to their jobs. American Portfolios encourages equal opportunities in employment, development, and advancement. Employees should feel secure in their positions, know they will be compensated fairly and adequately, and feel free to offer suggestions or bring forth concerns.

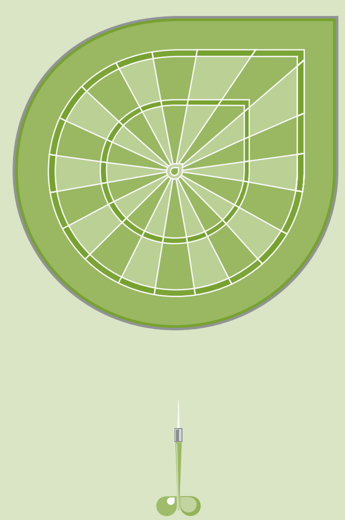
Launch.

Providing optimal service and support to the financial service professionals, their staff, and their clients as well as all others who use our services is one of American Portfolios' core responsibilities. We must strive to meet our customers' needs with the highest level of quality and dedicate ourselves to setting the standard of service excellence for our industry.



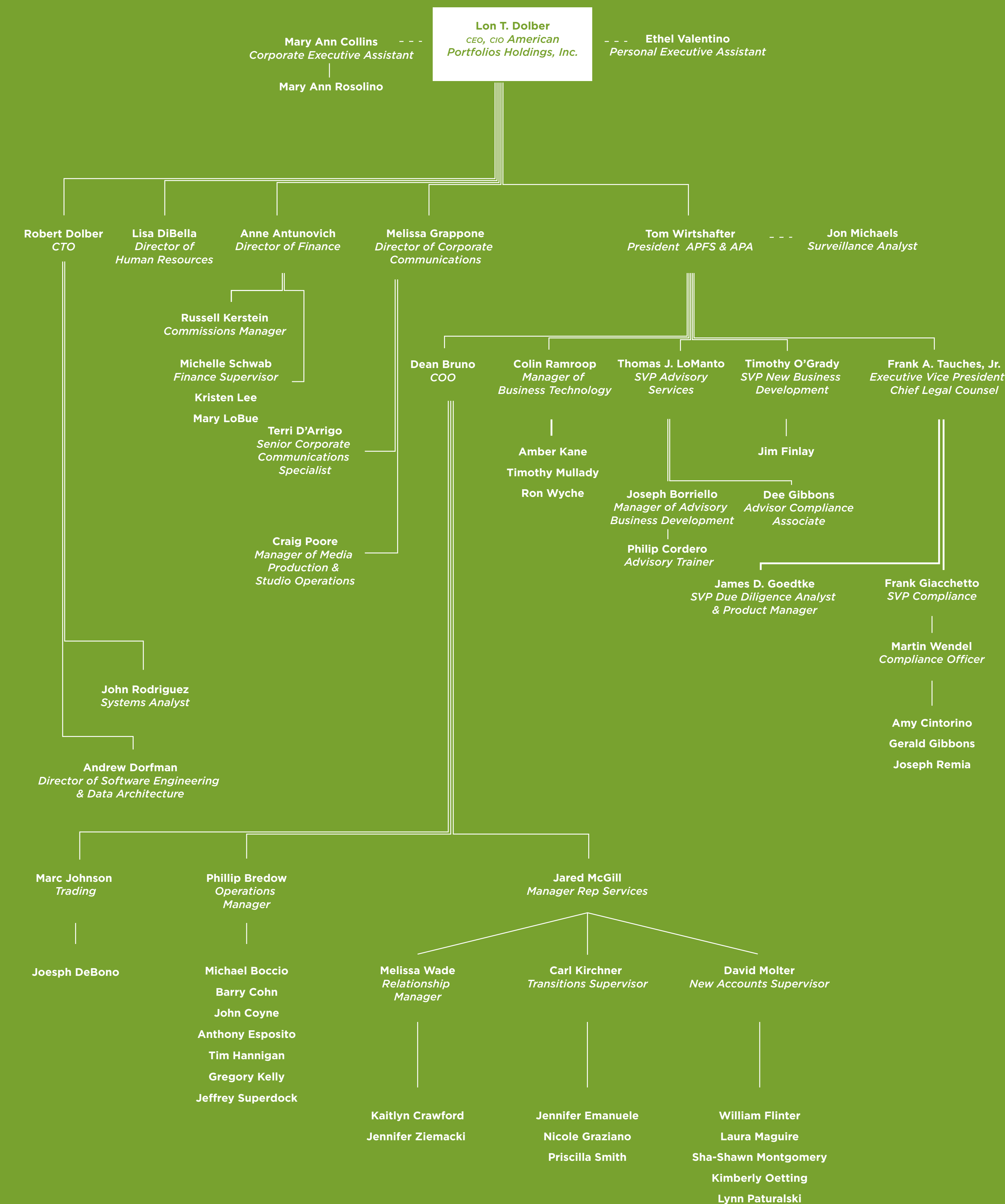
Give.

Fostering positive social and environmental change in the communities where we live and work as well as in the global community is paramount. We must be responsible citizens through our support of good works, honest charities, civic improvements, better health, and education. We must maintain in good order the property we are privileged to use by protecting the environment and its natural resources.



Aim.

Shareholder value, our commitment to stockholders, is our final responsibility. Business must make a sound profit. Therefore, we must strive to achieve a balance among the fiscal, social, and environmental responsibilities of our firm, experiment with new ideas and develop new technologies in our efforts to stay ahead of the competition, and create reserves to prepare for adversity. It is our belief that when we operate according to these principles, shareholders will realize a fair return.



American Portfolios WOULD LIKE TO EXTEND A SPECIAL THANKS TO ITS FOCUS PARTNERS FOR THEIR SERVICE AND SUPPORT THROUGHOUT THE YEAR.

John Hancock
the future is yours

AXA EQUITABLE

OppenheimerFunds®
The Right Way to Invest

FRANKLIN TEMPLETON
INVESTMENTS
Franklin · Templeton · Mutual Series

Genworth®
Financial

JACKSON℠
NATIONAL LIFE INSURANCE COMPANY

Legend Advisory Corporation

Nationwide®
On Your Side
Investments Retirement Insurance

Integrity Life
Insurance Company
A member of Western & Southern Financial Group

TD AMERITRADE

MetLife®

PACIFIC LIFE

WELLS
Real Estate Funds®
Your future ... Our passion®

Prudential

Penn
Mutual
A better way of life

Pershing®
An affiliate of The Bank of New York

Crump
Life Insurance Services

BEHRINGERHARVARD®

CORNERSTONE
REAL ESTATE FUNDS®

ATEL
Capital Group®

J.P.Morgan

MORNINGSTAR®

CURIAN
CAPITAL

Morgan Stanley

BLUEROCK
REAL ESTATE

Grubb&Ellis®
Realty Investors