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FREE

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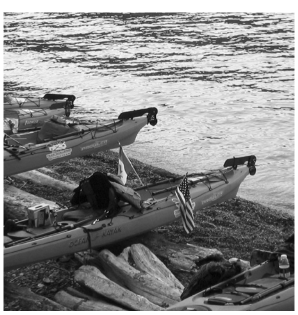
THE
ROAD
AHEAD
For affiliated colleagues Mary-jo Morello and Debbie Testa, there are no roadblocks. Only bumps to drive around.



From the Editor-in-Chief

IT SEEMS LIKE JUST YESTERDAY I WAS PREPARING my editor's letter for *FREE* 2.4 (December 2008) about our national conference in Las Vegas. At the time, one of the most cataclysmic events in our industry had befallen us. But one year later, with a swell of reactions and responses to an uncertain market and economy, not to mention a distrusting public, we maneuvered the challenges of a new playing field.

So what is the new playing field? Many people define it in different ways, as you'll see in this issue of *FREE*.

STRIVING TO IMPROVE

IF A FAILED STATE OF BEING ISSUES A CALL TO action, it is to work harder to make things better. In COO's Corner, Dean Bruno summarizes the firm's recent changes in operational protocols and training (pg. 6). In President's Perspective, Tom Wirtshafter notes that although our affiliated colleagues give us high marks, placing American Portfolios second among mid-sized broker/dealers in *Investment Advisor*'s Broker/Dealer of the Year, we must push ourselves harder to be the very best (pg. 7).

LEVELING THE PLAYING FIELD

IT IS NO SURPRISE THAT THE FEDERAL GOVERNment and state regulators are scrutinizing the financial services industry and attempting to introduce new rules that could significantly affect independent broker/dealers and their registered representatives. In the opinion of Legal Counsel Frank Tauches, this will result not in leveling the playing field, but cratering it (pg.8). In Counselor's Desk he outlines current regulatory discourse and the position of the Financial Services Institute, the independent broker/dealer advocacy organization.

GETTING YOUR BEARINGS

THERE IS NO BETTER TIME THAN NOW TO TAKE stock of your practice and find new ways of doing things. For starters, Manager of Advisory Business Developement Joe Borriello offers instruction on calculating the cost and profitability of the time you spend with clients (pg. 9). You may also wish to keep your clients' wealth and retirement planning on target with new investing techniques. John Hancock recommends repositioning a portion of assets through municipal bond maximization, which can help mitigate estate taxes (pg. 24). And Nationwide recommends using new asset allocation techniques in the accumulation years to provide ample income during retirement (pg. 26).

HOPE FOR THE BEST & PREPARE FOR THE WORST

ALTHOUGH THE SPENDTHRIFT EFFORTS OF THE federal government appear to have moved us off a perilous recessionary precipice, Managing Director Steve Molyneaux reminds us in his economic and market commentary that such spending may cause inflation to rear its ugly head. He explains how a well-diversified portfolio is a client's best bet against fluctuating market conditions (pg.10).

It is important to help your clients be prepared in their personal lives as well. It is difficult to know if and when a senior's health will deteriorate to the point where he or she will need the services of a long-term care facility, which can deplete years of accumulated wealth. That is why affiliated colleague Tim Rossiter trumpets the merits of long-term care insurance (pg. 11).

WORKING TOGETHER

ONE CANNOT UNDERESTIMATE THE VALUE OF support and collaboration with others. The article, "Help Wanted: How to Find (and Keep) a Good Assistant," outlines pointers from affiliated colleagues to help you find a qualified, talented and reliable assistant (pg. 16). Collaboration is also key to a healthy relationship between advisor and client. *FREE* spoke with colleague Bob Clayton's client Salvatore Piazzolla, cofounder of Hampton Sun, about the role Clayton played in helping Piazzolla create capital to start the company and what the future holds for the business (pg. 12).

RESPECTING ONE ANOTHER

ALTHOUGH FINANCIAL SERVICES IS STILL VERY much a male-dominated industry, the number of female financial advisors is on the rise. It hasn't always been easy for women to take their rightful place among financial professionals, however. Featured colleagues Mary-jo Morello and Debbie Testa of Skyline Financial in Lyndhurst, Ohio tell the story of their quest for independence as sole financial practitioners (pg. 14) and the challenges they faced along the way. In the Q&A, colleague Susan Quigley of Garden City, N.Y. talks about her struggle for equality and respect as a woman working in the financial services industry (pg. 18). In State of the Firm, Chief Executive Officer Lon T. Dolber discusses how excluding women's input about household personal finances when meeting with clients leads to missed opportunities for business (pg. 28). You might be surprised to learn just how much wealth women have and how much consumer buying power they wield.

And finally, in his coverage of the Coastal Team Challenge, contributing writer Bob Vogel illustrates how all of the aforementioned elements work in harmony to create success (pg. 20). The one-week, 85-mile ocean kayak trip from Anacortes, Wash. to Vancouver, B.C. required American and Canadian soldiers with disabilities and non-disabled kayakers to work together in a spirit of mutual respect to achieve a common goal.

May the holiday season bring you warm thoughts of a promising New Year.

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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 **Melissa Grappone at mgrappone@americanportfolios.com.**

Free

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BOB VOGEL is a writer living in Loomis, Calif. He began his career in adventure sports with skiing, doing stunts for movies, and traveling the world as a performer. Although a ski accident in the 1980s left him paralyzed from the waist down, he has continued to participate in adventure sports, including hang gliding, hand-powered bicycling, scuba diving, and adaptive skiing.

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Calendar

Dec. 25	Market Closed for Christmas
Jan. 1	Market Closed for New Year's Day
Jan. 18	Market Closed for Martin Luther King Day
Jan. 25-27	OneVoice 2010: FSI Broker-Dealer Conference Sheraton New Orleans New Orleans, La. www.financialservices.org
Feb. 3-6	2010 TD Ameritrade Institutional National Conference Rosen Shingle Creek Resort Orlando, Fla. www.tdainstitutional.com
Feb. 10	OSJ Manager/Principal Conference Call, 4:15 EST.
Mar. 1-3	FPA Business Solutions Practice Management Conference Omni Mandalay Hotel at Las Colinas Dallas, Tex. fpanet.org/EventsConferences/Conferences/BusinessSolutions

STUDIO 4|5|4

ON-DEMAND VIDEOS LINE▸UP

Studio 454, the media production arm of American Portfolios (APFS), is committed to creating interesting and informative video programs exclusively for the firm's affiliated colleagues. To view a video, click on the Studio 454 button at the top of the APFS broker website and enter the title of the video in the search field. To scan the program lineup, click on "Top Videos" or "Browse."

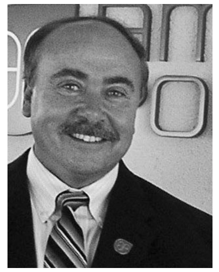
2009 Compliance Presentation
Hosted by Compliance Associate Joe Remia, this short video is mandatory viewing for affiliated colleagues and satisfies the firm element for continuing education requirements. It covers a number of vital procedures and regulations that must be followed. This video is available in the compliance section of the American Portfolios broker website. Click on "2009 Annual Compliance Presentation" below the news scroll and contact names.

Advisors Circle 02
American Portfolios affiliated colleagues Bill Donohue, Ron Bergmann, and John Kosinski discuss strategies for developing and operating a fee-based advisory business.

The Game Has Changed
John Hancock Wealth Management Senior Vice President Andy McFetridge provides an in-depth look at the changing variable annuity market.

Roth IRAs: A New Look
Pacific Life representative Joseph Souza delves deeply into the updated rules for Roth IRAs in this 14-minute presentation.

Indianapolis Regional Meeting
The video production department boxed up the TV studio and shipped it out to the Midwest for the American Portfolios Regional Meeting in Indiana. Our digital production crew captured a number of informative seminars on film and will premiere them in a series of videos for all affiliated colleagues.



Employee of the Quarter

Phillip Bredow

AMERICAN PORTFOLIOS OPERATIONS MANAGER
Phillip Bredow leads by example. He gets in early, stays until the job is done, and although he immerses himself in his work, he's quick with a smile and an answer when his staff needs him. When you add that to the Herculean effort he put into ensuring a smooth clearing firm conversion from J.P. Morgan to Pershing, it's clear to see why he has been named the firm's Employee of the Quarter for the third quarter of 2009.

Phil has been a vital employee with American Portfolios since 2002. In his role as Operations Manager, he supervises all back office functions such as direct business processing (mutual funds and variable annuities) and mail distribution, and he oversees the review of all customer accounts for accuracy and compliance related to Reg T rules.

"We'd struggle without him," says Chief Operating Officer Dean Bruno. "He has knowledge that we tap into on a daily basis. We could get by, but it would take us a while to get to the level where we understand the granular things that he does."

Dean worked side-by-side with Phil during the clearing firm conversion and witnessed his dedication first-hand. "It goes back to December of 2008. We mapped out what the most important issues would be and developed 100 issues that we thought we'd need to resolve. He was concerned with possible breaks in service, so we developed bullet points to ensure there wouldn't be any," he says. "He is by far one of the most conscientious employees that we have."

Although Phil is fully engaged in the firm's mission, he takes a hands-off approach to managing his staff. "Of course I check their work and I know what they're doing, but I don't like being one of those managers who is always on top of someone. It creates tension, and then you don't communicate," he says. "I've been in situations like that, where you feel like someone is always looking over your shoulder, and no one wants that. I try to approach it as a friend."

It's not only that he likes and trusts his staff, he says. It's a matter of efficiency, too. "You get more done that way. I have respect for employees and they have respect for me."

That, they do. Congratulations, Phil!

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New Employees

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Joined APFS in September 2009

Responsibilities:
JONATHAN'S RESPONSIBILITIES AS OPERATIONS Associate involve all day-to-day functions of the operations department for the brokerage business through our clearing firm, Pershing, LLC. He issues Pershing checks and wires and processes incoming account transfers. He also processes Pershing journals, check deposits, ACH requests, and stock certificate deposits.

Biography:
JONATHAN'S EXPERIENCE IN THE FINANCIAL sector includes a position as a financial analyst and cost accountant for D.B. Fish Inc., where he budgeted and calculated weekly expenses, created records of business to meet federal and state reporting requirements, and managed currency transactions for customers. He earned a BA in Economics and Business Administration from the State University of New York–Albany, where he graduated in December 2007 with honors. He also spent a semester studying at the Università per Stranieri di Perugia in Perugia, Italy. He enjoys going to baseball games and traveling in his free time. He resides in Setauket, N.Y.

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Joined APFS in September 2009

Responsibilities:
AS AN ACCOUNTING ASSOCIATE, ERIN SUPPORTS the department with the day-to-day functions such as accounts payable and receivable, check disbursements, bank reconciliations, reviewing invoices, investigating and resolving firm account discrepancies, and preparing various excel financial reports for the department and upper management.

Biography:
ERIN HAS MORE THAN SIX YEARS IN THE ACCOUNTING FIELD, INCLUDING ACCOUNTS payable, accounts receivable, general ledgers, bank reconciliations, and customer service. She attends Suffolk County Community College and is majoring in Business Administration. She lives in Holtsville, N.Y. In her spare time, Erin enjoys being with family and friends, playing the violin, and photography.

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Joined APFS in September 2009

Responsibilities:
Mauro's responsibilities as In-House Supervisory Principal include working with supervisors to ensure their understanding of the firm's policies, direction, and strategies, as well as helping them supervise their representatives. He also conducts evidence review of accounts and transactions.

Biography:
MAURO HAS 30 YEARS OF EXPERIENCE IN FINANCIAL SERVICES. BEFORE JOINING the firm, he was a vice president and business manager for Merrill Lynch, where he supervised 90 financial advisors and 60 administrative staff, set strategies for advisor productivity, and created and coordinated initiatives in training and technology. Mauro holds his series 3, 7, 8, 24, 63, 65, and 66 securities licenses as well as his life, accident, and health insurance licenses. He is active in the community as well, serving as a consultant to the Daytop Village Family Association, a drug rehabilitation program on Long Island. When he's not working, Mauro enjoys golf, movies, and Broadway shows. He resides in Northport, N.Y. with his wife, Diane.

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Joined APFS in September 2009

Responsibilities:
As New Business Development Associate, Denise provides high-level support for the department. She interacts with newly affiliated colleagues to answer questions about transitioning into the firm. Denise also coordinates in-house meetings with prospective representatives and American Portfolios management and sets up WebEx and conference calls with the New Business Development Department, CEO Lon T. Dolber, and prospective representatives.

Biography:
DENISE HAS A BROAD BACKGROUND IN BUSINESS, INCLUDING EXPERIENCE IN RETAIL management, residential permits, and marketing. She lives in Patchogue, N.Y. with her spouse, Chris, and two children, Luke and Adam. In her spare time, Denise enjoys entertaining friends and family, gardening, and decorating.

A Marathon Year Continues

by Dean Bruno

As we cross the finish line of 2009, we continue the hectic pace of the most intense year American Portfolios Financial Services (APFS) has ever had. With the consolidation of our clearing firm from J.P. Morgan Clearing Corp. to Pershing, LLC behind us, we continue to recruit quality colleagues from other broker/dealers, recruit prospective employees, implement various technologies to assist our broker community, and plan next year's meetings.

At year's end, the firm is on pace to bring on more than 150 registered representatives from other broker/dealers. There is no doubt that 2009 has been the busiest year since our inception in terms of new registered representative affiliations. To handle the ever-increasing work load of new affiliations, we have consolidated the process we use to review the suitability of prospective colleagues. The overall process is managed by Manager of Representative Services Jared McGill and Representative Associate Jennifer Ziemacki. From there, every prospective colleague is reviewed by the APFS compliance department.

If the prospective colleague wishes to affiliate with American Portfolios Advisors, the advisory department will also conduct a review. In addition to these team members, I review every candidate and attempt to ensure adherence to our processes, procedures, and timelines.

To accommodate our growing broker community, we have endeavored to find employees in our compliance, operations, corporate communications, transitions, new accounts, and technology departments. Our goal is to increase the APFS employee workforce to 71 employees by the end of the year, up from 61 several months ago.

In the technological realm, APFS has implemented a new version of STARS. STARS V2 has an enhanced clearing firm set up, state regulatory requirements functionality, and a built-in client mailing notification process.

We have also initiated a training plan for our colleagues through our clearing firm partner, Pershing LLC, for NetX 360, the newest version of NetX Pro. The enhancements made in NetX 360 include the ability to tailor screens, account groups, and the data display to suit your work style and needs. The navigation is more intuitive, the applications are faster, and research, financial planning tools, financial and headline news, market data, and trading information have been integrated.

Based on the success of the three regional meetings held in 2009, APFS will host at least three regional meetings in 2010. Currently, we are planning two regional meetings in May, one in Hauppauge, N.Y. and the other in West Palm Beach, Fla. We will announce a third regional meeting at a later date, and there is a possibility of a fourth. You are welcome to view the revised conference schedule in the Rep Services section of the broker website. The schedule is located in the APFS Conferences folder.

In October of this year APFS formed a new relationship with the Financial Independence Group (FIG), a field marketing organization that has been in business for more than 30 years. You can use FIG for life, annuity, and equity index annuity products. To learn more about FIG, visit their website at www.figmarketing.com.

To close out the year, APFS Operations Department is creating training overviews through our in-house studio, Studio 454. These videos will cover how to enter check, journal, and wire requests within NetExchange Pro.

As you can see, 2009 has been an incredibly busy year. I share your enthusiasm in looking forward to our continued organizational growth.

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We're Number 2

by Tom M. Wirtshafter

Several months ago, *Investment News* announced its Broker/Dealer of the Year Award for 2009. American Portfolios was the runner-up for Tier III firms (firms with between 500 and 1,000 representatives). It's the second time that American Portfolios has been so recognized, and on behalf of all of us at the firm, we would like to thank those representatives who gave us high marks and let them know this recognition will not go to our heads. Yes, it is true that the Broker/Dealer of the Year Award is based on a survey by registered representatives and therefore their votes are an indication of how they feel their broker/dealer is doing in serving their needs. And yes, we have made it clear we want to be a great broker/dealer. We want our representatives, clients, and associates to feel that their needs are being served in the best way possible. But being recognized doesn't mean we are that firm yet, so you won't catch me jumping up and down.

Please don't think that I am a sore loser. It's great to be Number 2, especially because it will help spur us on to be better. "We Try Harder" was Avis's motto, and I want American Portfolios to be that broker/dealer that is always trying harder. I am happy our firm has been recognized among the top broker/dealers in the country and even more pleased that we were able to do this in less than 10 years of being in business. It's just that when we evaluate ourselves, we know there is much work to be done.

Don't get me wrong, I believe that American Portfolios represents the most modern thinking in the broker/dealer industry. STARS, our multi-faceted broker/dealer system, is unquestionably the best platform in the broker/dealer world. Perhaps just as important, STARS is indicative of the way we are building the business: We use technology to make our jobs and the work our representatives must do as easy as we can. Our understanding and reliance on technology are not for technology's sake, but to help make working with us as easy as possible. Couple that with the hardest and smartest group of individuals I have had the privilege to work with—the staff here in Holbrook—and you have a very powerful broker/dealer. American Portfolios is service-oriented, rep-centric, and always trying to do the right thing.

Even though I know all of that, I know we have a long way to go to make ourselves into a great business. We know it will not be easy, but that won't stop us from trying to find ways to improve and to make ourselves a firm with whom it is both a pleasure and a privilege to do business.

This fall, American Portfolios began an ongoing process to determine how we can make it easier to do business with us. We have been working with each department to discuss what we are doing right, what we can improve, and what should we measure to ensure that we are improving. Our goal is to see how we can make it easier for our departments to work with each other and for our representatives to work with us.

This process is teaching us how to work better as representatives move from coming aboard to transitioning their business to working with each of the firm's different departments. For example, we have found that the pass-off between our departments could be improved. We've learned that more than half of the calls that come to Operations for assistance can be resolved by information or service requests that can be accomplished directly on the system. Therefore our in-house studio, Studio 454, is creating a series of one-minute videos detailing how to use our platforms to their fullest extent. We believe we can best use the firm's resources to handle special situations by being efficient. We want to use our technology and our thinking to be as high-touch as possible, and that means we want to stay out of the way of work that doesn't require us to get directly involved. This will be a continuous, ongoing effort as we learn from each other and discover how we can make it easier to do business with us.

So, let me ask you to help us. Send me a note or an email or, better yet, pick up the phone and give me a call. Let me know what we are doing right and what we can do better. We know that business has never been harder, and if we can make it easier, we will. We want your insight into how we can make doing business with us easier.

By the way, even if we had been voted Number 1 Broker/Dealer of the Year, we would still be going through this process. The only thing that would have been different is the title of this column.

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Cratering the Playing Field

by Frank A. Tauches, Jr.

THE PHRASE "LEVEL THE PLAYING FIELD" IS based on a comparison to a sports competition played on a field that is not level, which puts one side at a disadvantage. The phrase is used to describe a remedy to give everyone the same advantage or opportunity.

"Cratering" is defined as creating bowl-shaped depressions in a surface by means of impact or explosion, definitely not conducive to a playing field.

The reason I've juxtaposed these two phrases in the title of this article is because it describes what Congress, regulators, and state securities commissions are doing in reaction to the turmoil in the financial sector over the last two years.

→ CONGRESS

THE 111TH CONGRESS HAS EMBARKED ON FINANCIAL and regulatory restructuring with speed and determination. Although their drive and dedication should be lauded, we have to be cautious and ensure that new proposed legislation does not adversely affect our profession and threaten the very structure of our business.

Just as nature abhors a VACUUM, state regulatory agencies abhor VOIDS IN SECURITIES REGULATIONS that affect their citizenry.

An immediate issue confronting us is the Taxpayer Responsibility, Accountability, and Consistency Act of 2009 (H.R. 3408) introduced in the House in late July. This bill would have serious consequences for independent broker/dealers and the financial advisors they serve by taking away the important "longstanding recognized practice" safe-harbor provision of the Revenue Act of 1978 and place the burden of proof on a taxpayer to demonstrate that he or she should be classified as an independent contractor and not an employee. Our independent broker/dealermodel is dependent on financial advisors who operate with maximum flexibility and are responsible for the entirety of their business operations, including owning or renting their office space, hiring their staff, and deciding which independent broker/dealer merits affiliation.

Any careful analysis of the relationship between a registered representative and his or her independent broker/dealer makes it clear that registered representatives are properly classified as independent contractors.

Our challenge is to convince our members of Congress that if the safe-harbor provisions targeted in this proposed legislation are repealed, then independent broker/dealers and the independent financial advisors they serve would be exposed to unnecessary IRS scrutiny and possibly subjected to substantial back taxes, penalties, and interest. To this end the Financial Services Institute (FSI), where I currently serve on the Board of Directors, coordinated meetings in early October with 124 members of Congress to share our concerns.

→ THE REGULATORY AGENCIES

ANOTHER MAJOR ISSUE INTRODUCED LAST JUNE by the Obama Administration is its plan to reform the financial services industry regulatory structure, including the establishment of a "fiduciary duty for broker/dealers offering investment advice and harmonization of regulation of investment advisors and broker/dealers." Furthering this effort, the Treasury Department proposed the Investor Protection Act of 2009, which would give the Securities and Exchange Commission explicit authority to promulgate rules requiring broker/dealers and investment advisors "to act solely in the interest of the customer… without regard to" their own financial interests. The term "fiduciary duty" is subject to a variety of legal definitions multiplied by the number of state and federal jurisdictions that serve the public.

A better approach, offered by FSI, would be to replace the "fiduciary" standard with a fully transparent universal standard of care wherein:

1. A financial advisor shall place the interests of the client before his or her own;
2. A financial advisor shall avoid material conflicts of interest when possible, and obtain informed client consent to act when such conflicts cannot be reasonably avoided;
3. A financial advisor shall provide advice and service with skill, care, and diligence based upon information known about his or her clients' investment objectives, risk tolerance, financial situation, and needs.

The Financial Industry Regulatory Authority is seeking the oversight of registered investment advisors and is currently going through the continued turmoil of rules consolidation from the merger of the National Association of Securities Dealers with New York Stock Exchange Regulation, the proposal at Congress to form a Consumer Financial Protection Agency, and continued criticism from the public for failure to prevent the abuses that surfaced during and contributed to the economic meltdown.

→ STATE REGULATORY AGENCIES

JUST AS NATURE ABHORS A VACUUM, STATE regulatory agencies abhor voids in securities regulations that affect their citizenry. The North American Securities Administrator Association has stepped up to the plate to fill this void on behalf of all state securities regulators. Through the testimony of its current president, Texas Securities Commissioner Denise Voight Crawford, before the House Financial Services Committee, it has proposed that states take over the responsibility for the oversight of investment advisors with up to $100 million in assets under management. Crawford also called for an end to mandatory securities arbitration and favored a choice for the investor between binding arbitration and civil litigation.

→ FILLING THE CRATERS

OUR MISSION IS A CLEAR ONE. WE HAVE TO inform and educate our legislators about the effects of proposed legislation and the unintended consequences that could negatively affect independent financial advisors and their independent broker/dealers. Although efforts and meetings on Capitol Hill can frame the issues and start the education process, we will win these legislative battles when constituents talk to their Senators and Representatives.

I will continue to keep you apprised as issues develop and crystallize. As always, feel free to share your thoughts with me.

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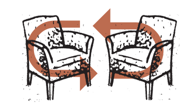
INSPIRE

Client Profitability

by Joseph Borriello



IT MAY SEEM INSENSITIVE TO discuss client profitability if you're wearing your fiduciary hat, so remove it and put on your business proprietor hat, because this topic is crucial from a business perspective. As you are well aware, it is essential to create profitable client relationships so you can, at the very least, attempt to reach your own financial goals. However, all too often the business of running your business is left unattended, leaving the business to run you. Sound familiar?

We are in a service business, and as intermediaries between the public and the financial markets, our primary resources are our knowledge and our time. Although we can develop and increase our knowledge, time is a limited resource, and how we use it is the only variable we control. In addition, as advisors, our ability to sell ourselves and demonstrate the value we deliver to our clients are key factors in running profitable practices. We've all had easy sales in which potential clients say "yes" before we've finished pitching our services. In those cases, the value we bring is clear: We've hit a hole-in-one by communicating our ability to fulfill a potential client's needs and communicating how we can deliver value.

Both you and your clients should understand the value you bring to the relationship, as that will determine what your clients will pay. In fact, value can be defined as what clients are willing to pay you to service their needs. We don't work in a vacuum, and outside market forces and regulation will have some bearing on price, but they should by no means dictate the value of your services. Once you determine your value, you have taken a necessary step in creating a profitable practice, a step many advisors neglect. It takes a bit of work to gather the necessary information to determine and quantify your value, but it will drive your profitability.

Working on the exercise at right will help you determine what you should charge to be profitable.

Let's consider the factors in calculating profitability.

FACTORS *in* CALCULATING PROFITABILITY

1. **Desired 1099 income** = the amount of gross you would like to be paid after it hits the grid
2. **Needed gross production** = desired 1099 income/payout percentage
3. **Number of clients** = how many clients you want to work with
4. **Working days per year** = days the market is open - time taken off
5. **Costs** = all costs associated with running your business. This includes rent, utilities, office equipment, subscription fees, professional and regulatory fees, salaries, leases, etc.
6. **Yearly available hours** = the number of days the market is open - number of days taken off × hours worked per day
7. **Hourly time worth** = gross production/hours per year
8. **Margin** = 1 - (cost/1099 income) or (1099 income - cost)/1099 income
9. **Gross production per client** = gross production/number of clients
10. **Amount of hours per client** = number of hours yearly to maintain gross and profit margins
11. **Average cost per client** = cost/number of clients

EXAMPLE

For this example, assume 10-hour work days, a Monday-Friday work week, 20 days off per year, and an 80% payout.

1. **Desired 1099 income** = $550,000
2. **Needed gross production** = $550,000/80% = $687,500
3. **Number of clients** = 200
4. **Working days per year** = 250 - 20 = 230
5. **Costs** = $230,000
6. **Yearly available hours** = 230 × 10 = 2,300
7. **Hourly time worth** = $687,500/2,300 = $298.91
8. **Margin** = ($230,000/$550,000) = 41.8% cost margin or 58.2% profit margin
9. **Gross production per client** = $687,500/200 = $3,437.50
10. **Amount of hours per client** = 2,300/200 = 11.5 hours or $3,437.50/$298.91 = 11.5 hours
11. **Average cost per client** = $230,000/200 = $1,150

Armed with this information and all things being equal, you know the following:

$298.91 for 2,300 hours at an 80% payout per year must be generated to obtain your desired 1099 income and maintain your profit margin. You have 11.5 hours per year to spend working with each client to maintain your profit margin. This practice operates at a 41.8% cost margin and profit runs at 58.2%.

The average dollar cost per client is $1,150 regardless of the amount of revenue the relationship generates.

As you go through this exercise with your own numbers and hold the results constant, your clients will fall into an economic class system: Those who generate greater profit margins will be "A" clients, those who generate inline profit margins will be "B" clients, those who generate sub-par profit margins will be "C" clients, and those who generate loss are "D" clients who should be disengaged from the practice as quickly as possible.

For example, if a client has a $275,000 account and you charge 1.25%, that client generates $3,437.50. Sticking with an 80% payout assumption, that's $2,750 a year in 1099 income. Next, take into account your average cost per client of $1,150 and an allotted 11.5 hours per year to work with that client or, put another way, a cost of $100 per hour, to maintain their B status. If that client only requires 8 hours of your time per year or generates more 1099 income without increasing cost, that client has improved your profitability and could be an A client. Keep in mind that we are speaking purely from an economic point of view here without taking into account grief/gross ratios or client likeability.

Taking the time to work out the above calculations will benefit you by providing an excellent handle on your business and helping you determine what you should be charging your clients. American Portfolios has developed a workbook to help you. Just log in to the broker website and go to the Advisory Services section on the left side of the page. Then open the Practice Management folder to the right, and open the Excel spreadsheet named "Client Profitability."

Your feedback is always welcome.

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Keeping an Eye on Inflation

by Stephen Molyneaux

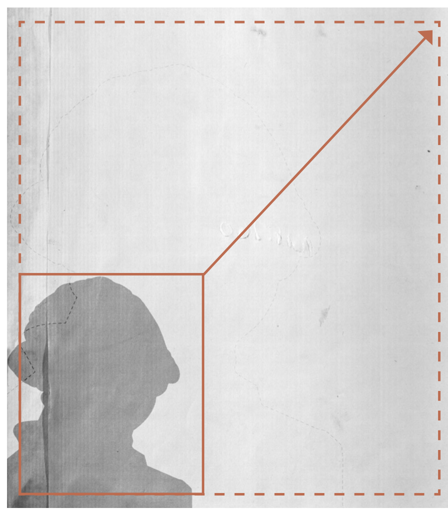
WITH THE ECONOMY JUST BEGINNING TO CLAW its way out of a deep recession, it is difficult for most investors to be concerned about inflation. With near double-digit nationwide unemployment, sluggish growth, and a terribly battered American consumer not spending money on much of anything, it is nearly impossible to see how prices are going to be pressured into increasing in the immediate future. But investors should keep in mind that throughout the recession the federal government has been spending money at a historic rate while tax revenues have fallen off a cliff. The federal government has spent trillions of dollars it doesn't have on a myriad of programs in an attempt to turn the economy around. All those dollars are chasing about the same amount of goods and services, and that tends to push prices higher. In other words the value, or purchasing power, of the currency is declining. Between bank recapitalizations, bailouts, stimulus plans, and an alphabet soup of proposals, it is difficult to envision how all of this spending will not eventually lead to some level of inflation.

Inflation forecasts for the next year or two run the gamut from dire 1970s-style hyperinflation to very modest levels, but the truth is that no one is always right in forecasting inflation. Inflation may destroy the value of some investments and erode the purchasing power of your money. Fixed income and stocks are particularly vulnerable to inflation. Investors need to be cognizant of these risks and hedge their portfolios accordingly. Fixed-income investments suffer in inflationary times because inflation pushes interest rates higher. As interest rates rise, the value of bond holdings will decline. For example, if last year you purchased a bond for $1,000 that pays you $50 interest per year (5%) and currently new bonds pay 7%, then your bond must be worth less than new bonds. If you wanted to sell your 5% bond, you must discount the price enough so that the $50 interest payment would be equal to the "new" 7% yield.

The bond for which you paid $1,000 would now have a market price of $714. Of course if you held your bond to maturity you would get back your $1,000, but that amount would buy significantly fewer goods and services because inflation will have pushed prices much higher. You could suffer a significant loss of purchasing power.

Equities are a mixed bag. In the short term, inflation can depress stock prices in two ways. First, a higher interest rate attracts money away from stocks as money market and CDs become more attractive. An investor might prefer stocks if a money market pays only 1%, but move money from stocks into a money market if rates are 5%. The higher interest rates go, the greater the number of investors that will be drawn away from stocks and into money market accounts or CDs.

The second way stocks suffer is that rising costs shrink profits. A company may see its costs rise for materials and labor faster than it can raise prices for its finished product. This shrinks a company's profit margin, and lower profits make stocks less attractive. In the long term, companies pass higher costs on to consumers and actually act as a good hedge against inflation. Unfortunately, the short-term damage can be severe. However, there are several asset classes that can help mitigate the ravages of inflation and protect investors' portfolios and purchasing power.



PRECIOUS METALS. PRECIOUS METALS BENEFIT during periods of inflation by virtue of their fixed value in relation to a declining currency. Given the relative scarcity of precious metals, the price adjusts quickly to an increase in the general level of prices in an economy. Investors' portfolios should contain a rather modest percentage of precious metals to maintain a hedge against the possibility of rapidly rising prices.

REAL ESTATE. REAL ESTATE HAS HISTORICALLY done well in inflationary periods. As a tangible asset, its intrinsic value naturally rises in the face of a declining currency. Rental properties usually perform well and rents typically keep pace in inflationary markets. Commercial real estate can actually benefit from periods of inflation. Real estate investment trusts (REITs) have historically recorded strong performance during periods of high inflation. During the double-digit inflation of the 1970s and exiting the recessions of 1981-1982, 1990-1991, and 2001-2002, REITs performed much better than many other investment vehicles. Of course, past performance is no guarantee of future performance.

COMMODITIES. ENERGY, AGRICULTURE, AND base metals are sometimes referred to as nature's inflation hedge because their prices rise right along with rising inflation. What makes commodities durable throughout inflationary markets is their value as "hard assets." The price of a commodity will naturally go higher as more dollars are chasing the fixed amount of the commodity on the world market.

FOREIGN CURRENCIES. IF INFLATION IS rapidly eroding the purchasing power of one currency but not another, then the other currency can be an excellent hedge. If the U.S. dollar is ravaged by inflation, then some foreign currencies will appreciate in relative value. If it now takes twice as many dollars as a year ago to buy a barrel of oil but the same amount of German Deutschemarks, then the relative value of the Deutschemark has appreciated 50% compared to the U.S. dollar. Investors who held money in Deutschemarks would, in dollar terms, have doubled their money.

TIPS. TREASURY INFLATION PROTECTED Securities (TIPS) are U.S. government bonds with all the same guarantees as other U.S. government bonds and the added feature of an increase in interest paid if inflation increases. TIPS are coupled to the CPI (consumer price index) whereby any increase in the CPI triggers an increase in the rate of return. TIPS offer investors more liquidity than both precious metals and commodities. The market price of TIPS can fluctuate violently, but over time they will protect purchasing power.

The best defense against inflation is portfolio diversification. Attempting to guess if and when inflation will occur is a fool's errand because no one is consistently correct. There is no need for investors to place their investments at increased risk trying to guess how global economics, currency fluctuations, and government spending will affect inflation rates. A well-diversified portfolio that balances risk and protects assets during various market conditions is the investor's best defensive strategy for fighting the effects of inflation.

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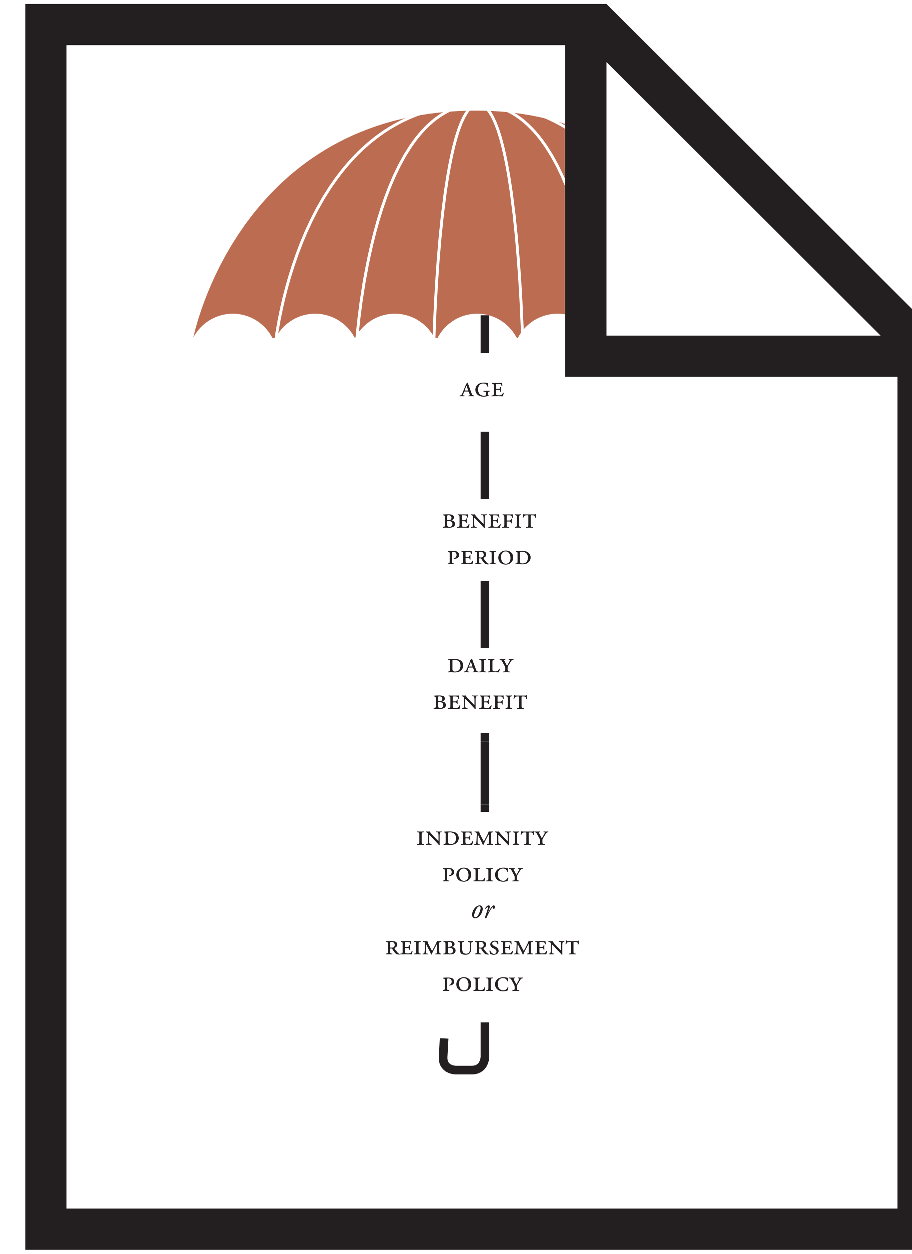
Adapted from The Hanover Advisor, *Summer 2009. The views in this commentary do not necessarily represent those of APFS and are not intended as specific investment advice.*

Considerations in Long-Term Care Insurance

by Timothy Rossiter



AS FINANCIAL PROFESSIONALS, IT IS OUR JOB TO emphasize the benefits of long-term care insurance for our senior clients. Part of what we offer them is knowledge about this form of insurance, so it is also important to study some of the many variables that work together to create each unique policy.

Age is the only fixed consideration of the long-term care insurance policy. The other considerations vary and they affect the amount of the policy's premium. The elimination period is effectively the policy deductible and has less impact on the overall cost of the policy than the benefit period and the daily benefit.

A benefit period of three years seems to be the minimum amount of coverage, as the average stay in a facility is between two and three years. A benefit period of five to six years is common, yet more expensive. Your client could need more, or perhaps less. In purchasing the intangible, and considering whether there is a need for this product, it's important to emphasize the comfort level that a proper mix of cost vs. probability (or risk) will provide your client.

The daily benefit is another tricky component to personalize. Statistics from a recent New York Life Insurance Company study indicate that if one partner in a couple in their early 60s requires long-term care in 12 to 15 years, assuming a 5% yearly increase in inflation, the cost will likely be more than $250,000. With this in mind, it certainly makes sense to be poised to cover at least a portion of this cost by means of long-term care insurance. A few calls to local facilities or home-care agencies may shed light on the reality of these costs so your clients will have a better understanding of them.

When discussing long-term care insurance with your clients, remember to explain the difference between a reimbursement policy and an indemnity policy. For example, assume that care has been provided and the bills begin to arrive from various providers. A reimbursement policy, as implied, will reimburse for the cost after the appropriate paperwork has been completed and returned with receipts for processing. Once activated, an indemnity policy will authorize the long-term care insurance provider to send a check as directed in the amount of the daily benefit. With an indemnity policy, there is no additional paperwork as long as the need for coverage is valid—that is, the insured person has a loss of two activities of daily living.

That said, a distinction can be made between the needs of a high-net-worth client and one of lesser means who may wonder if there is merit to even a minimal amount of coverage. In both cases, the long-term care insurance coverage should be part of an overall plan that includes estate planning to either self-subsidize the balance of the cost or partner it (in some states such as New York, California, Connecticut, or Indiana) with a partnership policy. A partnership policy is essentially a combination of long-term care insurance and Medicaid. However, it is important to remember that Medicaid and Medicare supplemental insurance does not cover long-term care, which is one reason why the aforementioned partnership program merits consideration.

It is our responsibility as financial professionals to educate ourselves as coverage and laws change so that we may assist our clients in navigating the waters of long-term care. We are charged with staying current with all related legislation because the only constant in life is change—in retirement, in health, and in the long-term care insurance industry.

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Salvatore Piazzolla

Hampton Sun offers skin care products and a fragrance inspired by life in the Hamptons, Long Island's upscale locale known worldwide for its immaculate beaches, dazzling homes, and glamorous population. Salvatore Piazzolla, co-founder of Hampton Sun and a client of American Portfolios affiliated colleague Bob Clayton of Clayton Financial Advisory in Brightwaters, N.Y., recently shared with FREE *the story of how the company came to be and what's in store for its future.*

Interview by Terri D'Arrigo
Photo by Rebecca E. Dolber

FREE: **Tell us about Hampton Sun.**
Salvatore Piazzolla: Hampton Sun is a luxury lifestyle brand that we created in 2005. My partner [Hampton Sun co-founder Grant Wilfley] and I felt there was a void in the market for a luxury sun product. We all know UVA and UVB rays from the sun aren't the best for you, and there is a population who wishes to engage in smart, serious sunbathing.

FREE: **How did you determine there was a niche to fill?**
SP: One beautiful Sunday afternoon at home in Southampton, we were sitting by the pool and looking through a basket of sun care products from all over the world. When we looked at the packaging and the products, we felt they were too prescriptive. The packaging was generic. The products were sticky and smelled medicinal. Then I thought about what a Hamptonite wants: glamour and luxury goods.

FREE: **You were in real estate, another field entirely, before you started Hampton Sun. How did you become involved in the sun care industry?**
SP: We were fortunate enough to receive some input from friends such as [fashion designer] Michael Kors. He understood my vision, and when I talked to him about it, he said it was wonderful. He put us in touch with industry guru Camille McDonald prior to her assuming her current position as president of product development and branding for Bath and Body Works. She gave us expertise and guidance.

FREE: **How was the learning curve?**
SP: Oh, there was a whole abundance of things to be considered. Here were two guys with no experience in the industry. We just had the idea. Once we were pointed in the right direction, it was up to us to work with chemists in developing the products. We learned about stability testing, FDA approval, ingredients, and mixing. But we always knew the brand. I always saw Hampton Sun. The Hamptons have a powerful name. Everyone has either been there, heard of it, or wants a piece of it.

FREE: **How did you come up with initial funding?**
SP: Grant and I pooled our own money together with the guidance of [American Portfolios affiliated colleague] Bob Clayton. We couldn't have done it without his expertise. He showed me how to plan creatively and come up with the money to start the company.

FREE: **How did you meet Bob?**
SP: I knew one of his clients socially. We were talking one day and he gave Bob a good referral and told me what Bob did for him. Finding an advisor was something I wanted to do—it was just the time to do it. You always have a little uncertainty when talking about dollars with someone, but his reputation preceded him. I like his honesty. I live in Manhattan and I come across all kinds of people every day, and with the comfort and honesty I get from him, I know I made the right decision. I've been with Bob for 18 years now. He's my first advisor.

> IF YOU ARE *PASSIONATE* ABOUT SOMETHING, *YOU MAKE IT WORK.*

FREE: **Once you got the money together, how did you get your products out there?**
SP: First we put about two years into product research. Once we launched it, it was up to me to get the word out there. We started tapping into resorts and spas, then boutiques, then cruise ships like SeaDream and ResidenSea. We have our own website, as well [www.hamptonsuncare.com], and we're also available through Sephora.com and Saks.com. Now we have accounts with stores in Greece, Dubai, and the United Kingdom.

FREE: **That's a long way in a few years.**
SP: It is. People in this industry are fascinated with distribution, and most brands try to go with department stores. We saw something special and wanted to keep it special. We wanted to go after the affluent customer who is accustomed to the luxury market. Vegas is a big market for us, as it's a hub for international clients. We like the cruise ships for the volume, and I've always felt that boutiques and dot-coms are smart ways to go.

FREE: **What made you decide to go into business for yourself?**
SP: I've always wanted to be in business for myself. You go as high as you can go with someone else, and then you just have to do it for yourself. If you are passionate about something, you make it work, and I'm aggressive and very passionate.

FREE: **What is the hardest thing about running a business?**
SP: It's the cash flow. You want to grow, and you want to go to another level, but it takes money. You take the money you make and put it back into the business. With this industry, I was clueless. It's enormous, and when you go up against companies like Estée Lauder and Cody, there's no mercy on the little company. Even with production, you find your perfect bottle, and then you're up against the requirements of producers who want big orders. Had I known how difficult it is, I might not have done it, but I love it. It's wonderful, it's glamorous. It's a $3.8 billion industry just with sun care alone, and we've gained a lot of respect with our fragrance, Privet Bloom.

FREE: **How has the economic downturn affected your business?**
SP: It's a small company, and it's not like I have a 10-year track record, so I can't go back and say I was doing X before then, and now we're at Y. We had a loss, but we made up for it in the launch of our new products and we're back on track.

FREE: **What kinds of sacrifices have you made along the way?**
SP: There's always a price to pay for everything. In every business, it takes time before you're up and going. I haven't taken many vacations and all the money goes back into the business. There were many long hours, many sleepless nights worrying about how I could make it happen. It takes a toll on your body, too. And I cut back on the luxury goods I used to have. It's all starting to come back now, though.

FREE: **What are your plans for Hampton Sun?**
SP: We just launched a shower gel and a body lotion for our fragrance, Privet Bloom, and we're going to add a second fragrance in 2010.

FREE: **You've been named one of the Hamptons' 100 most powerful people. What is your relationship with the community?**
SP: I'm very active. I participate in events and get involved with benefits. My background is in real estate, and people there know who I am. I get involved in the Red Cross Ball and in benefits for ovarian cancer. We also donate products for events.

FREE: **What's the best advice anyone has ever given you?**
SP: From a financial perspective, early planning was the best advice. I'm 46 years old, and I met Bob in my mid-20s. The earlier the better. On a personal level, the best advice I've received is, " Do what you believe in and follow through."

FREE: **What advice do you have for people who want to own their own business?**
SP: Just go for it. It's today's entrepreneur who's going to make wealth and create jobs for the future. There might be obstacles, but you can make things happen, so just get off your butt and do it.

The Road Ahead

Cleveland is 500 miles from the American Portfolios home office in Holbrook, N.Y. Route I-80 cuts clear across the state of Pennsylvania, veering north at the Ohio border to bring you into Cuyahoga County. The county was once known as an important manufacturing hub, but the downturn in American manufacturing led to a shift toward a service-oriented economy with a focus on health care, insurance, and financial services. It is here you will find Skyline Financial, the office of Mary-jo Morello and Debbie Testa, two newly affiliated American Portfolios Financial Services representatives.

By Rebecca E. Dolber

Photos by Andrea L. Parker

THE STORY OF MORELLO AND Testa is a common one; Two financial professionals who left a captive situation to work for themselves. However, their road to independence had more twists and turns than many. Morello met Testa in 1998 when Morello was working as an investment representative at Charter One Bank. Morello had come from a wire house, that had trained her in its five-week training program in New York City. She finished the program sixth in the top quartile and had returned to the Ohio branch to start building her book, but it soon became apparent that it was not a good fit for Morello, so she moved to Charter One.

Testa, on the other hand, landed at Charter One in a more passive way: She was working for Cuyahoga Savings when Charter One bought it in 1998. She had gotten licensed at Cuyahoga and been working there for more than eight years at the time of the acquisition.

"When Charter One bought Cuyahoga, we had to adopt all new programs. It felt like we'd stepped back about 10 years," Testa remembers. Although Morello and Testa were working in separate offices, they often found themselves together at meetings, and soon they started conducting joint seminars. They also shared a supervising manager who announced he was leaving to join independent broker/dealer Questar Capital. There were 24 reps at Charter One and Morello and Testa, two of their top producers, soon found themselves chatting about the possibilities.

HITTING THE ROAD

OF ALL THE CHARTER ONE REPS IN OHIO, Morello was the first to go. She left in 2002 to go to Questar. "I'm not afraid to make changes," she recalls. "I felt things pulling toward independence."

Testa had a little more trepidation heading into the move. "Mary-jo had already left at that point, and my manager had been talking to me for about six months, trying to get me to move, too." In the end, she too left the bank and by November of 2002, Morello and Testa were supporting their own office in production at Questar.

In February 2003, their manager came to them and told them they were moving to Legacy. As they were still new to independence, Morello and Testa went along with it. "There were still a lot of things about the independent channel that we didn't understand," says Morello. "In hindsight, if I knew we didn't have to move, I wouldn't have."

"We were still doing okay though," says Testa. "We were in the top 25 of producing reps at Questar, and even after the transition to Legacy, we were still in the top 25. Mary-jo and I have always generated business."

The two agree they work well as a team because of their ability to recognize their differences. Their business is split 50-50, and as for who gets which clients, for Morello and Testa, it's self-explanatory. "I like to do the hand-holding. I like to explain things very visually, draw pictures. Mary-jo is very numbers, very analytical," says Testa. They agree, "It's clear whose clients are whose."

ROAD BLOCK

MORELLO AND TESTA HAD BEEN AT LEGACY for four years when, in June of 2007, their office received a letter stating that within a month's time Legacy would be changing to Multi Financial, a subsidiary of ING Insurance. Sometime later, there were talks with their manager about transitioning to MetLife, but the women knew there was no value in leaving one insurance company for another. "We didn't want to go back to that corporate world," says Testa. "We weren't fond of selling proprietary products, either. We had left that environment and weren't going back."

Together, and without a manager, they began the search for a new broker/dealer. While attending a meeting in Arizona about fixed annuity products, they met David Trende. Trende and his manager, Mike Lytle, had affiliated with American Portfolios a few months earlier. Lytle happened to be at Questar at the same time as Morello and Testa, and like the women, had experienced being with a number of broker/dealers.

At the time, Morello and Testa had been considering another broker/dealer, but now American Portfolios entered the running. They met with Lytle at the APFS National Conference in Las Vegas and it seemed that luck was destined to intervene.

"There were a lot of signs to come to AP. I remember Tim O'Grady [APFS Senior Vice President of National Sales Development], another AP rep, and I were playing blackjack in Vegas and the AP rep said, if you get this blackjack, you're coming to American Portfolios. And, I did," says Morello.

Several months later, Lytle became their supervising OSJ. "Mike is by far, one of the best business professionals I've ever worked with," says Morello. "Some OSJs do only what is necessary, but Mike goes beyond. He and American Portfolios have felt right from the beginning."

"The important thing for us is culture," says Testa. "It had to be a good environment for us. It's in the way AP does their business. The people are so helpful and easy to get a hold of. No question is stupid and they've just been exceptional."

Like many reps who have joined American Portfolios, the women have found that the firm's innovative use of technology has helped in the affiliation process. Both Morello and Testa were impressed with the content turned out via Studio 454, American Portfolios' in-house web studio. Testa especially got a kick out of hearing her office welcomed on *The American Perspective*, American Portfolios' bi-weekly video news series that airs via the firm's internal website. "It made us feel good, like we were part of it," says Testa.

SKYLINE ON THE HORIZON

THIS YEAR IS A TURNING POINT FOR SKYLINE Financial, and Morello and Testa are gearing up for several changes. Most of their current business entails comprehensive college planning, such as helping clients qualify for more money, filling out financial aid forms, and repositioning funds to maximize potential. They also do some retirement and long-term planning as well as insurance business. However, for 2010, Morello and Testa are considering some changes.

"I have a couple different business plans that Debbie and I need to sit down and evaluate," says Morello. "We'd like to get another rep or two in here, as well as expand our practice to include tax preparation."

> We'd like to do more seminars geared towards female investors. I've had women tell me that their previous rep would only speak to their husbands in meetings. **WE SEE A MARKET THERE.**
>
> *– Debbie Testa*

"We'd also like to do more seminars geared towards female investors," says Testa. I've had women tell me that their previous rep would only speak to their husbands in meetings. We see a market there."

"We also want to do more networking within accounting groups and soliciting other financial planners, as well. We've found they'd rather refer college planning business to us than learn it themselves. Overall, it's time to kick it up a notch."

"I really think that AP and Mike Lytle are the foundation we needed to build on," she adds. "We're looking forward to the road ahead."

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HELP WANTED

HOW TO FIND *(and Keep)* A *GOOD* ASSISTANT

By Terri D'arrigo

You're sitting in your office putting together a list of prospective clients. The contacts are hard-won and you're looking forward to talking to them at length and reeling in their business. You just have to call them and set up appointments.

THEN THE PHONE RINGS.
A client wants to know about a transaction. You exchange a few pleasantries and reassure the client that it went through. Then you get back to your list.

TEN MINUTES LATER, THE PHONE RINGS AGAIN.
Another client wants to know about a balance. You make some chit-chat as you dig up the numbers. Then you get back to your list.

THE PHONE RINGS AGAIN.
Oh no, there's going to be an audit. The files. The paperwork. The time it will take to prepare.

As you end the call, it dawns on you that you've been working on this client list for two days and you've yet to call anyone on it, never mind set up an appointment and generate some new business. In fact, you've been spending a lot of time doing follow-up, fielding calls, and completing paperwork.

IT MIGHT BE TIME TO HIRE AN ASSISTANT.

HELP WANTED

Finding a good assistant takes more than putting a sign in the window or posting a job opening on Craigslist—as well it should considering all the responsibility that person will have.

"An assistant can become almost like a junior partner in your business," says Ron Bergmann, an American Portfolios representative based in Holbrook, N.Y. who considers his assistant, JoAnn Fleischmann, to be his right hand. "When someone can say your assistant is terrific, that just brings them a much greater level of confidence in your ability to handle their account."

Jack Lagattuta, an American Portfolios representative in Cleveland, Ohio, agrees. He holds his assistant, Anna Stilianos, up as an example. "She does everything but sell the client. She'll go through statements, process paperwork, and help me fill out forms," he says. "When she answers the phone, she'll try to help the caller and keep me out of it so that I can go out and get clients." Lagattuta's partner, David Trende, notes that Stilianos has access to the office checkbook, keeps track of the budget, follows up on business once it's written up to make sure it has been transacted, and screens calls. "She basically runs the show," he says.

WHAT TO LOOK FOR

With so much riding on the caliber of your assistant, it's crucial that you hire a winner. To help ensure a good fit, look for several key traits.

Organization. "The person definitely needs to be organized," says Trende. "You'll need someone who can follow up on business. Nothing is more aggravating than writing up business and thinking everything is fine, and then three weeks later you find out you need one more piece of paper."

Professionalism. Bergmann stresses the importance of workplace demeanor. "We all have things going on in our lives and times when we just don't want to be at work, but JoAnn leaves personal situations at the door. She understands what needs to be done in the office."

Problem-solving skills. "You want someone who doesn't need to have their hand held and who will be meticulous with details," says Trende. He recommends tests like the Myers-Briggs or Keirsey personality inventories. "They can show you how someone solves problems."

Efficiency. Lagattuta notes that an assistant's workload can be heavy, so it's important to find someone who can multitask without getting ruffled. "Anna can do the work of three people yet everyone loves her. She's great with clients, but her sense of urgency is such that people don't waste her time."

HIRING

Now that you know what you're looking for, how do you find such a gem? Ideally, you could bring someone with you from your previous broker/dealer when you affiliate with American Portfolios, as Doug James, a registered representative in Paramus, N.J. did with his assistant, Cindy Hurley. "She was at my former firm with another rep, and for a while we were splitting her time. Then she came to work solely for me and eventually she came with me to American Portfolios."

However, it's not always possible to bring an assistant along for the affiliation. There may be contractual agreements in the way, or the assistants you've worked with at wire houses or insurance companies may be leased employees from a professional employer organization.

If you're starting from square one, the best way to find an assistant is through referral, says Lagattuta. He met Stilianos through another assistant, one he'd known for more than 15 years. "This other assistant was so good that if she gave the thumbs up on Anna, I knew Anna had to be good, too."

> If you keep your assistant happy and that person enjoys coming to work every day, that's going to bring an increase in business.
>
> — *Ron Bergmann*
> *American Portfolios registered .*
> *representative*

However, it's also wise to have a degree of separation, says James. "I'd try to get someone who was referred to me, but not someone I know really, really well because it would be awkward if you had to let them go," he says.

If you've asked around and come up dry, don't worry. You still have options. James suggests going through a temporary agency. "Then you can find out if you really like the person and can work with the person. You can try the person out for a few weeks or months with no obligations."

Keep in mind that you don't have to hire someone full-time at first, he adds. If you only need help 10 or 15 hours a week, a part-timer may be the best option. You can always offer to bring the person on full-time as your business grows.

RETENTION

Finding a good assistant isn't easy, so once you have one, it's in your best interests to keep him or her. "If you keep your assistant happy and that person enjoys coming to work every day, that's going to bring an increase in business," says Bergmann. "But if there is animosity, that's going to translate through to how your assistant treats your clients. Assistants can be the most positive or most destructive force out there."

Although the current economy works in your favor by creating a large pool of talent from which to choose, remember that talented assistants will have plenty of options of their own when times are better. However, there are several steps you can take to ensure their loyalty.

Show them the money. A salary plus bonuses based on a percentage of the practice's production is a good way to go, says Trende. "That provides incentive. For instance, if Anna sees us writing a piece of business, she'll follow up on it because she knows it trickles down to her and she wants to get paid."

Trende understands that it's not always possible to throw wads of cash at an assistant, however. "It can be tough, especially if you're just starting out. There are other things you can do, though, like paying for lunch or giving them a gift card."

Be flexible. Remember that your assistant has a life, says James. "Cindy knows that if she has something to do with her kids, like go to one of their games, she can leave early," he says, He notes that such latitude is possible because most of an assistant's tasks are not time-sensitive.

Foster communication. Your assistant should feel that he or she can talk to you. "Honesty is important," says Lagattuta. "If I ask for 20 things and only 15 of them can be done properly, Anna knows it's okay to tell me. She knows to be clear because I need to know what to take off the plate."

Likewise, make sure your assistant understands why you do the things you do. "If they're in the office and see you leaving to play golf [with clients], they need to understand why," says Trende. "It's not just so you can have a good time. It's so you can get business so they can get paid, and their work is freeing you up to do that."

Give them a break. Even the best assistants can burn out if they don't have enough down time. Being generous with vacation and sick leave can go a long way, as can allowing your assistant to work at home if he or she needs to, says Trende. "If Anna needs time off, we give it to her," he says. "She's about to go on vacation for two weeks, but if she needed three or four weeks a year, that's okay. We know it will come back to us."

Even a few hours here and there will win your assistant's loyalty, he adds. "If things are slow on a Friday, we tell her to go home because we know if anything happens on Tuesday, she'll stay late to make sure it's finished."

Trende feels that keeping an assistant happy boils down to respect. "They should be part of the team. We tell Anna,'You don't work *for* us. You work *with* us.' We really couldn't do our jobs without her."

Bergmann looks at hiring and retaining an assistant as an investment. "Yes, you can talk about the cost in the person's salary, benefits, and vacation, but look at what the real value is for your time," he says. "It's your job to go out and meet with clients and collect assets. If you don't have good help, your time is going to be usurped by paperwork, and you won't be in a position to act as an advisor. An assistant only makes it easier on you."

Especially when the phone is ringing off the hook.

Susan Quigley Q&A

Interview and photo by Rebecca E. Dolber

FREE: **So how did you get started in this business?**
Susan Quigley: I knew I wanted to get into financial services, but I didn't know what I wanted to be. I didn't graduate until I was 33 because I did all my school at night and got my BA in Financial Services. I got a job at [a conglomerate], who trained me to be a broker. There weren't many women back then—6 out of 36 in my training class—and my trainer was incredibly sexist.

FREE: **How did you deal with that?**
SQ: Oh, I just tortured the man. Every time he said something stupid, I'd raise my hand and say, "You can't say that…" I said it often. During one class, he said, "Guys—because we were all guys—when you're talking to a couple, you have to make sure to talk to them both. For example, you could say, ma'am, that's a lovely blouse." I swear to God. I was constantly raising my hand in protest. If someone said that to me, I'd take my checkbook and husband and leave. That three-week training session was an education for my trainer too.

FREE: **Have you encountered a lot of sexism in this business?**
SQ: When I started, I would hear professionals tell people not to talk to a woman unless she shows up with her husband. They think it's a waste of time, and that she won't make a decision unless she can run it by her husband first. I think a lot of that has changed, thankfully! Many men have said many stupid things to me, including about my pregnancy and my maternity leave. One guy went to my manager and told her he didn't think I'd do well because I didn't wear accessories or make-up. One manager even told me I had great [breasts]. Just stupid.

FREE: **How did you counter it?**
SQ: Well, I would report it to the human resources department. I'd tell them what was said and they'd ask me what I wanted to do. I never wanted anything done. I never wanted to make a big stink. People are still saying and doing stupid things. You have to find a balance. Don't be overly sensitive, but cover yourself.

FREE: **So, what made you decide to go independent?**
SQ: I went independent because corporate life was too time consuming. Every year they wanted me to increase my sales by 25% "or else!" I just wanted to coast at a good income level and have a life… Not politically correct in the corporate world. I do no marketing as it stands now and I make a nice living in my sweats. I get to spend time with my family and participate in things outside of work.

FREE: **What was it like going independent?**
SQ: I had to be very patient. I had used the move to also go fee-based, so it was very hard. I earned only 20% of what I was making in the previous year. The following year I didn't do much better. Then my earnings started picking up each successive year. I had put aside some of my own money to help pay the bills during the transition. I had to be careful and not live beyond my means to make it work.

FREE: **What was it like transitioning to fee-based planning?**
SQ: Frankly, my first two years as a fee-based advisor were very hard, money-wise. But then September 11th happened and I realized that I had experienced a lot more family time working for myself than in the last 10 years working for someone else. I thought, if it were me in those buildings, I would not have regretted the time spent with my family versus the money I lost by changing jobs and compensation styles.

FREE: **How come you decided to become a certified financial planner?**
SQ: I chose being a CFP versus a straight broker because I loved dealing with the whole person. Being a broker was too transactional and not enough trust was put into the relationship. I could have just done fee-based, but I like the planning part. Being a CFP combines the best of both worlds: a trusted advisor and an unlimited paycheck. It might be tacky, but it's the truth. I love the fact that I'm the second to know who's pregnant, who's sick, and who's getting divorced—sometimes before the other spouse. People are fascinating and I get a sneak preview of other people's lives. I love being a yenta and getting the inside scoop. I would have been a psychologist but the pay stinks. I love when people come to me with the weight of the world on their shoulders and leave feeling happy and hopeful, like they have a chance to fix it. It's extremely satisfying.

FREE: **What's your business mix now? Who are your clients?**
SQ: I have three different groups of clients. The first group are sole proprietors: doctors, executives, etc. My second group is widows. I had men who hired me to take care of their wives after they died. The third group came from my volunteer counseling sessions with families affected by the terrorist attacks of September 11.

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FREE: **Tell us about the counseling.**
SQ: When the attacks happened, a few of us got together and said, what can we do? So, the FPA [Financial Planning Association] created a group to conduct seminars and counseling regarding financial issues these families were going to be facing: wills, tax changes, budget changes. I personally counseled about a dozen families. It was heartbreaking; a totally different client than I'd had. These people didn't want money. They didn't want the settlements. They wanted their loved ones back.

FREE: **Do you do other volunteer work?**
SQ: I'm doing a 150-mile charity bike ride for MS [to benefit the National Multiple Sclerosis Society]. I used to ride every year for my mother and my brother, both of whom have MS, but now I ride for me. I was diagnosed last year. I have no symptoms at the moment. Since [the ride] is now for me, I ride longer! When my mother was my age, she was already in a wheelchair for 13 years, so riding 150 miles seems the least I can do.
FREE: **How do you stay so positive?**
SQ: I have nothing to *not* be positive about. Sure, my future is a little more uncertain than others, but I have a wonderful family, great kids, and a husband I love and who loves me back, which is always good. You'd be impressed if you met my kids. They are well-behaved and friendly. They're not star athletes, but they are good people. As for the MS, it will just come as it comes. I take a shot every other night. It hurts, but it's nothing to complain about.

I'm big into community service. It's very much a part of my life, so to be with a company that has a similar vision is great.

FREE: **Did American Portfolios' commitment to social responsibility play a part in your decision to affiliate with the firm?**
SQ: Absolutely. When I heard that Lon Dolber was going on all these adventure trips with disabled athletes, I thought, "This attitude appeals to me." I'm big into the whole community service thing. I have a scout troop and a Cub Scout den, and I run my son's pack of 75 kids. It's very much a part of my life, so to be with a company that has a similar vision is great.

FREE: **What is your vision for the future of your business?**
SQ: I'm dying to try a 20-point system formulated by [National Association of Insurance and Financial Advisors past president] Robert M. Nelson, CLU, LUTCF. It's a system where I assign a certain number of points to various marketing tasks, and when I get to 20, I can move on to other aspects of my day. I'm so busy servicing, that I don't really market. Ultimately, I'd like to double my book of business in assets under management. I'd like to give my assistant another full day of work per week, but I have to say, I also like working on my own and I don't want to build an empire where everything needs so much work.
I want to keep my independence. Life is fun and I love life.

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AMERICAN PORTFOLIOS

JOINS FORCES WITH

WORLD TEAM SPORTS

IN THE

COASTAL TEAM CHALLENGE

By Bob Vogel

Photos by Sgt Karen McCoy, 403 (Hel) OTS, CFB Gagetown, Ontario, Canada

In August, American Portfolios Chief Executive Officer Lon T. Dolber led an intrepid team of sea kayakers on the Coastal Challenge, an 85-mile journey from Anacortes, Wash. to Vancouver, B.C. Organized by World TEAM Sports (WTS), where Dolber serves on the board. The event brought American and Canadian soldiers with disabilities, non-disabled kayakers, and this journalist (a paraplegic) together in a spirit of cooperation. In a week's time they battled currents, rode rapids, and pushed themselves to the limits of their endurance.

From the outset, the sea-farers met with challenges. Under a brilliant blue sky, they prepared to take to the waters in kayaks sponsored by American Portfolios, 12 of the firm's registered representatives, Pershing LLC, and Soldier On of Canada. But dividing and stowing a week's worth of gear in the kayaks proved more time consuming than anticipated and they didn't take to the water at their scheduled departure time, noon, a time the guides had chosen because it was "slack water," a window of stable water that happens between the swift incoming and outgoing tidal currents the area is famous for.

It didn't take long for the group to learn the importance of being ready and starting a day's voyage according to the tidal charts. Because they missed their departure time, what should have been an easy four-mile, 90-minute paddle to James Island wound up being a four-hour battle against the current after it pulled the group behind the island.

> I've always liked sports that focus on endurance because **ANYBODY WHO HAS THE WILLPOWER** can do them.
>
> *– APFS CEO Lon T. Dolber*

The next day, the kayakers left the beach on schedule and paddled with the current to cross a nine-mile stretch to Cypress Island. The trip began smoothly, but soon became intimidating as they encountered their first tidal rapids. As they bucked and splashed through the rapids, several kayakers were spun around by whirlpools and had to paddle hard to get out. Only after the team made it to calmer water unscathed did they agree with guides that it was "fun."

The first two days of paddling gave the kayakers the experience and rhythm they would need for the increasing distances in the days to come, distances that would test the limits of their strength and willpower. The challenge to an athlete's stamina is what makes it worthwhile, says Dolber. "I've always liked sports that focus on endurance because anybody who has the willpower can do them, which is why I was drawn to the idea of this kayak trip."

Meeting the Unexpected

Sea kayaking was a new experience for many of the participants. "Sometimes when you are in my position you could get the feeling there are things you shouldn't or can't do," says Paul Franklin, a retired master corporal in the Canadian army who lost both legs above the knee to a suicide bomber in Afghanistan in 2006. "An adventure like this gives me freedom. Knowing I am fit enough to complete it is great. My favorite part was after the 15-mile open water crossing of the Strait of Georgia, when we surfed the meter-high breakers into Point Roberts."

For Dolber the best part of the trip was forming new friendships and learning about people. "We started out the first evening not knowing anybody and [over the course of the trip] we became friends," he says. "With the paddling, being tired, and pulling together as a team in an adventure, our egos dropped—talks in the evening around the campfires were very interesting and we shared very different backgrounds and ideas but without an argument, more from a true point of interest."

Karen McCoy is an aviation technician and sergeant in the Canadian air force. McCoy, who lost her right leg below the knee to cancer in

I expected the trip would be **PHYSICALLY CHALLENGING**, but what I didn't expect was meeting people who went **STRAIGHT TO MY HEART.**

– Coastal Team Challenge participant Karen McCoy

2003, shares Dolber's sentiments. "I expected the trip would be physically challenging, but what I didn't expect was meeting people who went straight to my heart," she says. "Sharing the challenge and the laughs and the difficulties made us become really close. My favorite part of the trip was the evening chit-chat around the fire and hearing different people's stories of survival and determination."

Two members of the group created their own story of survival and determination. Brett Rickard, a veteran of the Canadian army who lost his left leg above the knee in an accident on duty in 1988, recalls a narrow escape involving fellow kayaker Jeff Henson, a retired demolitions specialist in the U.S. Army. Henson is blind in his right eye and has only 15% of his vision in his left eye.

"A group of us decided to walk around Clark Island. The tide came in and the sun was starting to set. Most of the group decided to risk wet feet on the rising tide, but Jeff and I chose the high path over the island. Jeff was in the lead. He slipped off the trail and grabbed a sapling as his body [slid down] the cliff. He was unable to pull himself up," says Rickard. "I took off my [prosthetic] leg, laid down on the trail, and held it out, and he was able to grab the leg and climb to safety."

Upon hearing the story, the other members of the group wanted to know why Henson was in the lead in the first place. The answer came quickly to Rickard, and in five words he summed up the teamwork and friendship that comes out of WTS events like the Coastal Team Challenge: "I forgot he was blind."

TOOLS OF THE TRADE

OppenheimerFunds
The Right Way to Invest

LIFETIME INCOME DISTRIBUTOR

WHO: OppenheimerFunds Distributor, Inc.

WHAT: Lifetime Income Distributor is an investment and income management program for financial advisors to use with retirees or near-retired clients. There are three components to the program: a simplified modeling tool that helps determine sustainable income amounts, professional investment management via Portfolio Builder, and income distribution support that can be established through systematic withdrawal programs.

WHERE: Lifetime Income Distributor is available on the OppenheimerFunds' Advisor website: **www.oppenheimerfunds.com.** From the homepage, select "Retirement," then "Lifetime Income Distributor." If you need a user ID and password, please call the OppenheimerFunds help desk at 800-525-7040 for assistance.

WHEN: Lifetime Income Distributor is currently available.

COST: Free

Getting Started

TODAY'S RETIREES NEED SOUND PLANS FOR producing a steady, lasting stream of income. Your clients understand that volatile markets and economic conditions can sabotage what appear to be solid income distribution plans, and they need reassurance that their current spending will not cause financial hardship later in retirement. To make the planning process even more complex, their assets are often dispersed among multiple accounts, creating extra work—for them and you.

These challenges actually present a major opportunity for you to capture more business. Lifetime Income Distributor can help you save time and build your business by offering a focus on strategic retirement income planning; simplified modeling, management, and distribution; and a powerful new way to build retirement sales.

Using the Program

LIFETIME INCOME DISTRIBUTOR'S MONTE CARLO based software helps you estimate how much your client can afford to spend throughout retirement without running out of money. It takes into account uncertain investment horizons and potential market volatility.

The program starts with a questionnaire about your client's goals and risk tolerance and includes prompts for you to enter the client's assets, preferred withdrawal strategy, and other information. The software then runs 500 complex hypothetical simulations to help determine the likelihood that a given "spend-down" level will be sustainable through the client's retirement. This process can help you determine an appropriate model portfolio and withdrawal strategy given your client's risk tolerance and time horizon.

The program creates its model portfolios of Oppenheimer funds using the OppenheimerFunds Portfolio Builder asset management platform. The investment allocations can be modified according to your specifications to help you create customized client portfolios.

Once you've decided on a portfolio, it can be rebalanced automatically at set periods or on-demand, saving you time and helping maintain the portfolio's risk parameters. The program also automatically distributes income payments using an intelligent withdrawal system that sells shares in proportions that maintain the portfolio's target allocations.

Overall, Lifetime Income Distributor can help you do the following:

- Retain the clients and assets you manage
- Gather new assets by encouraging clients to consolidate their holdings into a single income management account
- Serve clients of various wealth levels, including those whose modest assets wouldn't normally command detailed attention
- Showcase your expertise in retirement income management, potentially leading to additional business through referrals

If you have any questions about using the program, please call Oppenheimer's help desk at 800.525.7040.

Disclosures
Based upon 20 years of historical data from widely known indices across major asset classes, OppenheimerFunds Lifetime Income Distributor runs 500 Monte Carlo simulations of investment scenarios to determine the probability of generating targeted income amounts throughout retirement. These simulations take into account factors including market fluctuation based on major indices, life expectancy, discrete medical inflation rates, general inflation rates, taxation of disbursements, and required minimum distributions.

Lifetime Income Distributor projects the likelihood of meeting a particular income goal given a certain investment allocation across eight asset classes of mutual funds: Large Cap, Mid-Cap, Small Cap, International, Real Estate, Real Assets (Commodities), Bond and Money Market. Asset allocations are determined based upon an investor's existing Portfolio Builder allocations, or according to his or her responses to an OppenheimerFunds Portfolio Builder Risk Tolerance Questionnaire. The client report generated by Lifetime Income Distributor shows portfolios by asset class represented by the associated index used in the simulations. Because it is not possible to buy an index, it is for the investor and his or her financial advisor to determine a portfolio of investments and how closely those investments should track the relative indices. The software does not analyze any specific mutual funds or asset classes (other than the asset classes stated above), nor does it favor any particular security. There may be investments with characteristics similar or superior to those being analyzed by the software. Asset management fees assumed in the software are based on industry average expenses as measured by Morningstar.

While Lifetime Income Distributor runs many simulations to develop statistically reliable data, it cannot foresee or account for all possible situations that could negatively impact an investor's financial situation. Therefore it should only be used in conjunction with the sound judgment of a financial advisor. Due to the ever-changing nature of investments and retirement objectives, it is critical that an advisor revisit an investor's retirement investment and income plans at least once a year and more frequently if possible.

IMPORTANT: The projections or other information generated by OppenheimerFunds Lifetime Income Distributor regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Each scenario is randomly generated and, as a result, the software's results will vary with each use and over time as markets change.

Portfolio Builder requires a minimum initial investment of $25,000.00.

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Wealth Transfer with Municipal Bond Maximization

Due to estate tax uncertainty and the volatility of the stock market, many clients are reluctant to continue making cash gifts to family members annually,[1] or continue with other planning techniques already established. Nonetheless, it is critical that clients do not abandon current planning or ignore opportunities for planning now, as transfers to the next generation may still be significantly reduced by taxes. In addition, it will be important to consider the different ways of repositioning existing assets to increase income and make them more tax-efficient for wealth transfer purposes. For instance, a client may like the tax-free income provided by municipal bonds, intending to transfer the bonds at death to heirs. However, tax-free municipal bonds do not generally provide the opportunity for high returns. Moreover, the value of the bonds can be depleted considerably by estate taxes even if the estate tax is reformed. Strategies that include repositioning an inefficient asset to maintain or increase current income, as well as preserve wealth for future generations, should be seriously considered.

Municipal Bond Maximization

Municipal bond maximization is a planning technique in which the bonds are converted to, or exchanged for, a single premium immediate annuity (SPIA).[2] A SPIA provides an income stream for a chosen number of years based on a single deposit made to purchase the annuity as well as on the client's age and health status. This approach assumes the use of a life-only no-refund SPIA in which an income stream is guaranteed to be paid to the client for life (or for the joint lifetime of client and spouse, if applicable).

If an alternative annuity option is chosen when the SPIA is issued, there may be income or estate taxes that apply. For a client who needs supplemental retirement income, a SPIA may provide a higher net income than the bonds. The client can then make gifts of a portion of the after-tax income generated from the SPIA to an irrevocable life insurance trust (ILIT).[3] The ILIT then has the funds to purchase a life insurance policy on the client's life for an amount that replaces or exceeds the value of the municipal bonds. Because the life insurance is owned by an ILIT, the proceeds will not be part of the taxable estate, providing that the trust is properly drafted. Potentially more can be transferred to heirs, estate tax–free, when a SPIA and life insurance policy work together using a municipal bond maximization approach as shown in the table above.

THE PROBLEM	THE SOLUTION	THE RESULT
Low-yielding municipal bonds are subject to estate tax.	• Convert municipal bonds to SPIA. • Leverage SPIA income with life insurance.	Increase the amount transferred to heirs.

Wealth Maximization and Municipal Bonds

In three simple steps, the client can maximize his or her municipal bonds and increase the amount transferred to the heirs. The steps are as follows:

1

Liquidate municipal bonds and purchase an immediate annuity with a life-only option. If the client purchases an immediate annuity with a life-only option, none of the value of the annuity will be included in the taxable estate at death. The SPIA can provide an income stream, a portion of which can be used to make gifts.

2

Use distributions from the immediate annuity for annual exclusion gifts to the trust. Clients can use the after-tax income to make annual exclusion gifts to an ILIT for children and other beneficiaries. In 2009, annual exclusion gifts of $13,000 per recipient can be made with-out gift tax consequences.[4] In addition, each person has a $1 million lifetime exemption from gift tax.

3

The trustee of the ILIT uses the annual exclusion gifts to purchase life insurance. The ILIT will purchase a single life or survivorship life insurance policy, and the client's heirs will be the trust beneficiaries. The trust should receive the proceeds of the life insurance policy free of estate and income taxes.

Advantages of Municipal Bond Maximization

Municipal bond maximization has several advantages:

- Municipal bonds may be sold with minimal income tax cost.
- SPIA income can replace the bond income without estate taxes.
- A SPIA can typically provide a higher return than municipal bonds.
- Life insurance inside an ILIT is generally free of income and estate taxes.[5]
- The ILIT proceeds can be used to maximize inheritances and transfer wealth to the next generation.

Disadvantages of Municipal Bond Maximization

Municipal bond maximization also has several disadvantages:

- Municipal bonds may have a lower investment risk than life insurance.
- Life insurance may have fees associated with it, such as the cost of insurance.
- Unlike municipal bonds, SPIA income is subject to income tax.
- The exchange may be taxable or result in additional charges or risks.

Conclusion

For clients who have large municipal bond holdings that they intend to transfer to the next generation, and who do not want to give up the income stream the bonds provide, municipal bond maximization may be an effective planning strategy. By implementing a municipal bond maximization strategy, clients can maintain or increase income and leverage a portion of the income with life insurance outside the taxable estate. Clients may "live better while leaving more" to heirs by using this strategy.

CASE STUDY

Facts:
James and Ellen Weingart, aged 74 and 71 respectively, are both Preferred non-smoker risks. They have an estate valued at $5,000,000, including $1,000,000 in municipal bonds. They have two children and want to maximize the inheritance that each child receives. Currently, the Weingarts receive $40,000 a year in municipal bond income.

Problem:
James and Ellen want to implement a plan that will maximize their children's inheritance and reduce potential estate taxes. Most of their assets are tied up in real estate and other investments, and they are reluctant to liquidate those assets. In addition, they want to retain the $40,000 a year in municipal bond income (after tax).

Solution:
By implementing a municipal bond maximization strategy, James and Ellen are able to significantly increase the inheritance for their children.

Here's How It Works

James and Ellen will convert their municipal bonds to a Single Premium Immediate Annuity (SPIA). This will provide them with an annual after-tax income stream of $67,417 for life. They will make a gift of $16,856 to an ILIT using available annual exclusion gifts. The trustee of the ILIT will use the gifts to purchase a John Hancock Protection SUL-G policy with a death benefit of $1,000,000 and an annual premium of $16,856.6.

	Retain Municipal Bonds	Municipal Bond Maximization
Net Annual Income	$40,000	$67,417
Premium	$0	$16,856
Net Spendable Income	$40,000	$50,561
Asset Value in Year 19	$1,000,000	$1,000,000
Estate Tax	$550,000	$0
Net to Heirs at Year 19	$450,000	$1,000,000

The data shown is taken from a hypothetical calculation. It assumes a hypothetical rate of return and may not be used to project or predict investment results.

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1. *"How Bush's Budget Affects Yours," Wall Street Journal, February 4, 2003.*
2. *A SPIA is a single premium immediate annuity that provides an income stream for a chosen number of years based on a single deposit made to purchase the annuity. The annuity income stream is calculated on a life-only no-refund basis so that the income will last for the client's lifetime, or the joint lifetime of the client and spouse, if applicable, and no balance will be payable to the taxable estate at death. The SPIA guarantee is based on the claims-paying ability of the insurer issuing the SPIA and John Hancock does not issue such contracts.*
3. *Trusts must be drafted by an attorney familiar with such matters in order to take income and estate tax laws, including generation-skipping transfer tax, into consideration. Failure to do so could result in adverse tax treatment of trust assets.*
4. *The annual exclusion is $13,000 in 2009 and will be adjusted annually for inflation in increments of $1,000. Creating and funding an ILIT is a sophisticated estate planning technique and your legal and estate planning advisor should be consulted prior to making any estate, tax, or investment decisions.*
5. *Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration.*
6. *This example assumes that the estate is growing at 5% after tax annually and that the sale of the municipal bonds does not result in income tax.*

Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of the issuer.

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Investments Retirement Insurance

Managing Retirement Income Requires New Mindset, Techniques

There's a huge retirement income opportunity with the wave of millions of baby boomers approaching and entering retirement. However, capturing and successfully managing assets to provide adequate income that lasts throughout retirement requires changes to the techniques used in the accumulation years.

In accumulation, there must be a balance between two factors: growth and protection. But in retirement, withdrawals change this two-dimensional balancing act into a three-dimensional puzzle. There are several ways this shift affects a client's portfolio. Let's look at just one: The impact of sequence of returns.

TRUTH *in* ACCUMULATION:

Average returns are the main concern; short-term fluctuations don't matter much in the long run.

DIFFERENCE WHEN *taking* DISTRIBUTIONS:

The order in which returns are experienced can matter a lot.

The "Flaw" of Averages

It's like coming to a pond with a sign beside it that says, "Average depth 3 feet." If that pond is holding water you'll use later, that's all you really need to know. However, when you're crossing it, you'll also want to know whether it's a uniform 3 feet or whether it's 6 inches deep in most spots and 10 feet deep in the middle.

Similarly, when clients are building assets to use later, the average return over time is the key measure. However, when they start taking withdrawals, the math changes. Let's take a look at an example.

Table 1 shows four investors, each of whom invested $500,000 at the same time and stayed invested for 20 years with no withdrawals. The first three each had growth that averaged 8% over the period but had a different pattern of returns. Note their ending values were similar.

But in retirement, it's a different story. Let's say these same investors had the same returns while withdrawing 5% annually, increasing 3.5% each year for inflation. Now, the investor who had early losses is quickly running out of assets after only 20 years while the one with late losses ended up with about twice as much as he'd started with. As you can see in Figure 1, the difference is almost $850,000!

What about the real world?

Not convinced? Let's look at actual results. The chart in Figure 2 at right may look familiar. It shows how long a $500,000 hypothetical portfolio of half bonds, half stock would have lasted with various withdrawal rates. It's all well and good until we consider that the average retirement length is three years longer than the timeframe supported by even a 5% withdrawal rate. Add in fees and the client may have only received a 4% actual withdrawal.

Investors cannot invest directly in an index. Past performance is no guarantee of future results.

An investment professional could have recognized the client's shrinking portfolio and suggested that the client slow down withdrawals in later years, but the question then would be: Could the client have continued to make ends meet?

How can you help avoid this fate for your clients?

A number of risk reduction techniques are now available, but asset allocation is the most popular, according to research conducted by Nationwide Financial in 2006. In fact, for many, it's the only risk-reduction technique employed. A common approach is to take regular withdrawals from a mutual fund portfolio with a conservative or moderately conservative allocation.

But, considering today's retirements are often 25 years long or more, does it make sense to use a single asset allocation? If you subdivide assets into "mini-portfolios" according to when they're needed for income, you can specifically target the risks that are most applicable for each time period. For example, you can target market risk early in retirement and inflation risk in later years.

Also, given that every type of investment has strengths and weaknesses, should just one type be used? Instead, by using a mix of investments within the mini-portfolios, you can capitalize on the strengths of various investments and help mitigate some of their weaknesses.

The challenge is weaving together these ideas. Fortunately, Nationwide® can help. Just call our experienced professionals at the Income Planning Desk at 1-877-245-0763 for more information or for support on specific retirement income cases.

TABLE 1.

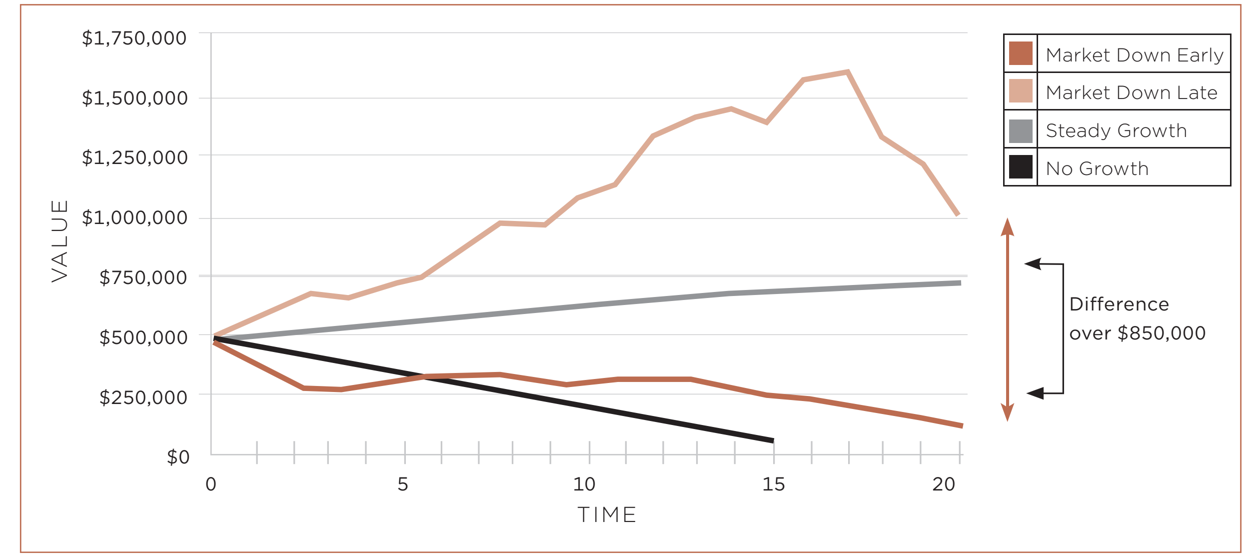
SEQUENCE OF RETURNS MATTERS LITTLE BEFORE RETIREMENT

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Average	Ending Value
Market Down Early	-15	-5	-15	5	25	20	10	15	5	10	15	10	20	0	5	10	5	15	10	15	8 %	$2,115,025
Market Down Late	10	25	15	5	10	10	20	15	5	15	10	20	10	5	0	15	5	-15	-5	-15	8%	$2,115,025
Steady Growth	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8 %	$2,330,480
No Growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%	$500,000

These results are hypothetical in nature and do not represent any specific investment. Your actual results will vary. Investing involves market risk including potential loss of principal.

FIGURE 1.

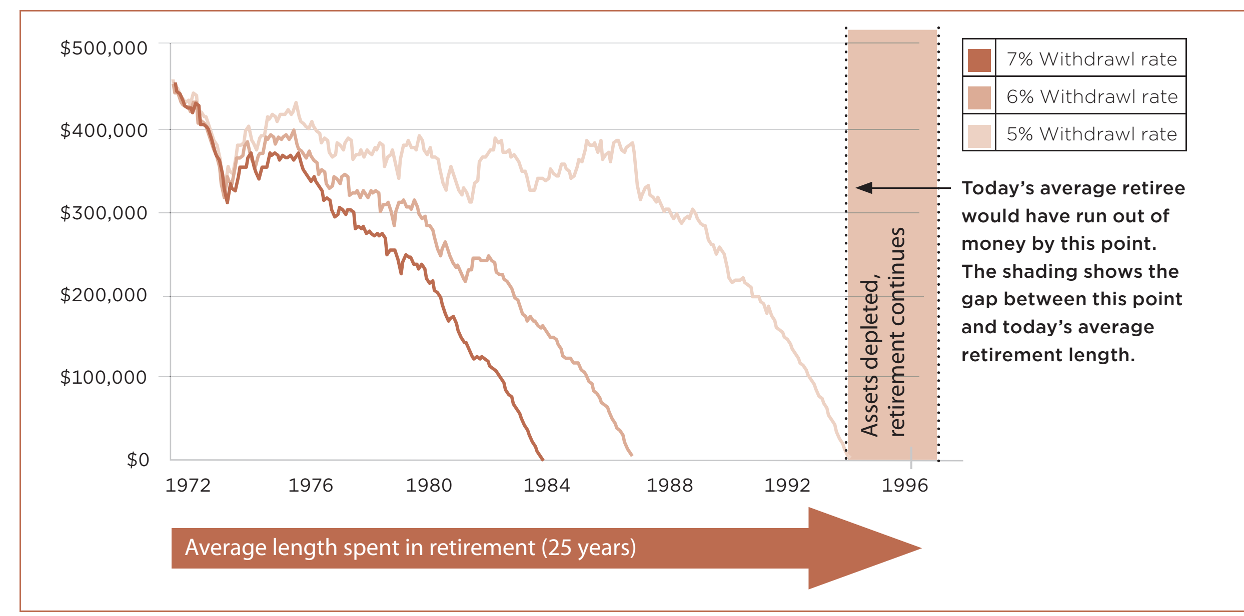
SEQUENCE OF RETURNS MATTERS IN RETIREMENT



The above charts are designed to demonstrate the mathematical principle behind market risk and sequence of returns. This illustration is hypothetical and is not intended to serve as a projection of the investment results of any specific investment. Actual experience will vary over time with future fluctuations in the market. Remember, investing involves market risk, including possible loss of principal and there is no guarantee that investment objectives will be achieved.

FIGURE 2.

HOW LONG MIGHT ASSETS LAST?



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%.

Source: Ibbotson Associates, Inc.(2006); Annuity Mortality Table, Society of Actuaries (2000); EBRI Issue Brief 304 (04/07).

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Asset allocation does not assure a profit or protect against loss. Investors should carefully consider the investment objectives, risks, charges and expenses before investing. ***Prospectuses and underlying fund prospectuses can be obtained by writing to Nationwide Life Insurance Company, P.O. Box 182021, Columbus, Ohio 43218-2021.***

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WOMEN

A Powerful

— *Yet* —

Underserved Market

State of the Firm

by Lon T. Dolber, CEO

I PRESENT YOU WITH THE THIRD-QUARTER 2009 performance results for American Portfolios. Third-quarter revenues and fees of $15,112,787 decreased by 10% from third-quarter gross revenues and fees received in 2008 of $16,794,404. Despite a decrease in overall business for the third quarter, the comparisons of declines in gross revenues between quarters (a 9% decline between Q2 2008 and Q2 2009, versus a relatively equal decline of 10% between Q3 2008 and Q3 2009) reveal signs of a slowing down of losses. Also, assets under management have increased 20% from the last reported quarter ($8.2 billion in Q2 2009 to $9.9 billion in Q3 2009). All of this can be attributed to incoming assets from new rep affiliates, but perhaps, also to a stabilizing market environment. A historical analysis of the quarterly performance results shows that 2009 third-quarter revenue figures were $4.8 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and approximately $3.8 million more in gross revenues received for the first three quarters of 2003 combined ($11.3 million).

As a little boy, my son Matthew would often complain about his twin sister Sara, saying she was not "the boss of him." "Get used to it," I would tell him. Not only was his sister the boss of him but so was his mother. In later years his girlfriend would be the boss of him, and at some point down the road, so too will his wife. To my brethren: Women are a veritable force that cannot be ignored.

I recently read an article in the Harvard Business Review about women and their effect on the economy. I was intrigued by the findings. According to the article, women control about $20 trillion in annual consumer spending globally, and that figure could climb as high as $28 trillion in the next five years. In aggregate terms, women represent a growth market twice as big as China and India combined: $5.6 trillion. Compare that to combined female incomes across the globe of $13 trillion. Moreover, women make the decision in the purchases of 94% of home furnishings, 92% of vacations, and 91% of home purchases, and they control the lion's share of consumer spending in the U.S. ($4.3 trillion out of $5.9 trillion). Private wealth in the U.S. is expected to grow from $14 trillion today to $22 trillion by the year 2020, with as much as 50% going into the hands of women. Still it is reported that as a group, women feel they continue to be underserved by financial institutions. They have many reasons for feeling this way, including a lack of respect, poor advice, a one-size-fits-all approach to business, and being stereotyped because of their sex and age.

In the book Women Want More: How to Capture Your Share of the World's Largest, Fastest-Growing Market by Michael J. Silverstein and Kate Sayre, two of the world's leading authorities on the retail business argue that women are the key to fixing the economy. In a groundbreaking study of the purchasing habits of 12,000 women in 40 countries, survey respondents offered these insightful comments:

- I don't appreciate being treated like an infant.
- As a single woman, I often feel that financial service companies are not looking for my business.
- Financial service reps talk down to women as if we cannot understand more than just the basics.

If we in the financial service industry can change our approach toward our business with women and recognize the tremendous opportunities that exist in this market, the rewards can be great. There are unmet needs in the areas of financial education, equal treatment with men, education about insuring households instead of the primary earner, equitable coverage for working men and women, and valuations for at-home work. There is also a need to understand female life events and cater to the changing financial requirements those events bring. With $2.1 trillion in wealth held by high-net-worth divorced or widowed women and $2 trillion in incremental life insurance coverage, the opportunities are vast.

Although women currently comprise a small percentage of professionals licensed with American Portfolios, they represent a significant share of the firm's total revenue. This edition of *FREE* profiles several of these women, and I hope that their stories will shed light on the challenges they face, their success as professionals in a field dominated by men, and their expertise as seasoned financial practitioners.

Lon T. Dolber
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2009 Quarterly Review

July 1 – September 30, 2009

The third-quarter 2009 review for American Portfolios is shown on pages 29 through 34. This review has also been posted to the American Portfolios broker website in Rep Services.

Corporate Overview:

AMERICAN PORTFOLIOS HAS 64 FULL-TIME EMPLOYEES SUPPORTING 636 REGISTERED representatives, which includes 53 registered assistants and 25 registered employees as of September 30, 2009.

Financial Overview:

THIRD-QUARTER GROSS COMMISSIONS AND FEES OF $15.1 MILLION WERE LOWER than the third quarter of 2008, a 10% decrease of $1.7 million from $16.8 million. Gross revenues for the firm have increased over nine times since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $15.1 million in 3Q 2009). In an across-the-board analysis of products and services offered through American Portfolios, all products and services were down from the third quarter in 2008, with the smallest decreases coming from mutual funds and general securities of 1% and 3% respectively (Table 1). Assets under management, however, increased 5%, from $9.3 billion in the third quarter of 2008 to $9.8 billion in the third quarter of 2009. Assets under management also increased 20% from the last quarter in 2009 from $8.2 billion in 2Q 2009 to $9.8 billion in 3Q 2009. (Table 2).

Fig. 1

Gross Commission & Fee Revenue

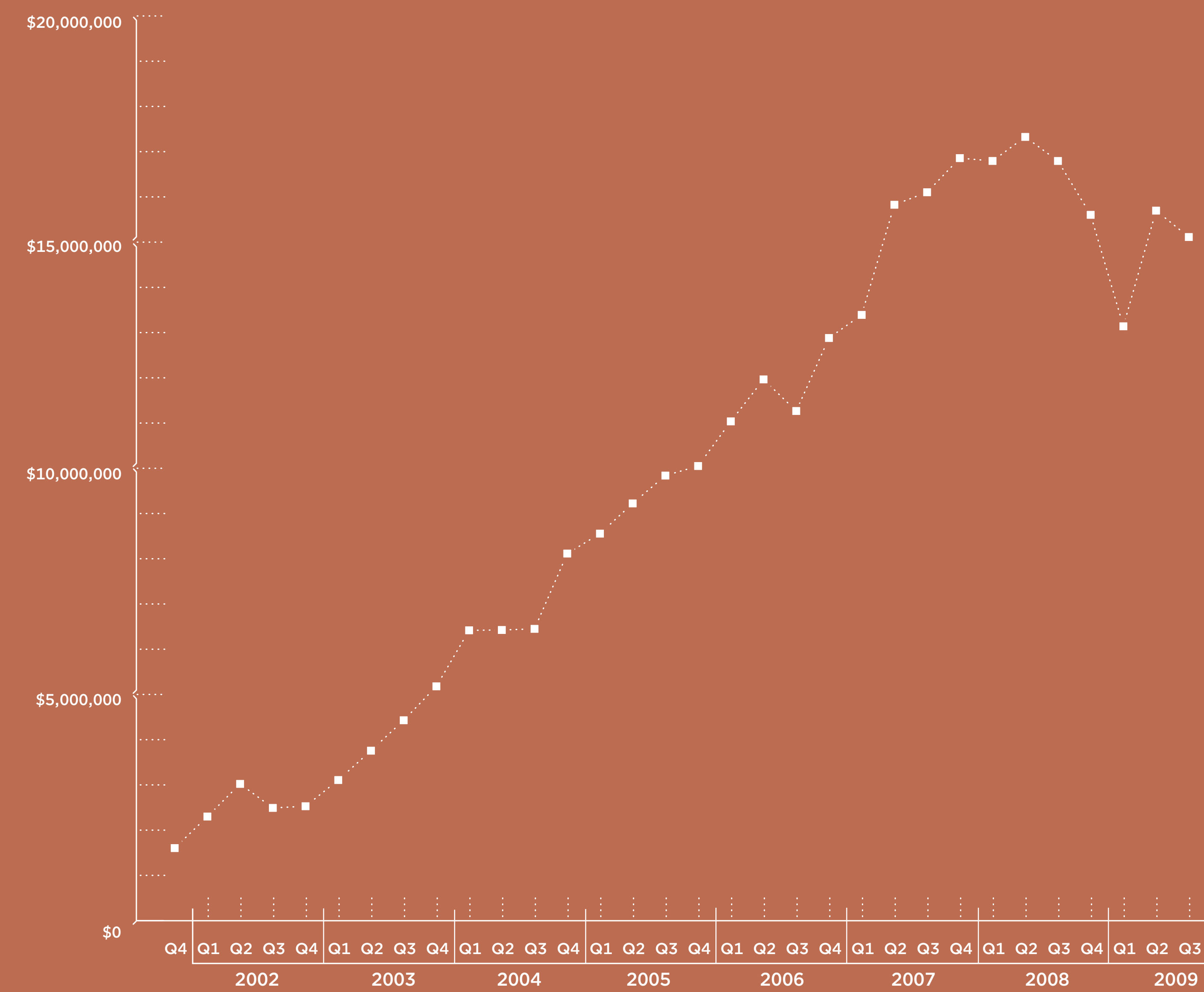


Table 1

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
2009 2Q	$1,701,361	$2,635,830	$4,364,957	$364,158	$1,515,700	$2,725,085	$1,368,452	$366,967
2009 3Q	$1,832,403	$2,993,591	$4,326,214	$158,080	$649,832	$2,971,559	$1,352,518	$165,193
Change from 3Q 2008	-1 %	-15 %	-7 %	-24 %	-28%	-7 %	-3 %	-58 %

Top 5

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

1. $ 1,158,871 American Funds
2. $ 1,059,305 OppenheimerFunds
3. $ 542,892 Franklin Templeton Funds
4. $ 216,354 Fidelity Funds
5. $ 166,418 Eaton Vance Funds

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

1. $ 1,010,973 Prudential
2. $ 882,865 Jackson National
3. $ 401,402 John Hancock
4. $ 340,236 Nationwide
5. $ 220,132 ING

Top Five Vendors' Assets Under Management as of September 30, 2009

1. $ 1,298,243,223 American Funds
2. $ 977,461,099 OppenheimerFunds
3. $ 585,556,624 Franklin Templeton Funds
4. $ 387,252,013 Nationwide VA
5. $ 299,494,830 Prudential 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	
2009 2Q	$4,041,940,609	$4,134,002,438	$8,175,943,047	
2009 3Q	$4,664,682,071	$5,134,053,195	$9,798,735,266	20%
+/- over 2008 3Q	+4 %	+7%	+5%	

Representative Overview

9/10/2001 – 9/30/2009

Between September 10, 2001 and September 30, 2009, 796 new representatives have joined the firm while 384 representatives have been encouraged to leave. During the same period, assets under management have increased by $8.6 billion (Q4 2001 $1,232,657,974 – Q3 2009 $9,798,735,266).

Table 3

Third Quarter 2009 New Colleagues

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Allan	Forbes	Charlotte	NC	Elizabeth Munday	7/1/2009	Account Executive
Michael	Kronk	Elmhurst	IL	Charles Rizzo	7/1/2009	Account Executive
Stephen	Jansen	Elmhurst	IL	Charles Rizzo	7/1/2009	Account Executive
Paul	Mardoian	Itasca	IL	Charles Rizzo	7/1/2009	Account Executive
Henry	Torres	Downers Grove	IL	Charles Rizzo	7/2/2009	Principal
Gina	Hornbogen	Elmhurst	IL	Charles Rizzo	7/2/2009	Principal
Mark	Hopkins	Troy	MI	Timothy O'Grady	7/2/2009	Account Executive
Gloria	Potts	Charlotte	NC	Elizabeth Munday	7/10/2009	Account Executive
William	Smith	Newport News	VA	Tom Wirtshafter	7/10/2009	Principal
John	Daley	Clifton Park	NY	Michael Brown	7/17/2009	Account Executive
Patricia	Trapp	Hamilton Square	NJ	Ronald Chakler	7/17/2009	Account Executive
Gerard	Trapp	Hamilton Square	NJ	Ronald Chakler	7/17/2009	Account Executive
Kevin	Krause	Islip Terrace	NY	Jane Desmond	7/20/2009	Account Executive
Paul	Krause	Islip Terrace	NY	Jane Desmond	7/22/2009	Account Executive
Joel	Heinlein	Kentwood	MI	Donald Carlson	7/23/2009	Assistant
Brendan	Leavey	Clifton Park	NY	Michael Brown	7/24/2009	Account Executive
Richard	Kenyon	Elmhurst	IL	Charles Rizzo	7/29/2009	Assistant
Gregg	Eisenstein	Hauppauge	NY	Mark Gajowski	7/29/2009	Assistant
Linda	Sachs	Dix Hills	NY	Jane Desmond	7/30/2009	Account Executive
Gregory	Stringfield	Newport News	VA	William Smith	7/31/2009	Account Executive
Richard	Burgess	Elmhurst	IL	Charles Rizzo	8/5/2009	Assistant
Mark	Gregory	Kentwood	MI	Donald Carlson	8/5/2009	Account Executive
Douglas	Schiffmiller	Brooklyn	NY	Timothy O'Grady	8/6/2009	Principal
Rosalie	Ciaio	Brooklyn	NY	Douglas Schiffmiller	8/6/2009	Assistant
Mark	Cirelli	Holbrook	NY	James Verdi	8/7/2009	Account Executive
Michael	Bird	Mt. Kisco	NY	Louis Tagliaferro	8/7/2009	Account Executive
Meredith	Diamond	Riverhead	NY	John Kosinski	8/7/2009	Account Executive
Lori	Jordan	Hauppauge	NY	Buddy Levy	8/10/2009	Assistant
Julia	Washington	Brooklyn	NY	Douglas Schiffmiller	8/11/2009	Account Executive
Craig	Ciszewski	Matthews	VA	Timothy O'Grady	8/11/2009	Account Executive
Nicholas	Nachbur	Saratoga Springs	NY	David Bangert	8/12/2009	Account Executive
Theodore	Kayes	Richmond	VA	Timothy O'Grady	8/14/2009	Account Executive
Frank	Ocello	Holbrook	NY	Barry Cohn	8/17/2009	Account Executive
Kevin	McCarthy	Winston Salem	NC	Elizabeth Munday	8/17/2009	Account Executive
Jeremy	Monte	Fairport	NY	Tom Wirtshafter	8/21/2009	Principal
Frank	Monte	Fairport	NY	Tom Wirtshafter	8/21/2009	Account Executive
Douglas	Conoway	Rochester	NY	Timothy O'Grady	8/24/2009	Principal
Gregory	Halstead	Fairport	NY	Jeremy Monte	8/25/2009	Account Executive
Christopher	Muratori	Mahopac	NY	Jeremy Monte	8/26/2009	Account Executive
Paul	Krause	Islip Terrace	NY	Jane Desmond	8/28/2009	Account Executive
Mark	Muchowski	Orchard Park	NY	Jeremy Monte	8/28/2009	Account Executive
Jenny	Leach	Fairport	NY	Jeremy Monte	8/31/2009	Account Executive
Jonathan	Michaels	Holbrook	NY	Lon Dolber	8/31/2009	Staff
Delbert	Smith	Rochester	NY	Jeremy Monte	8/31/2009	Account Executive
Eileen	Gonzalez	Garden City	NY	Ross Mongiardo	9/1/2009	Assistant
Steven	Schmidt	Holbrook	NY	Edward Levine	9/3/2009	Account Executive
Leonard	Dangelo	New York	NY	Jane Desmond	9/3/2009	Principal
Jack	Kane	New York	NY	Leonard Dangelo	9/3/2009	Principal
Ram	Pathak	New York	NY	Leonard Dangelo	9/3/2009	Account Executive
Marvin	Grey	New York	NY	Leonard Dangelo	9/3/2009	Account Executive
Robert	Messina	New York	NY	Leonard Dangelo	9/3/2009	Account Executive
Thomas	Gallo	Staten Island	NY	Leonard Dangelo	9/3/2009	Account Executive
Ira	Bernstein	Merrick	NY	Leonard Dangelo	9/4/2009	Account Executive
Ely	Steinfeld	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Alvin	Person	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Vernetta	Nelson	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Willis	Crenshaw	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Judith	Brennan	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Patrick	Linehan	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Stephen	Maresca	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Thomas	Garvin	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Marvin	Fink	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Oral	Smith	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Diana	Curbelo	New York	NY	Leonard Dangelo	9/4/2009	Account Executive
Charles	Darrow	Fayetteville	NY	Robert Bartolotta	9/8/2009	Account Executive
Lisa	Horowitz	Bayside	NY	Leonard Dangelo	9/9/2009	Account Executive
John	Dobbertin	Fayetteville	NY	Robert Bartolotta	9/9/2009	Principal
Arnold	Kerbis	Jericho	NY	Leonard Dangelo	9/9/2009	Account Executive
Judith	Shedden	New York	NY	Leonard Dangelo	9/9/2009	Account Executive
John	Dennison	Hudson	WI	Michael Diemer	9/10/2009	Account Executive
Timothy	Gusek	Glens Falls	NY	Michael Brown	9/14/2009	Principal
David	Kane	Katonah	NY	Leonard Dangelo	9/14/2009	Account Executive
Colin	Moors	Riverhead	NY	John Kosinski	9/14/2009	Principal
Christine	Koch	Rochester	NY	Douglas Conoway	9/14/2009	Assistant

Craig	Cantara	Biddeford	ME	Tom Wirtshafter	9/17/2009	Principal
Timothy	McCormack	Grosse Pointe Farms	MI	Donald Carlson	9/17/2009	Account Executive
Richard	Smith	Kentwood	MI	Donald Carlson	9/21/2009	Account Executive
Gerard	Coraggio	New York	NY	Leonard Dangelo	9/22/2009	Account Executive
Mauro	Daddato	Holbrook	NY	Tom Wirtshafter	9/25/2009	Principal
Adam	Mark	Rochester	NY	Douglas Conoway	9/28/2009	Account Executive
Norman	Blieden	Arcadia	CA	Russell Clark	9/30/2009	Account Executive

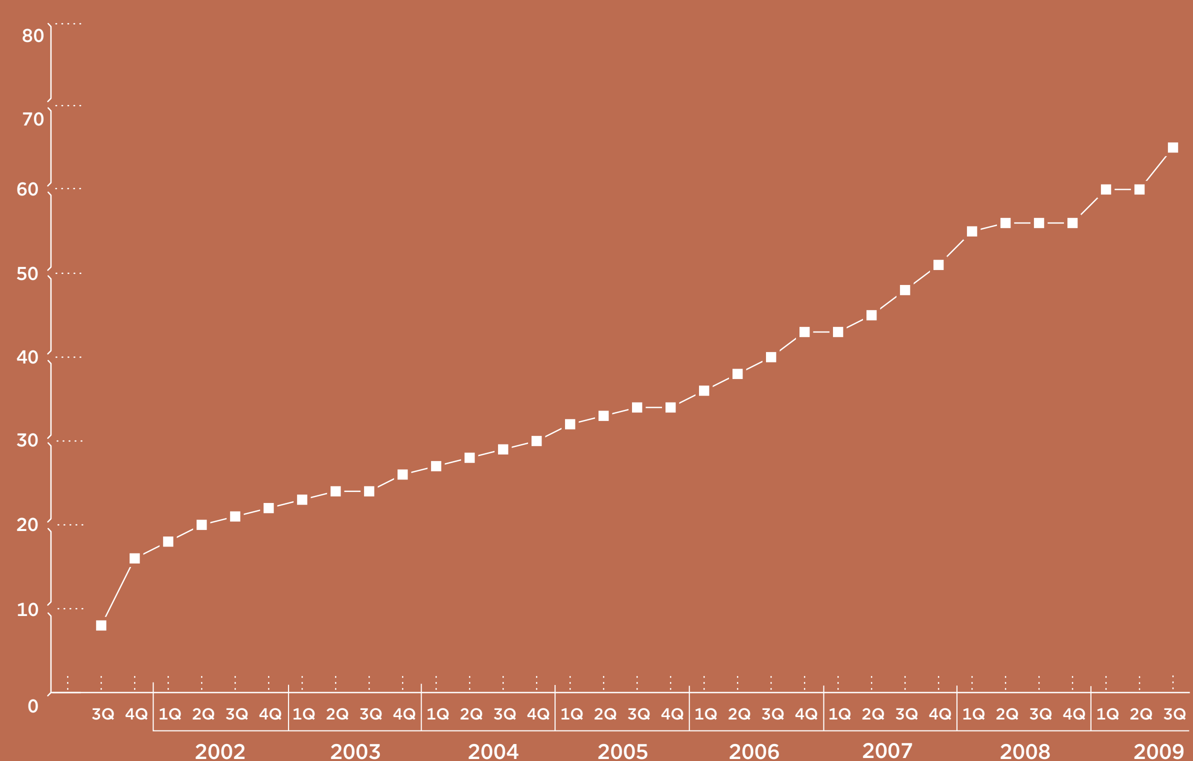
Recruiting and Marketing Overview

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 September 30, 2009 the broker/dealer had 636 registered representatives, which included 53 registered assistants and 25 registered employees working from 91 Offices of Supervisory Jurisdiction as well as 331 Branch Office locations. There were 82 new associates who affiliated with the firm in the third quarter of 2009. As of September 30, 2009 there were 558 producing registered representatives at the firm.

A total of 82 new representatives have joined the firm while 10 representatives have been encouraged to leave during the third quarter of 2009. During the period of September 10, 2001 to September 30, 2009, quarterly revenues have increased by $13,509,698 (Q4 2001 $1,603,089 – Q3 2009 $15,112,787).

Fig. 2

Employee Growth



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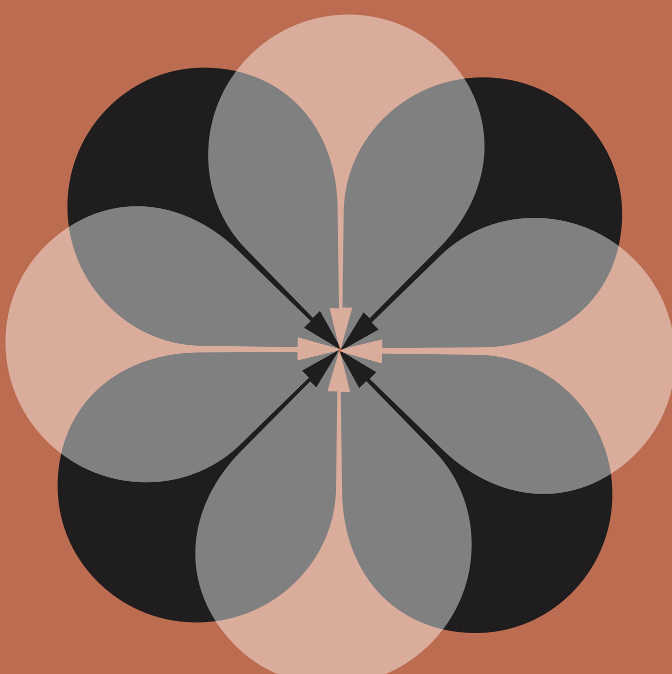

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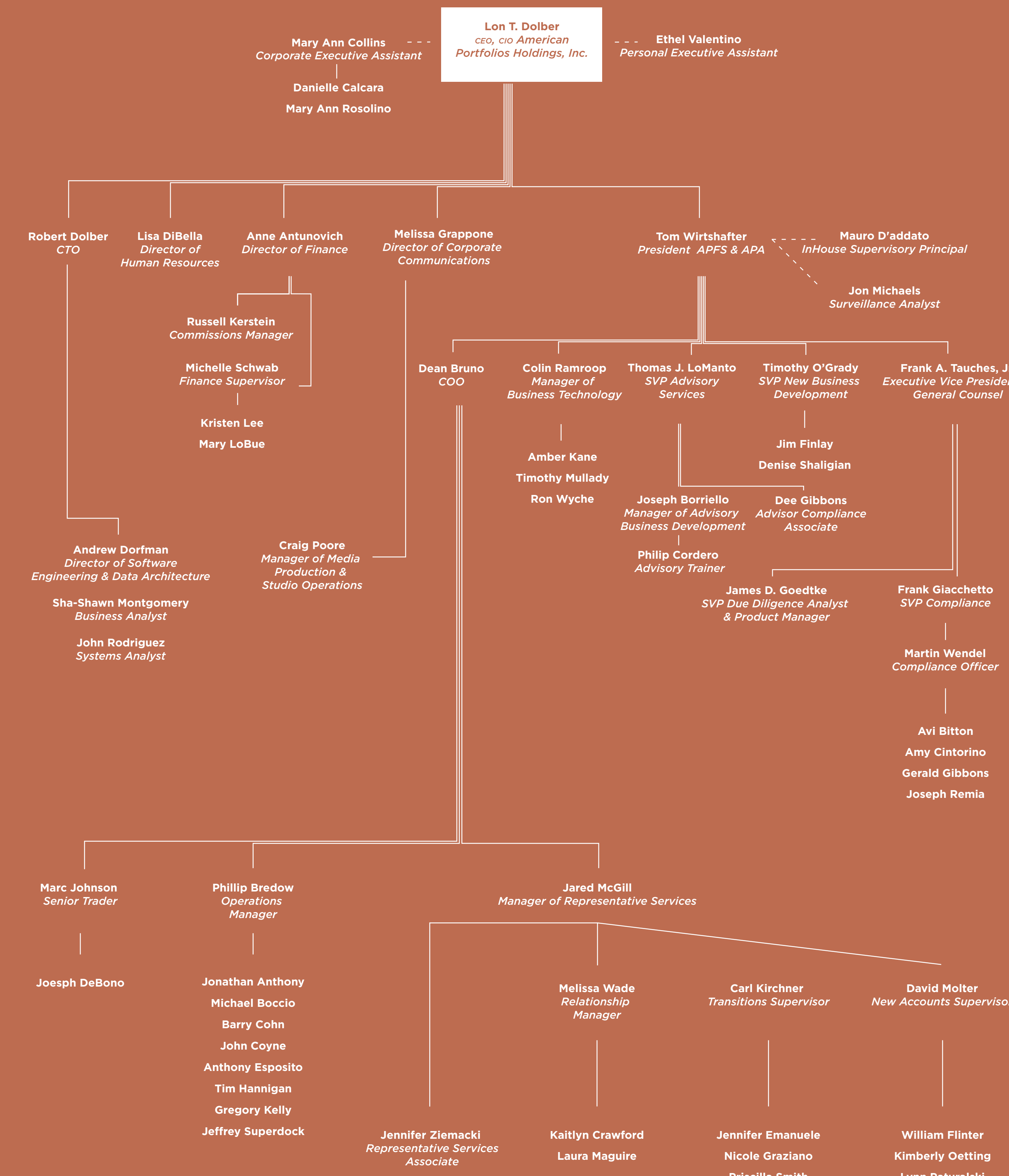

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