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from the editor-in-chief

Dear Affiliated Professionals:

When I came to work for Lon back in 1994, I had just gotten laid off as a Project Manager from my former employer who had started centralizing the balance of their systems and services to their home base in Omaha, Nebraska. Lon had already begun building a following of reps to come under his OSJ, and he needed someone to help manage the office from an administrative standpoint. Knowing I was on unemployment but managing okay with my husband's additional stream of income, he approached me with a proposition to come and work for him. There was one small caveat: He wouldn't be able to pay me much for a while. But he had a vision that he could expand his OSJ big enough to establish his own independent B/D. So we went out to lunch one day to discuss his plan and what it could mean for me. I remember that he brought a yellow pad with him. As we started eating he said nothing, instead began scratching down a rough schedule of increasing override estimates based on new recruited reps coming into the OSJ over a period of five years, with corresponding increasing percentage points that he would give me once I obtained my securities license. He tore the yellow paper off his pad, handed it to me and said, "Are you in?"

"The funny thing about time is that things that seemed startling in the present or the future seem obvious or inevitable when you look back."

This statement, right out of the recently distributed 2007 AP Holdings Annual Review, made me think of that spring day in 1994 when Lon laid out a plan for my future on a yellow piece of paper. Fourteen years later, I think of all that's been accomplished for me and for many others associated with the firm. I still have those chicken scratch notes which I fondly look at from time to time.

Not unlike my circumstances that led to an unexpected future, featured rep, OSJ Manager, John Wiswell of Jensen Beach, Fl. (pg. 12), started a career in the culinary profession only to find his inevitable future in financial services. So too will you read about a similar turn of events in a Q&A with affiliated colleague and a 35-year veteran in the business, Cal Greilsamer of Westbury, NY (pg. 8).

Looking back can help us to look beyond, particularly with current market conditions as they are. Managing Director Steve Molyneaux of Atlanta, Ga. interestingly points out how the market reacts and prices events way before economic data becomes available (pg. 20). CEO Lon T. Dolber additionally demonstrates this point with a personal anecdote in his state of the firm commentary about his experience with the junk bond market debacle twenty years earlier and the lessons he learned about how establishing and maintaining strong relationships in this business is what carries you through the difficult times (pg. 34).

But how far is beyond? In 1958 the NASA space program envisioned taking an American into suborbital flight and then perhaps to the moon. Today in our business, finding a way to make our clients' retirement savings carry them twenty years or more beyond the retirement norm is the exploration plan of the times. Colleague Berney Harris, located in one of our New York City branches, discusses how living longer has changed the insurance industry into developing new annuity products to preserve and extend retirement savings (pg. 4). Focus partners Pacific Life, Penn Mutual and Nationwide offer extended commentary on maximizing Social Security benefits (pg. 18), Testamentary IRA distribution strategies, (pg. 26) and estate planning programs that combine irrevocable life insurance trusts with long term care policies, (pg. 30).

And just as our focus partners are pushing the envelope to develop products to support the growing retirement needs of our end clients, so too is the staff at American Portfolios working its hardest to enhance the support and services that it provides its affiliated representatives. President Frank A. Tauches discusses how APFS is expanding its product offerings into investment banking and structured products (pg. 23) and Manager of Advisory Business Development, Joe Borriello gives an impassioned and convincing argument for making the transition from transactional to fee-based business (pg. 7).

Finally, if you want to get a real understanding of the perpetual motion machine that's moving us to far reaching heights, read the Close-up on New Accounts Supervisor, Jared McGill and the momentum that has picked up in his department in the last few years (pg. 28). And while Lon may be the visionary for all of this, COO Dean Bruno is the implementer for many of the directives that make all this happen, not the least of which is our upcoming national conference, Thursday, September 11th through Sunday September 14th at the Paris Hotel in Las Vegas, Nevada (pg. 32). It will, by far, go beyond anything we've every planned before. I look forward to seeing all of you there.

Thank-you

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studio 454 on-demand featured videos line-up

breakthrough business development with duncan mcpherson

Are you interested in improving your business? Of course you are. That's why the interview, *Breakthrough Business Development with Duncan MacPherson*, Cofounder and CEO of Pareto Systems and Pareto Platform (an APFS business partner) is a must-see for every APFS colleague. Taken from his book, *Breakthrough Business Development - A 90-Day Plan to Build Your Client Base and Take Your Business to the Next Level*, Duncan presents proven strategies to help build client chemistry, maximize client relationships and organize client information. This interview provides you with the tools to elevate your level of service to clients which, in turn, creates a solid foundation of trust with them. Just click into Studio 454 located on the grey tool bar in the APFS broker website and enter "Duncan MacPherson" in the search field to pull up the video.

estate planning trusts with chuck osmond

As part of our continuing effort to provide you with informational productions, APFS President Frank Tauches interviewed Chuck Osmond, an attorney with Integrity Life and National Integrity Life Insurance, this quarter in an in-depth discussion about estate planning trusts, specifically, as owner and beneficiary of an annuity. This two-part interview provides valuable information on gift tax consequences, common types of estate tax trusts, transferring irrevocable and revocable trusts, withdrawal rights and more. Entering "Chuck Osmond" in Studio 454's search field will bring you to the videos. It's a must-see.

INSPIRE

At the INSPIRE'08 symposium this past January, APA organized a day of insightful, informational and thought-provoking presentations from their focus partners, and Studio 454 was there to capture everything. This jam-packed event covered risks, opportunities, wealth management business models, different investment philosophies, short and long-term trend analysis, market and economic outlook, retirement issues, office security and more. Take a look at any one of the eight videos created from the symposium and make sure you are up to date! The search word is "INSPIRE" to pull up all of the content captured on that day.

marketing and productivity solutions with bill good

What will be the biggest opportunity for financial advisors in the next year? What does someone have to do to double their business? Find out the answer to these questions, plus other incentivizing advice in COO Dean Bruno's interview with Bill Good of Bill Good Marketing, a leading provider of marketing and productivity solutions to the financial services industry. Bill offers helpful tips and informational solutions to many questions advisors have on growth, the market, and prospecting. Search words, "Bill Good" will get you right to this interview.

retirement planning with andy mcfetridge

With a growing number of retirees on the horizon, Studio 454 recognizes the need to bring you as much valuable information as possible on the subject. This is why Andy McFetridge, Vice President Divisional Sales Manager at John Hancock is a great interview for you to tune into. Specifically concentrating on "60-somethings" and their particular needs, this interview seeks to help you speak to your clients with confidence and, in turn, help ease the worries of retirement planning. To learn more about the different techniques advisors are using, be sure to check out this interview. "Andy McFetridge" are the search words and key for information into this very important subject matter.

world team sports participant, denis oliverio

Changing gears, Studio 454 welcomed First Lieutenant Denis M. Oliverio, USMC and World Team Sports Athlete. After a luncheon on the platform with Holbrook colleagues, Denis spoke candidly with APFS President Frank Tauches about his experience in the military, how he found himself injured, and the long road back to recovery. This interview also touches on the annual Face of America Bike ride, which many APFS friends and colleagues have participated in. For an extensive look at the life of one of America's brave soldiers, take a look at this interview. Search words "Denis Oliverio" will take you to this heartfelt story.

employee of the quarter: joe debono

THE AMERICAN PORTFOLIOS CORPORATE EMPLOYEE MEETing held in February 2008 announced Operations and Trading Associate, Joe DeBono, as the newest APFS Employee of the Quarter. The honor is awarded to an employee who demonstrates exceptional performance in their job responsibilities in a given quarter. APFS Management submits recommendations for potential honorees which they base on a series of performance criteria such as customer service, attitude and communication/team working skills. Executive level management then reviews the submitted candidates and makes a final decision. According to CEO, Lon Dolber, Joe was the obvious choice from the get-go. "We need 'A' level employees – individuals who are willing to take on more and push farther. This past quarter, Joe exemplified that."

Having recently changed positions in the company, Joe went from working primarily in the operations department, dealing with both Bear Stearns and Pershing brokerage business and processing ACATS, to assisting Senior Trader, Marc Johnson with all the day-to-day trading issues. Joe interfaces with brokers on a daily basis, processing trades and working out issues that may arise. He has ten years of financial services experience in operations at the branch level for brokerage firms such as TD Waterhouse at the time, (Now TD Ameritrade) and Gaines Berland and brings an important customer-focused perspective to the team.

Operations Manager Phil Bredow said, "Joe stepped up to the plate in a time when we needed him and faced the challenge head on. He was the obvious choice for the position and was eager to learn more. Now he's fully able to back up our Senior Trader, Marc Johnson and is an invaluable asset to our department."

Regarding the switch, Joe said that it was exciting to wear two hats. "The change was great, challenging and definitely more satisfying. We see all different types of securities at the trading desk, and I'd really like to learn more. I want to master fixed income."

In his spare time, Joe spends time with his wife and his two-year-old twins and would love to start playing golf again. Good luck, Joe! Congratulations to our newest APFS Employee of the Quarter.

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view from the field:

mortallongevity

mortality *to* longevity

How living longer has changed the insurance industry

by Berney Harris

The dictionary defines mortality as, the condition or quality of being mortal; subjection to death or to the necessity of dying. Today, living longer has changed our financial needs for later in life. The life expectancy for people younger than 65 is estimated to be 78. But if you reach the age of 65, it increases even more; in fact, a married couple with one or both aged around 65, are estimated to live to age 92. Life insurance policies have guaranteed death benefits to ages over 100.

longevity as a long duration of individual life insurance

In our working years, we buy life insurance to protect our family. In case of early death, our children's education is protected, as is money for our spouse to pay off the mortgage and live in comfort. But at some stage in our life, our concerns change from mortality to longevity. We need to maintain our healthcare, consider getting long-term care and ensure that our investments are increasing in value to ward off the cost of inflation. If you live 20 to 30 years into retirement, inflation is a major consideration. A postage stamp in 1977 cost only 13 cents where 40 years later it has increased a whopping 215% to 41 cents. For many, the fear is outliving their money. As a result of people living longer, insurance companies are designing policies and/or combined policies that address both mortality and longevity.

insurance as part of pension plan payments

Insurance is used as a component in choosing a pension plan payment. When retiring, many pensions offer individuals a choice of a bigger or smaller monthly payment that will give their spouse a payment after their death. Many elect to take the larger payment but should then take out an insurance policy to protect against early mortality. Most, however, believe the retiring spouse will out live the other and so they opt for the larger payment but without protections. The downside here is if they choose the larger payment and then are unable to get the insurance, taking the lower payment becomes the only option. Recently, I came upon two people living only on social security. Because they thought the husband would outlive the wife, they took the larger payment. Contrary to their plans, the spouse survived the husband and was left with a lower payment which was not enough to carry her into her remaining retirement years.

Yesterday's Annuity and LTC Products Put Longevity as a Secondary Concern

In the past, deferred variable annuities only offered a death benefit protecting owners against any loss in their investments at the time of death. In the days when tax brackets were over 70%, the insurance companies created these products that allowed for the deferment of taxes on capital gains, interest and dividends by structuring the annuity around the death benefit. So while annuity products were more focused on addressing tax deferred issues, it was disability and long-term care policies that were the sole solutions for longevity. In many cases policyholders never used the LTC or had to pay premiums for a long period of time before even using it.

Today's Longevity and Mortality Insurance Products

• Long-Term Care and Universal Life Insurance

Today, insurance companies are combining LTC with UL Insurance. So in the early stage of life, you are covered for mortality; but with the LTC rider, it becomes a longevity policy, which insures you will not use up all your assets, and if you never use the LTC rider, you leave more to your heirs with the death benefit.

The way this policy works is the death benefit is the pool of money from which you can draw from. For example, if you have a death benefit of $500,000, you use five years of $50,000, leaving a death benefit of $250,000. The amount of the death benefit is essentially the maximum amount of the long term care benefit.

Another type of program is the single premium policy combining UL and LTC, designed to provide more LTC than life insurance. Other programs offer a guaranteed return of premium in the first 15 years.

• The Immediate Annuity

The annuity that offers immediate payment is called an immediate annuity. This is an annuity whereby an individual gives up their money in return for guaranteed income for life at a higher rate to the prevailing current interest rate. But with life expectancies increasing, this has had a negative effect on the monthly payments. Why? Because insurance companies expect to pay the annuitant for longer time periods, making more possible payments, but monthly payments that are lower. So when you couple longevity with inflation and current low interest rates, immediate annuities prove to be poor investments.

• Deferred Variable Annuities of the Present

As in the case of life insurance, annuities are being offered that combine death and living benefits. Insurance companies are now taking longevity into consideration when structuring deferred variable annuity products. They are adding living benefits. As one starts withdrawing the insurance, the insurance company guarantees lifetime income regardless of whether the investment goes down in value, and will increase income as the market goes up. The payments typically start at 5% to 6% of the investment depending on the age at which a person starts withdrawing.

We have seen what inflation can do to the buying power of fixed income. To combat this and satisfy one's longevity needs, insurance companies are now designing products that insure minimum withdrawals with more opportunities for growth and increased payments. While the benefits offered by different companies vary, the overall premise is owners receive guaranteed lifetime payment protection while investing in mutual fund clone-like investments. Investors have different needs. They either accumulate or need income. As one company calls it, "Income on demand when you need it, store it when you don't."

• Importance of Understanding the Accumulation and Distribution Phases

In explaining today's deferred annuity longevity insurance products to clients, it's important they understand the two financial phases of an individual. There is the accumulation or growth (storage) phase followed by the distribution or withdrawal (demand) phase. During accumulation, the object is to increase the investment base in order to receive a maximum amount of income for the withdrawal phase. Withdrawals are then determined by prevailing market conditions and/or a guaranteed base which varies by state and company.

• Longevity Deferred Annuity Insurance Products During the Accumulation Phase

In the accumulation phase, most insurance companies will offer a step up. A step up occurs when the value of the investment is higher than both the initial investment and the last step up value. Step ups can be daily, quarterly or annually, depending on the product and company. With a quarterly step up, the guarantee withdrawal base will increase each quarter if the current contract value is greater than an earlier quarter.

Other programs offer a 7% minimum annual enhancement. During the growth phase, if the investments do not exceed 7% by the annual contract anniversary, the 7% minimum annual deferred enhancement is applied to the guaranteed withdrawal base. If the step up is higher than 7%, this dollar amount becomes the base for the next 7% calculation. At time of withdrawal, some insurance companies will require the contract holder to annuitize the guaranteed base. At time of distribution, payments will then be determined by the guaranteed base and the contract owner's age or the ages of both owner and spouse. Some insurance companies, however, do not require annuitizing. The lifetime income is based on the interest rate offered by the insurance company's plan times (X) the guaranteed base.

• Longevity Deferred Annuity Insurance Products During the Withdrawal Phase

For those companies that do not require annuitizing, the guaranteed withdrawal will not go down even if the market declines when withdrawals start. In turn, the guaranteed withdrawal rate can increase with a step up in the investment base. Upon the contract owner's death, the value of the remaining investment or death benefit, whichever is higher, will go to his or her heirs. With the company that does annuitize a guaranteed base, the income will not increase once withdrawals start. Depending on the insurance plan that has been taken, an owner can take withdrawals before annuitizing the policy. They decide when and if they want to receive the guaranteed income. But clients should be instructed that they should not take the guaranteed income unless the value of the policy is considerably below the guaranteed base. The income they receive will be based on their age and the base at the time of withdrawal. So the longer they wait, the larger their payments will be. Clients should also know, however, that upon their death and their spouse's death, if the policy has been annuitized, then the heirs receive no money unless period certain has been specified.

Continued from page 5

- **Continued Variations of Deferred Annuity Longevity Insurance Plans**
  The latest plan being offered which addresses inflationary concerns is similar to the TIP treasury bonds. It offers a lifetime income starting at 4% with an annual increase pegged to the CPI, along with a step up feature.

Most of these programs offer joint life payment plans where the rate is based on the younger spouse.

This is just one example of the many variations being offered now by insurance companies with different benefits, fees and investment requirements. Some companies offer a full range of investment choices while others require allocating assets. Some plans are better for accumulation while others are better for retirees planning to withdraw immediately or in a few years.

These annuities are like other insurance products. You are insuring against the possible loss in your investment when you need them.

Life Settlements – Converting Death Benefits to Longevity

Life Settlements can be a possible solution to longevity needs. They apply to circumstances where individuals no longer need their insurance policy, (i.e. an individual at 74 with a 20-year life expectancy or where their term policy expires and they can no longer afford the new rates).

Life settlements involve getting a third party to buy a policyholder's insurance plan if they are age 70 or older. While UL polices with a low cash surrender value can be used for life settlements, a term policy of $250,000 or more that is convertible to a UL policy is most often considered. Term policies are converted based on the health or rating at the time a person took out the policy.

As an example, a person initially takes out a term policy in prior years where he or she is rated preferred for a death benefit of $1,000,000. Years later, they are now rated standard but still healthy. The term policy has to be convertible. The settlement company, after getting a medical report and other data, will then shop the policy out to a variety of institutional companies in order to get the best offer. Hypothetically, an offer of $200,000 net comes in; the policy is converted and then sold.

It should be emphasized this is a market for people who no longer need their policy, can no longer afford the premiums or, in some cases, just need the money. It should also be noted, if a policy holder is in poor health, life settlements should not be recommended.

No one knows what the future will bring and how the market will behave; that's why the various longevity insurance products described, in particular, deferred variable annuities, can be a good financial solution for your clients. Remember, one must insure for both mortality and longevity.

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transition from transactional:
trust & confidence

by Joseph Borriello

MORE OFTEN THEN NOT, THE MERE THOUGHT OF TRANSITIONING A book of business from transactional to fee-based triggers immediate red flags in an advisor's brain. Whether consciously or not, mental barriers go up and deter them from even thinking about the benefits of making this change. Avoiding something to remain comfortable in the confines of familiarity may seem easy; however, in my 10+ years experience talking with financial professionals, I find that most advisors invariably have a desire to work smarter, add value to their book and improve their overall quality of life. Why then are they being deterred by these mental barriers?

I'd like to address some of these cerebral saboteurs and deliver you to the "promised land" – a place where you can advise your clients on their financial life, focus on your relationship with them and, once and for all, free yourself from the constant burden of worrying about where your next transaction sale will come.

For whatever reason, most people are resistant to change - certainly when it comes to matters of finances. Transitioning your business requires that you not only communicate with your clients about this, but also assure them what you are doing is for their benefit. Over the years, I've learned that the most convincing arguments are the honest ones: the ones that hold truth and solid ground. This is why if you do not believe transitioning your book to fee-based is the best thing for you, your business, and, most importantly, your clients, you will never be able to successfully make the change. Simply put, you are your biggest barrier, and the only thing stopping you from making this beneficial change is you. Overcoming this mental barrier involves reprogramming yourself and your way of thinking about the business. You must first be comfortable with the idea of charging for your services and believe they are a real commodity, just as selling an investment is for a commission.

One of the most frequently asked questions that pop up for new advisors to help them work through this is, "How do you justify a fee?" Simply put, your fees are justified by the continued support and care you, as a financial professional, give to client relationships, to their accounts and to their financial and overall wellbeing. You must place a mental value on this and not only believe but also know that your services are worth the fee that your client will pay. Most importantly, if you truly believe the services you offer are worth a fee, then your fee would not have to be justified in the first place!

Let's put it another way. How do attorneys justify their fees? They provide a service for payment to advise and counsel their clients. OK. How do financial planners, money managers and investment advisors justify their fee? They too provide a service for payment to advise and counsel their clients. Ultimately, we are selling advice and selling a service. When you sell a mutual fund, a stock, etc. for a commission, you are selling advice and a service in order for your client to smartly purchase an investment. The catch is you are only being paid for that one transaction! Here, you are in the position of having to reload and then sell the next client the next investment, and so on and on and on. I liken this to a mouse on a wheel, running around with no rest or end in sight.

Migrating clients to a fee-based program allows you to focus clearly on client service. It allows you to be compensated continually over the long term for that relationship, regardless of investments. To that end, you essentially become product neutral and put yourself in a position to align your interests with the client's.

Because your services may include a number of specialized investment management strategies, including a focus on financial planning, small business planning, retirement planning, retirement management, etc., there is no one correct way to promote how Investment Advisory business models should look. This is not a franchise. Not everyone functions under a one-rule paradigm or criteria. One advisor's business model may not work for another. Furthermore, running your practice based on other's perceptions doesn't work either. This differentiation is exactly what will help you justify your fee.

At this point, invariably, someone always brings up performance. It has been my experience that the one-dimensional advisor who lives by performance, dies by performance. Performance becomes secondary to a well-served client whose objectives are being worked towards and met though open dialogue and planning with a trusted advisor.

You must remember, if you have clients who leave you over mediocre performance or are "performance mongers," then you will only make them happy when their returns are above every index they can find, up in down markets and with zero risk - a tough nut to swallow in any situation. However, it is also my experience that clients who chase performance and leave advisors because they aren't getting quick returns are perpetual leavers, bound to ditch the next advisor over the same issue. The truth is they probably left the advisor prior to you for the same reason.

We must not stop ourselves from elevating the level of service we provide to our clients. There is no better way to service your clients then by aligning yourself with their interests. Knock down those mental barriers and start to think about the fee-based promised land as an opportunity to develop and grow your business. If you are comfortable and confident with the services you offer, you will be comfortable and confident charging a fee.

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Q & A

Like many APFS affiliated colleagues, Cal Greilsamer started in this business as a salesman and over the years, weathered many ups and downs. However, ask him what the biggest down was, and he'll tell you to ask Lon Dolber about the 1983 First Investors Convention. Intrigued? Read on.

Feature by Rebecca E. Dolber
Photographs by Andrea L. Parker

#23 CAL GREILSAMER (SS)
GRAND CENTRAL

FREE: **How did it all start for you?**
CALVIN GREILSAMER: In 1975, I was working as an Internal Management Consultant and decided that I wanted to supplement my income. The business looked interesting, so I figured I would try it. I found an ad in the business section of the New York Times for First Investors and called. I got licensed with them at their Two Penn Plaza branch office as a part-timer.

FREE: **Tell me about your experience there.**
CG: What's interesting about them is that the roots of American Portfolios technically trace back there. Lon Dolber, Gary Grappone, Steve Ziniti and his father, Tom, Denis Murphy, Judy Beckman, Larry Mieras, Barry Cohn, Jane Desmond, Ron Bergmann, Dan Aronesty… While First Investors shot themselves in the foot in the late 80s with high yield bond funds, those of us who came from there lasted because our training was in sales. If you have good sales training, you can learn about any product and go from there. And those who lasted from First Investors, we're darn good.

FREE: **When did you start having a friendship with these guys?**
CG: We would see each other a couple times a year at the conventions or conferences, as they are called now. We'd get together, learn from each other and share ideas. But, at one point Lon, Gary, Steve and Denis had an office in Rockville Centre. I was working with Ron Bergmann at the time, and we would stop in, share a bite and so on. That's when we all became really friendly. And that's how it all started.

FREE: **So, tell me about the path to APFS.**
CG: I was at First Investors for 15 years, and in 1990 I said that's enough, and I started looking for other offices. Management was just making it harder to do business. So, I went my separate way and ended up at a small independent B/D on Long Island. Unfortunately, they went through a couple of transitions, and I was moving in a different direction. During that time, I ran into Lon, chatted with him and when I made the final decision to leave, we talked again and I signed to come on board. I've been here for about four years now, and I'm just thrilled. The office I'm in is great and the people here (Brad and Marge Goldner, Judy Beckman, etc.) make my business pale by comparison. It's a great learning environment. Their business focus is different from mine, but it doesn't matter, because at the end of the day, we are still dealing with people.

FREE: **How has APFS helped your business?**
CG: APFS gave me the strength I needed at a point when I needed it the most. My old B/D was collapsing, and I needed to get out before the end came. I needed a place that was independent, showed good leadership and that was conveniently located. All that came together at American Portfolios. And, the one thing that I love that I never had before is Albridge. It was the first time I was able to see all my client accounts together in a good reporting form. It made my life so much easier.

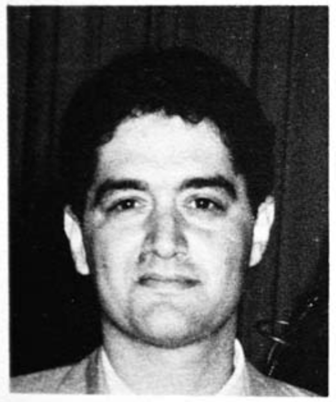
FREE: **What other technologies at APFS do you use and why?**
CG: I read *The Independent* on a regular basis. I also use STARS, the email platform - all the basics. I'm not a high-tech guy. As a matter of fact, I know Lon and Gary would laugh, but I still have index cards for each client that I refer to. I use them to keep track of important particulars and whatever business has been done over the years. That's the way I've done it, and that's the way I'll continue to do it. The only thing that's changed is that I moved from a 3x5 card to a 4x8.

FREE: **How did you initially build your book of business that's ended up on those index cards?**
CG: I built it the traditional way – through house accounts. House accounts are accounts that exist from reps no longer with the company and First Investors had a high turnover of these reps. But it was a situation of quantity not quality. I also did face-to-face prospecting. They had a program that basically entailed meeting small business owners by knocking on doors and introducing yourself. They called it "Project Discovery;" I called it, "Baptism by Fire." I got kicked out of places all the time. I'll tell you though, there were those times where serendipitously someone would say, "I'm so glad you are here, because I don't know what to do with this account." I still have some of those people now in my 33rd year in business.

FREE: **How do you cultivate relationships with new clients?**
CG: So much is learned in your original meeting. You have to get as much information about a person as you can, whether it is by using a fact finder sheet or a yellow piece of paper. It's not just about what they have but also what they want and where they want to go. Personally, I've always used some kind of tax savings feature, be it an auto payroll 403(b), IRA deduction, tax deferred annuity or tax free municipal bond - everyone has a need for some kind of tax break.

FREE: **What is the bottom line when it comes to advising clients?**
CG: The service part is the most important. You have to be there when they call, and if you aren't, you have to return the calls quickly. They want to know you are there. When I have appointments outside the office, instead of leaving the phone on voicemail, I transfer it to the receptionist so they can get to me. This is a serious business because you're dealing with people's money, their emotions and, as one of our colleagues said many years ago, we are the second most important person next to a client's medical doctor. We are the financial doctor that handles their monetary health.

FREE: **You weathered a lot of ups and downs in the market. What does your experience tell you and what advice can you give others?**
CG: It's interesting that you ask that, because over the years, I've had about three to four debacles in the business where the product didn't turn out right. I've had an insurance company that went belly up and a high yield junk bond fiasco. I've had some real estate investment trust limited partnerships that didn't work out, and of course, I've had b/d's that didn't last. Yet through all of this, a lot of my clients have remained my clients. They understand that I have their interests at heart and that not every decision is going to work out. I pride myself on the fact that I've maintained clients through situations that didn't work out the best. That tells me a lot of good things.



#34 LON DOLBER
MIDTOWN

#35 JO
GRA

FREE: **What advice have you currently been giving to worried clients in light of the Bear Stearns buyout to JP Morgan?**
CG: We as a company know it's not a problem, but most clients don't really know. So, we were proactive. We called all our clients with Bear accounts, and it turned out to be a good thing for us. Most of our clients appreciated the call. There were a couple of clients that were really undecided about what to do and were genuinely thinking of taking flight, but for the most part, people wanted and welcomed the reassurance.

FREE: **Why has it been important for you to remain independent?**
CG: I think you can just see the importance of independence by going back to early years with First Investors. They really frowned upon "outside business." They wanted us to use all in-house funds. They chopped commissions when you would use outside funds and, in turn, you got less of a percentage. But, you know what? Even with that, a lot of us started doing more and more outside funds because we had to. They weren't making available what they should have, and we had to do what was best for our clients. Being independent means you can provide the right product to each client. Lon has always believed in that. He didn't want to be owned by an insurance company who would bring their products in. APFS has been able to attract a lot of good people who care about their clients and not just sales.

FREE: **Ok, enough seriousness. Tell me about the time Lon Dolber fell off the stage at the First Investors convention.**
CG: Well, I happen to have the old book from that convention, back in 1983. And Lon really does look about 20 years old in the pictures. But, anyway, this particular year, he was chosen to speak at the convention. You know, Lon is an intelligent guy who has a good way of looking at things, but in front of an audience of about 700 of your peers, it's hard not to get nervous. And if you are nervous, it's going to show right away. But, Lon spoke and it went off pretty well. Problem was, after he was done, he took his seat and still being nervous, was rocking back and forth in his chair. Well, I guess he rocked back too far and all of a sudden disappeared from the dais. He fell down pretty far - to the second step below. But fortunately, he wasn't hurt. You can only imagine the kidding he got after that. That's a memorable moment among FIC alumni.

FREE: **Cal, what does the future hold for you, personally and professionally? What are your goals?**
CG: It's funny. Every time I think of retiring, the thought just eventually goes away because I really enjoy what I do. This is a unique business we're in. We can set our own schedules, push hard or lay back. You know, back in 1981, my wife, Gail, and I decided to take a cross country trip with the two boys - 10,500 miles around the United States. When I went to my manager to tell him I was taking a month off, I thought for sure he was going to give me a hard time about it. But, that wasn't his reaction at all. He said, "Cal that is great!" He even used it as an incentive at the next sales meeting. See what you can establish here? If you work hard, you can play hard. And in the end, it's turned out to be a great trip.

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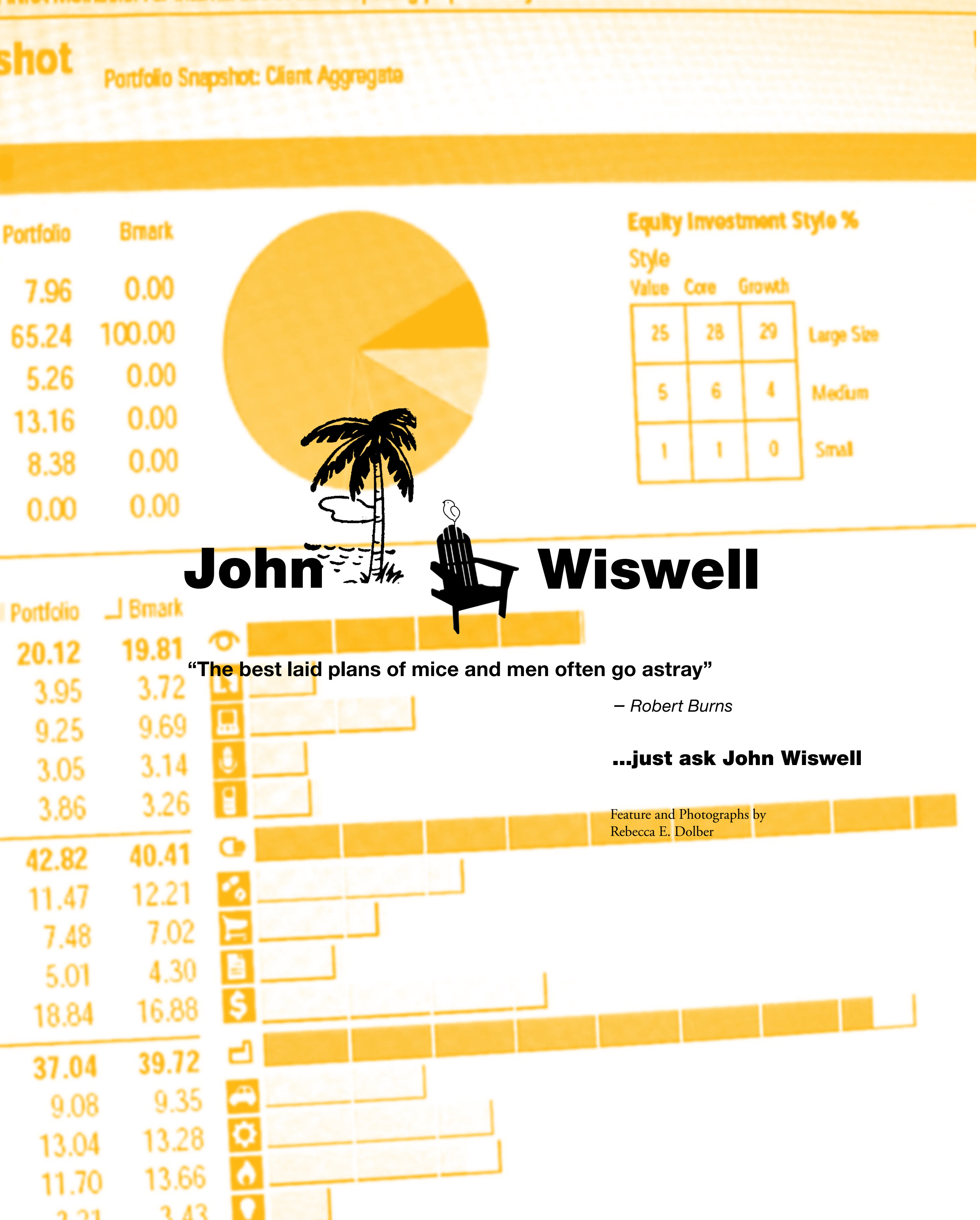


John Wiswell

"The best laid plans of mice and men often go astray"

– Robert Burns

...just ask John Wiswell

Feature and Photographs by
Rebecca E. Dolber

IN THE BEGINNING

You Can't Cross the Sea Merely by Standing and Staring at the Water

- Rabindranath Tagore

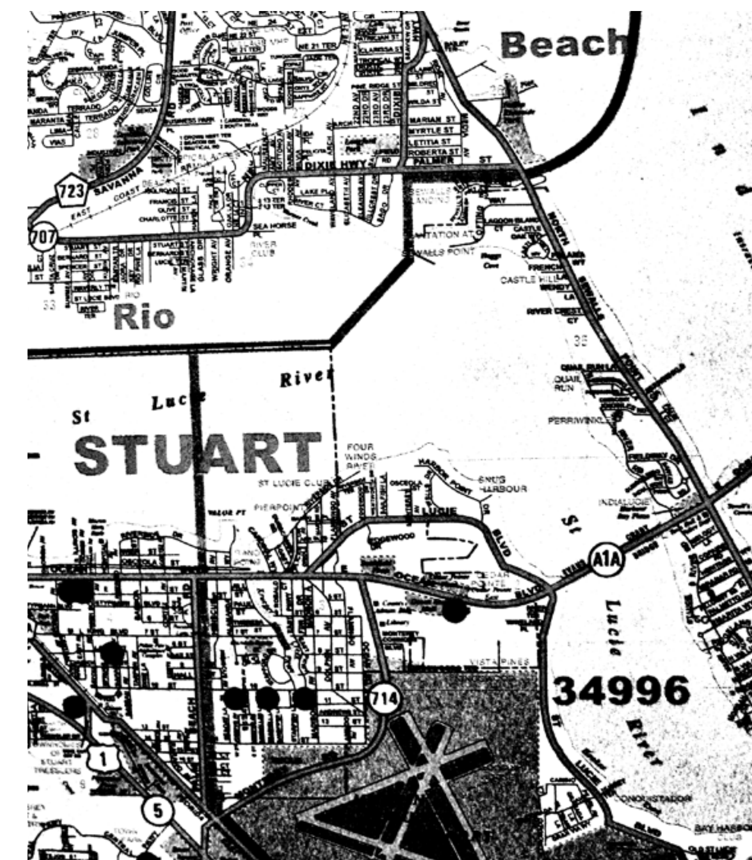
After earning a degree in culinary arts and hotel and restaurant Management from Johnson and Wales University, John Wiswell was working for a Chili's Restaurant in Jacksonville, FL when his boss told him he needed to spend less time with the customers and more time in the kitchen. Having chosen the culinary arts as his profession because he thought it was a creative and positive way to spend time with people, John quickly discovered his life was not initially what he thought.

"I found that cooking wasn't creative because everything came out of a plastic bag and aside from those few select regular customers, you really weren't making connections with anybody. Building a relationship and forging bonds with people is good business. I just knew that I was right and the powers above me were wrong in that sense."

While in Jacksonville, John met his wife, Lisa, and was looking to start a family. However, working till 4am, coupled with the non-stop long hours of the restaurant business, was not the kind of lifestyle they wanted to raise kids in. John had been offered a job in advertising, and while reluctant to take it, entertained the idea. He called his father, who, at the time was working with Morgan Stanley and told him he wanted to do something different. His father told him to come spend a week with him before making any big decisions.

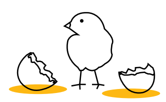
"When he asked me to come down I was rather apprehensive because I thought he was an accountant or something. I thought it was bean counting! I have memories of being a kid, going into the office and there would be these ladies standing on boxes writing numbers on chalkboards - GE, good for 15 minutes! They would put the orders in and there was a guy with a ticker there… Yeah, looking back, I never really knew what my father did!"

Despite his reluctance, John went. At the time, his father was being courted by TCW Funds to work in their managed money program and the company flew them both out to California where John said he had, "one of those eye opening moments where you go - what am I doing here? This is a really big deal." Convinced this was his new calling, he called his wife and said, "Sell the house, we're moving to Stuart."



A NEW START

There Are No Failures, Just Experience and Your Reactions to Them.
– Tom Krause



In the eight years from when John made the career change up to the time his father handed him his book of business, production went from $200K a year to almost $600K. With his father relocated to Maine, John had to figure out a way to manage the book. At first he thought of forging another partnership with two colleagues at one of the large brokerage firms but then another big wirehouse came along, offering him a huge bonus to sign on and make the move. "I always laugh when these guys tell you they made the move because they didn't like the office or something. In the end, it's always about the money."

So, in 2000, John moved his book over to the wirehouse, which, in his words, was the biggest mistake he made in the business. "What you don't realize is that you are buying a loan. They are giving you money, but you have to pay taxes on it. Here I am doing $580K a year in production. I get this huge check and then all of a sudden, I'm back down to doing $300K and not making enough money to pay the big tax bill. That's obviously very frustrating."

Like many people coming from captive situations, John wanted his freedom – to have the proverbial monkey off his back. "These people were constantly telling me what to sell, what to do and when to do it. I wanted to build my business the way I wanted to build it."

LEAVING CAPTIVITY

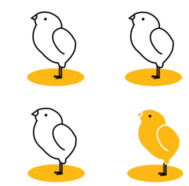
Independence Now; and Independence Forever.
– Daniel Webster

In the spring of 2002, John started the search for an Independent B/D. He called several different companies, but in the end decided on a reputable and growing Florida based broker/dealer which had over four thousand registered representatives. Initially, John moved only $18 million in assets over to his new firm. It was right after September 11th, and the market was not performing. "I took my good, solid clients and started working from there."

The company helped John build his business further, and in time, that $18 million in assets grew to $38 million; not to mention, John was able to recruit and grow his office as well. First was Howard Neff, his father's colleague and John's personal mentor. The two started marketing together and came up with the Wiswell, Neff and Associates logo. They picked up Geoff Wade, then Mike Grinnel from two different wirehouse firms. Mike had worked 38 years with his company, and in the end, was told if he didn't retire immediately, he'd lose his $80K in medical credits. When confronted with what to do, he decided to manage his own business under John's independent OSJ. In the end, the boys were pulling in close to $100 million in assets as an office.

CHANGE *is* GOOD

Trouble Brings Experience and Experience Brings Wisdom.
- Unknown



Initially, the new firm just seemed like a great fit. "My first few years with them were absolutely phenomenal, and very much centered around my business. They were in a partnership with me. Never once was I questioned on how I was running my business. There was nothing proprietary being shoved down my throat. I thought this was where I would be building my business."

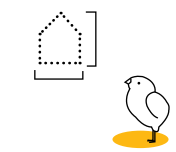
But before long, things started to change and soon John was confronted by middle management.

"All of a sudden we started getting phone calls telling us they wanted us to put more into certain products. I was like, wait a minute, that's what I left! They pushed us really hard too going so far as to tell me I couldn't continue to recruit unless I did what they told me." And for John, that was the straw that broke the camel's back.

"If I can't build my business, I can't bring in good people and then, I'm dead. So, I told them to take a hike."

FINDING *the* PERFECT FIT

Towering genius disdains a beaten path. It scorns to tread in the footsteps of any predecessor, however illustrious. It thirsts for distinction.
– Abraham Lincoln



The search for a new broker/dealer can often be a frustrating one, certainly when you've already moved your clients and that move didn't work out as planned. "At one point I thought about opening my own B/D, but logistically it would have been a big pain in the rear end." So in the spring of 2007, Geoff and John started visiting with a few different companies. One of them was American Portfolios.

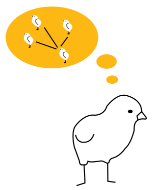
"All the other firms we looked at just seemed like one trick ponies compared to American. APFS had relationships with Schwab, TD Ameritrade, Bear Stearns, and Pershing. That was one the major factors in our decision to come here; that and the vision Lon had for his company."

Ten years his senior, CEO Lon Dolber's track seemed identical to that of John's. Lon's initial partnership with his father, and the subsequent frustrations that came from operating his OSJ under the thumb of an insurance company, resonated with him. "Lon had virtually been through the same things as me and because of that, I have faith and believe that he won't allow that to happen here, at AP."

With the help of APFS' resources, in his one year here, John has been gearing up for his eventual expansion. "Tim O'Grady [Senior VP of Sales and Development] has been helping me find new people and recruit. He's great." John's already expanded his branch with the addition of two registered sales assistants to help him with marketing; Scott Price, a 15-year veteran of Federal Express, and James Canata, a trader in New York who moved down to Florida to create a mortgage company. Additionally, John's hired a recruiting company that's going to work with contacts in local Jensen Beach. "I just don't prospect anymore and I need to get that ball rolling again."

HAVING A VISION

They can call me crazy if I fail, all the chance that I need is one-in-a-million… And they can call me brilliant if I succeed.
– Ani Difranco



When John was at his prior B/D, his goal was to have 30 brokers, 15-20 in a free standing office in Jensen Beach, and the rest out-of-house. But due to restrictions from his former B/D, he couldn't have out-of-house reps. "I started thinking that maybe smaller was better but I think that was because I was so frustrated with the situation. Now, I'm leaning back to what originally I created in my mind."

What John plans to build are small, centrally located offices with a work area, a conference room, and a sales assistant. Each "hub" would house ten representatives and once each is filled, he'd finance the costs to build another one; in Vero Beach, Jupiter, North Palm and wherever else he sees that recruits are coming from. "I want to move away from the concept of a big, full blown office. In this day and age of technology you can work from anywhere."

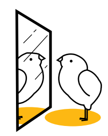
The concept of creating the hubs is to provide a place where independent professionals can meet with clients outside their homes, have a place for them to drop off checks to an assistant. "See, the perception is that you don't work from your house, that you have an office even though you don't. You have to remember that clients have expectations and it's very difficult to open large accounts when you are working out of your house."

Admittedly, the first one of these hubs will serve as the master experiment. "I need to get the math working on it. Right now, it seems to work with ten guys averaging $150K -$200K a piece. A $1-$1.5 million office seems to be what it takes to make it worth while."

If the first hub is a success, John plans to buy the properties, owning all the real estate. This way, in the end, he's got a solid foundation of advisors all working under his OSJ, his own book of business, and then a handful of choice real estate in key locations all in his name.

LIFE IN THE HERE AND NOW

Coming Together is a Beginning - Keeping Together is Progress - Working Together is Success
– Henry Ford



Today, John's office in Jensen Beach embodies the laid back lifestyle that Floridians seek to inhabit. The oak pool table and overstuffed leather chairs in the foyer make the office look more like a classy lounge then a financial service OSJ. All the offices have windows with the APFS and Wiswell/Neff logo etched into the glass. High ceilings, blown glass and paintings on the wall, John has created an environment that is fun, is free and is comfortable to all who visit. Presently, he has five other reps in the office; Howard Neff, Geoff Wade, and Michael Grinnell, plus David Bateman and James Geiger. His managing style is simple; if you need him, he's there.

"I tell my recruits right off the bat I'm not pushing them. I will not show up and ask what they're doing for business. I believe that anybody who is going to be successful in this business is going to be self-motivated. It's the way I was - get out of my way because all I want you to do is make sure I'm compliant."

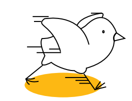
John's colleague, Howard Neff agrees. "This is not a place for someone who is not self-motivated. There's no one here hounding you about production. That's why a lot of guys from wire houses fail. It's hard to be independent. You are building a business and you have to understand what you need to do and then, go do it."

Judging by the camaraderie that exits in the Jensen Beach branch, this philosophy seems to be working. The group of them, assistants Connie Neff and Joanne Scuderi included, all seem close. Says John, "We are all real laid back. We all get along well and there's no backstabbing or any of that stuff going on. Everybody helps each other out. Geoff is our computer guru and Howard is extremely analytical when it comes to the deep work. And of course, Joanne is the glue, the humor in it all. She keeps us all locked in line."

Additionally, Howard is in the process of opening a high-end steak house that in his words, is, "not to snotty, but is definitely formal dining in formal attire." The restaurant will break ground in March of 2009, but in the meantime, Howard and John, with their culinary arts backgrounds, are enjoying the occasional food and wine tasting necessary to establish the menu.

LOOKING FORWARD, GOING FAR

It's all relative - Every day is a journey, and the journey itself is home
– Matsuo Basho



"The best advice anyone ever gave me came from the restaurant business and that is, the answer is yes; what is the question? I've modified it for this business to be, the answer is yes; what is the question? As long as it's legal." Recently, one of John's clients had been taking care of her elderly father and got to the point where she just couldn't handle the situation anymore. Confused and scared as to what to do, she turned to John and asked him to help her find a place for him. "She just couldn't do it and asked me for help. Of course, my answer was yes. It's always, yes."

The care and compassion John shows for his work extends beyond the office. His volunteer efforts are endless. He cooks every third Friday of every month for the church soup kitchen. He coaches football and is a volunteer through the high school for his son's band program. He's currently the organizer of a benefit dodge ball tournament for his best friend who passed away last year from cancer. "I have my fingers in a lot of different community service things. And you know, I have five kids and am on the run constantly."

His twin girls, Morgan and Mallory are six, while his sons, Blake, Ian and Kyle are 8, 12, and 15. "The girls are doing dance, Blake is playing baseball, Ian is wrestling, and Kyle, well, Kyle is insane. He plays in the jazz band, the symphonic band, has just started football workouts and is playing basketball. He also has straight A's. The boy is unbelievable."

With all that he has happening, and all that is planned, it's hard to imagine that John has any time for himself. "There are some things that I would like to do. I'd like to go fishing in Cabo San Lucas - catch the big ones. I'm so focused on the kids right now though, and I like it that way. I have a strict discipline of work versus family. My family gets most of my time and I have to make sure that whatever I do doesn't affect that. I'm wiling to go far, but there's a point at which that's as far as I'll go. And you know, life is long and I'm only 43 years old. There's always another day so for now, I'm not going anywhere any time soon.

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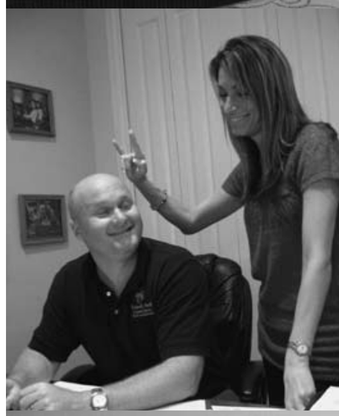


maximizing social security benefits

Today, Social Security covers 163 million workers with 49 million people receiving benefits. Many people think that Social Security contributions are held in interest-bearing accounts to be used for their future income. In reality, they are used to fund benefits for today's retirees.

Before your clients begin taking benefits, consider their long-term retirement plans. If clients consider taking Social Security before reaching full retirement age, their benefits will be permanently reduced. By delaying receipt of Social Security benefits, your clients can maximize retirement income and, in some cases, the retirement and survivor benefits available to a spouse.

The Benefit of Waiting

Full retirement age is defined by Social Security as the age retirees are eligible to receive 100% of their Social Security benefit (though not the maximum). It varies based on the year they were born. For example, if a retiree was born in 1940, their full retirement age is 66. Each year a retiree postpones taking their benefit, after reaching full retirement age, the amount is increased by up to 8%, until age 70. This is above any cost-of-living adjustments.

Also, delaying Social Security will not affect eligibility for Medicare. When a person turns age 65, they become eligible for Medicare, even if Social Security benefits have not been received.

Case Study

Frank was born in 1950 and his annual pre-retirement salary is $40,000. His full retirement age is 66. By delaying benefits until age 70, Frank receives a monthly income more than double what he would have received if he took benefits at age 62. If he lives to age 90, he will have received more total income by starting benefits at age 70 than by starting at age 62.

Age Frank's Benefit Begins	62	70
Monthly Benefit Amount	$1,126	$2,724

As demonstrated in this example, waiting to collect Social Security benefits can significantly impact what your clients receive. This illustration assumes eligibility requirements have been met, and includes cost-of-living adjustments. Please refer to the Social Security Web site at www.ssa.gov for more information.

Waiting Works for Couples, Too

Proper planning may make it possible for couples to step up Social Security benefits. Assuming a wife begins receiving her Social Security benefits at age 66, she would be eligible to receive the greatest of:

- A benefit amount based on her own earnings (worker benefit)
- A benefit amount equal to 50% of her spouse's Social Security benefit
- A survivor benefit equal to 100% of her spouse's actual benefit (if husband is deceased)

Taking benefits early will permanently reduce the percentage of the spouse's Social Security benefit that the wife can receive.

Age Wife's Benefit Begins	62	65	66+
% of Husband's Benefit	35.0%	45.8%	50.0%

Your clients should also be aware that Social Security provides survivor's insurance for workers and their families. Survivor's insurance is one of the most valuable benefits your clients have under Social Security.

Case Study

Dana (age 60) will retire at age 62 and begin taking Social Security benefits. Her husband David (age 65) prefers to maximize his benefits and will wait until he is 70 (the age his benefit amount peaks) to retire. Because they still receive David's paycheck, they are comfortable with Dana's reduced benefit amount knowing that it will "step up" once David's benefits begin.

David and Dana's Social Security Benefit—Spouses Can Step Up

	Age	Action	Dana's Benefit	David's Benefit
Dana,	62	Dana's initial benefit will be based on her personal earnings history and will be permanently reduced.	$417/month $5,000/year	N/A
David,	70	David works past Full Retirement Age, Dana is now eligible to receive the greater of her own benefit, or 35% of David's Social Security benefit.	$830/month $9,954/year	$2,370/month $28,440/year

What if They Can't Wait?

Delaying Social Security doesn't have to mean a delay in receiving income. If clients are considering a strategy to delay Social Security benefits, review their portfolios with them to help them understand the liquidity, taxation and risk levels of each investment. It's important to look at a variety of sources when building a retirement income strategy. By using multiple investments, clients can better manage income generation, investment risk and tax consequences for the overall portfolio. With careful planning, they can create an income stream. Your clients may want to consider a variable annuity or mutual fund to help fill the income gap.

Variable Annuities

Variable annuities give clients the ability to convert their contract to income (annuitize) and select a payout option, including income for life. For clients who prefer more flexibility, annuity contracts offer optional benefits that can guarantee the return of initial investments and those that provide protection from market fluctuations. With guaranteed minimum withdrawal benefits, there is no need to annuitize to begin taking income. These options offer the safety, guarantees, and income clients are looking for, while still providing the potential for growth.

Mutual Funds

Another potential source of income is mutual funds. One of the advantages is liquidity. With mutual funds, your clients are able to access their assets easily. Many mutual funds also offer systematic withdrawals that allow them to take out income over time.

It's important to note that variable annuities and mutual funds are subject to market fluctuations. Tax consequences and investment risks vary by investment type.

Source: Social Security Administration (2007), Understanding the Benefits; SSA publication No.05-10024.

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economic and market commentary

By Managing Director, Stephen E. Molyneaux

economy stumbles and stocks drop

S&P 500 –9.44% and NASDAQ –14.07% in First Quarter

A STREAM OF WEAK ECONOMIC DATA CONTINUES TO KEEP THE STOCK market in the doldrums. Analysts, economists and other Wall Street mavens continue to debate whether or not we are in a recession. The ongoing debate is really nothing more than a pedantic exercise in futility. Since the needed economic data which would confirm or refute a recession lags nearly six months behind, the only way to actually verify a recession is by looking in the rearview mirror with great hindsight. The stock market anticipates, reacts and prices events long before the economic data validates the market's behavior.

Weak Economic Data Continues To Keep The Stock Market In The Doldrums

As the first quarter closed, it is quite apparent that whether it ends up being defined as a recession or simply a severe economic slowdown, the economy is lethargic and moving ahead at a snail's pace. The good news is it appears the market tested January's lows and it successfully found a floor. The avoidance of a major sell-off after the Bear, Stearns fire sale is further evidence the stock market has already discounted much of the sub-prime fallout and recent economic weakness. If the economy shows the slightest sign of stabilizing, then stocks would be headed much higher. The key will be the economic data in the second quarter.

The Stock Market Appears To Have Tested January's Lows And Found A Floor

Keeping in mind what we said about the stock market reacting and pricing events before the economic data becomes available; much of the latest negative economic news being published has already been priced into the market. Overall, the latest economic data does have a recessionary feel to it, but there were some bright spots.

Second Quarter Market Performance Will Be Highly Dependent On Economic Data

Housing: February's 2.3% increase in existing home sales came as a surprise in the face of tight mortgage lending practices, low consumer confidence and a general feeling amongst buyers that prices still have further to fall. Existing home prices were down 8.2% from a year ago and will probably continue to decline through 2008 and into 2009. New home sales declined by 1.8%, but analysts were expecting a larger decline, so the numbers were seen as somewhat positive. Perhaps the best news, in a sea of grim housing data, was that the number of new homes for sale at the end of February dropped to 471,000, the fewest since July 2005. The drop indicates builders are making progress in clearing inventory.

Employment: Employment markets have softened noticeably in recent months. Nonfarm payrolls fell in January for the first time in over four years, by 22,000, and then fell at an even faster rate of 63,000 in February. There is a growing anxiety unemployment figures will soon threaten consumer spending and overall economic growth. Continuing claims lasting longer than one week increased to a new two-and-a-half year high, and the most recent Consumer Confidence data reports consumers saying jobs are harder to find.

Bear Stearns Appears To Have Experienced A Classic Run-On-The-Bank Scenario

Financial Markets: News of JPMorgan Chase & Co. acquiring Bear Stearns dominated the headlines for nearly a week, and residual stories are still front page print. The initial offer of an all-stock deal valued at a mere $2 a share has since been quintupled to $10 a share. Regulators supported the deal, and the Fed agreed to offer a $29 billion credit line to JPMorgan and to hold collateral of an estimated $30 billion worth of mortgage-related assets owned by Bear Stearns. The fire sale price and Fed funding was said to protect JPMorgan in these turbulent times and provide a margin for error in its exposure to what many consider "toxic" mortgage securities. While all the details are yet unknown, Bear Stearns appears to have experienced a classic run-on-the-bank scenario. Anxiety ridden creditors refused to lend the firm any additional money and at the same time demanded repayment of outstanding debts. JPMorgan will now act as a guarantor for all current and future business transactions with Bear Stearns until the acquisition is complete.

Durable Goods Orders & Retail Sales: The Commerce Department reported that February new orders for durable goods fell 1.7%. The decline was 2.6%, excluding transportations. The inventory to sales ratio was 1.25% in January and increased to 1.54% in February – the highest relative inventory levels since 2001. Consumer spending is growing at an anemic rate, with February's consumer spending data showing just a 0.1% increase before inflation compared with the previous month. Since the end of the holiday shopping season, retail sales have been crawling along at a lackluster pace.

The Volatility In Emerging Markets And Commodities Has Been Dramatic

The Next Bubble: When the Federal Reserve cut interest rates in last August in order to help the unwinding of debt related to the housing bubble, it sowed the seeds for future investment bubbles. As interest rates declined, "easy money" flowed into emerging markets and commodities. Both are relatively illiquid markets, and the volatility has been dramatic. In the two months following the August rate cut, U.S. investors poured more than $20 billion into emerging market stocks. That is almost twice the amount of investment flows for the entire year of 2006. The emerging market stock index is up approximately 20% since the first interest rate cut. Since the first of the year, $30 billion has poured into the relatively small commodities exchanges.

More than half of all the bullish positions held in the commodities market are now held by investors outside the commodities industry. Commodities have enjoyed an even more dramatic rise than emerging markets, gaining 40% since August. During the same time, the U.S. stock market has declined approximately 10%. While we have been fans of emerging market stocks and commodities for a long time and believe in them for the long-term, we fear that the bubble may burst soon, and these two asset classes will suffer a severe correction. A weak U.S. economy will eventually impact both.

A Weak U.S. Economy May Burst The Emerging Market And Commodities Bubble

Emerging markets are heavily dependent on export markets despite the rise of their own consumer class. An economic slowdown in the U.S. will eventually impact foreign economies. The U.S. consumer spent almost $10 trillion last year - that is more than twice the consumption of all emerging markets combined. Twenty percent of all exports from China, India and Brazil go directly to the U.S. An equal amount of exports going to other countries are in the form of components for products which are ultimately destined for the U.S. market. The U.S. is the world's largest energy user, and if the U.S. consumer feels pinched and begins to curtail his/her energy usage, energy prices will decline sharply. With the introduction of alternative fuels, agricultural commodities are now part of the energy complex, and they too will decline as the economy weakens. Base metals, which are bumping up against all time highs, could be in for a sharp correction if economic conditions deteriorate.

The Economy Will Remain Choppy For The Second Quarter

Forecast: The economy will remain choppy for the second quarter and probably into the early part of the third quarter. There is a fair chance of a turn-up in the economy toward the end of the third quarter. A degree of volatility will continue in the stock market, but as we have reminded readers before – the daily moves in the market can be a huge distraction for investors; keep focused on the long term. Policymakers at the Fed, Treasury and OFHEO (Office of Federal Housing Enterprise Oversight) have been working publicly and behind the scenes to shore-up the subprime spillover and credit crunch. Despite various efforts to inject liquidity into the economy, there is still a large degree of fear in lending circles. Some lenders are accepting the Fed's help and then using the funds to shore-up their balance sheets rather than making loans in what is still perceived as an uncertain environment. Once markets stabilize, the fear should recede.

The Depth And Length Of The Current Economic Situation Is Dependent On The Data

Determining the depth and length of the current economic situation depends on the data. Unemployment figures in the private sector should be watched closely, as should housing sales and inventory. Consumer sentiment is also an important indicator – especially in an economy where consumer spending accounts for nearly 70% of gross domestic product.

The Slowdown In The U.S. Economy Will Be A Drag On European And Asian Markets

International markets: The slowdown in the U.S. economy will be a drag on European and Asian markets. Japan's export sector will be impacted by the combination of a weak American economy and a strong Yen. Events unfolding in China are a reason for concern. The recently publicized riots in Tibet may be only the beginning of exposing a myriad of deep systemic problems plaguing China. As the global spotlight focuses on this summer's Beijing Olympics, China's image may suffer a severe black eye. The Tibetan riots are only the tip of an iceberg of discontent that is widespread across China. The latest figures available claim tens of thousands of protests and demonstrations have occurred across China in just the past two years. And while the protests don't appear coordinated and they involve a wide range of various grievances, they highlight the enormous plethora of problems within China: A booming economy has created a great disparity in income between urban and rural dwellers; massive numbers of poor rural residents have been forcibly relocated to make room for expansive commercial growth zones. A recent riot, which resulted in a few people being trampled to death, was sparked by a shortage of cooking oil. Farmers complain of water shortages due to so much water being siphoned off for urban growth and commercial expansion plans. Other farmers protest the water they receive is so badly polluted it kills their crops. Urban workers and miners complain of unsafe working conditions; more than eight thousand miners are reported to have died in accidents in 2007 alone.

The Tibetan Riots Are Only The Tip Of An Iceberg Of Discontent Across China

Air pollution is so severe in Beijing that the only short-term solution the government can offer to improve air quality for the duration of this summer's games is to enact a new Draconian law requiring factories in Beijing and four surrounding provinces to be shut down for 30 days during the Olympics and to severely curtail all automobile use. China's image is already taking a hit, and the games are nearly six months away: the world record holder in the marathon has formally withdrawn from the Beijing Olympic marathon due to health concerns posed by competing in such badly polluted air. Other runners are asking Olympic officials to determine just how dangerous it is to compete in such a polluted environment.

Some nations may boycott the opening ceremonies to show support for Tibet. News agencies and TV networks are balking at government limitations on what they may televise live outside of the scope of the events themselves. Chinese dissidents are determined to showcase their discontent while the world is focused on Beijing during the summer games. The recent unrest in Tibet has some foreign investors feeling uneasy about investing in Tibet, and certain people are beginning to raise ethical questions about the wisdom of investing in China itself. What started as a venue to demonstrate to the world the great advances China has made may turn into a public relations nightmare for the leadership in Beijing. Investors should be aware that when China takes the world stage in August, it may actually be the catalyst for a possible severe downturn in how the world views China and its economy.

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SUMMARY

- U.S. Economic Recovery Not Expected Until End of the Year
- Large Cap Stocks Still More Attractive Than Small Cap
- Federal Reserve Action Should Ease Credit Crunch by Mid-Year
- Financial Stocks Bottom Out in Third or Fourth Quarter
- Weak Employment Figures Fuel Recessionary Scenario in First Quarter
- Europe and Asia Will Begin To Feel the Impact of a Weak U.S. Economy
- Energy and Commodities Will Experience a Sharp Correction in Coming Months
- U.S. Stock Market Will Turn Upward Before Economic Recovery
- Federal Reserve Will Cut Interest Rates at Next Meeting, but Rates Will Begin to Move Up by Year End
- Emphasize Financial Strength and Credit Quality in Stock and Bond Holdings
- Avoid High Yield Bonds and Real Estate Investment Trusts Until Further Correction
- U.S. Dollar Relative to the Euro Starts to Strengthen Near Mid-Year
- Residential Real Estate Prices Decline Into 2009
- Homebuilding Industry Stabilizes Before the Year's End

The content of this article is based on information from sources believed to be reliable. However, accuracy and completeness can not be guaranteed. We recommend clients consult their legal or tax advisor before making any investment. The views in this article do not necessarily represent those of the firm and are not intended as specific investment advice.

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change:

manage it and let us help

By Frank A. Tauches, Jr., President APFS

As we grow, one of our significant challenges is managing the change that comes with the growth. Some change comes easily, especially with careful planning. Other changes come at you quicker and afford less time to react.

With the growth of our branch offices and added registered representatives and financial advisors, we planned pretty well for the necessary expansion of our home office employee staff in order to minimize the impact on the service we provide. We've eased and formalized our hiring process with the addition of Lisa DiBella, our Director of Human Resources, who brings a wealth of experience and dynamism to our team. But I want to make sure that our firm is living up to your expectations, and I'm anxious to hear if you feel there are areas in which we can better serve you.

This same expansion brought the firm the opportunity to offer new products such as alternative investments and structured products, but with that opportunity also came the responsibility for due diligence, review and approval. Early last year, we hired Jim Goedtke as our Due Diligence Analyst and Product Manager. Jim immediately applied his 18 years of experience in our profession, most of which was in product analysis, to the task at hand, and he remains a very valuable member of our team. We have also implemented a product review function of our Risk Committee that enables us to fully analyze the demand, analytical requirements, risks and potential return of alternative investments and structured products. While we are amenable to accommodating our financial advisors in the products they want to sell, we will not put our advisors, our principals or our firm at undue risk.

We have reviewed our written supervisory policy with regard to the opening of foreign accounts and have allowed certain accounts to be opened on an exception basis. This is working well so far, but we are still handling foreign accounts on a case-by-case exception basis. Each foreign country has different rules and we have retained outside counsel when necessary.

While our firm has traditionally not done any investment banking because of limitations on our ability to be an underwriter in our membership agreement with FINRA, we have seized an opportunity afforded to one of our registered representatives and allowed our firm to be part of a selling group of a municipal offering. This has worked well, and we will seek to amend our membership agreement with FINRA to expand our ability to engage in investment banking on a limited basis. When this is implemented, we will advise our registered representatives and, hopefully, be able to identify opportunities.

Probably the biggest change you will experience this year is our upcoming National Conference at the Paris Hotel in Las Vegas from September 11th through 14th. Not only is this the first conference held west of the Mississippi River, it has also expanded to four days, including a weekend. While you will see many changes at the conference including many new vendors, one very positive change will be the expansion of open discussion time among our registered representatives and managers. We are committed to providing you not only quality speakers on practice management but also the opportunity to share ideas with your colleagues. Another area of particular focus will be for those advisors who plan on transitioning their practice from transactional to advisory. Assisting you in this evolution is a priority.

While I've outlined some of the changes we've implemented in Holbrook, nothing is as important as the changes you are planning in each of your practices. Let us know how we can help. What is new for you may be someone else's routine, and if we can connect you with that individual or help you from our home office, we will. Feel free to call me anytime. If I don't hear from you sooner, I look forward to seeing you all at Paris in Las Vegas

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BEYOND
American Portfolios Financial Services, Inc.
2008 NATIONAL CONFERENCE
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For more information regarding the 2008 National Conference, please contact Dean Bruno at ext.138, Melissa Wade at ext.117, Ethel Valentina at ext.107 or visit our website at events.americanportfolios.com, password: beyond.

estate planning for IRAs

Advanced Sales Frequently Asked Questions . . .

Eva M. Victor, J.D., LL.M.,
Lynn A. Nolan, CLU, ChFC
The Penn Mutual Life Insurance Company

An important aspect of estate planning centers on test-amentary IRA distribution strategies - efficient planning designed to defer or mitigate taxation and enhance the legacy for heirs. IRAs and IRA rollovers from qualified retirement plans can experience considerable erosion due to a combination of federal income, estate, GST and even state estate and income taxes. IRAs are considered "income in respect of a decedent" (or "IRD") and are subject to taxation as Exhibit I illustrates.

Q: What taxation is an IRA subject to upon death, and what opportunity is there for continued income tax or estate tax deferral?

A: *As Exhibit II indicates, how quickly an IRA must be distributed upon the owner's death depends upon the chosen IRA beneficiary and whether the IRA owner dies before or after reaching the "required beginning date" ("RBD"). The unlimited marital estate tax deduction also shields an IRA passing to a surviving spouse from federal estate tax. However, the estate tax is merely deferred since the appreciated value of the IRA will ultimately be included in the spouse's estate. An IRA passing to a child or grandchild is sheltered from estate tax, provided the IRA is not larger than the decedent's remaining estate tax exemption. In addition, any value passing to a grandchild or more remote descendant can be sheltered from the federal generation-skipping transfer (GST) tax with the decedent's GST tax exemption.*

Trusts are popular planning vehicles in estate and testamentary planning. They can incorporate dispositive freedom, flexibility and protection. The "stretch" IRA planning technique allows deferral of post death distributions over a "designated beneficiary's" life expectancy, enabling the IRA to continue to grow and build a larger legacy. However, only individuals (human beings), or "see-through" trusts qualify as designated beneficiaries.

Q: Can a stretch IRA be incorporated into a trust for the benefit of multiple beneficiaries?

A: *If applicable see-through requirements are met, a trust can incorporate the stretch distribution option. However, if there are multiple trust beneficiaries, required distributions are based upon the life expectancy of the oldest beneficiary (shortest life expectancy), which means the IRA may be depleted by the time the oldest beneficiary dies. As an alternative, separate IRAs could be considered for the youngest beneficiaries, particularly if there is a significant age disparity among beneficiaries.*

Effective estate planning typically incorporates optimal use of the federal estate tax exemption and the unlimited estate tax marital deduction.

Q: What are the practical considerations of funding a QTIP marital deduction trust with an IRA?

A: *To ensure the marital deduction, QTIP language requires that all income generated by the trust must be paid to the surviving spouse, and no one other than the spouse can receive income or principal during the spouse's lifetime. Upon the spouse's death, any remaining trust assets then pass to individuals directed by the decedent. However, required distributions from the IRA must be based upon the surviving spouse's (oldest trust beneficiary's) life expectancy, compromising the stretch IRA opportunity and amount ultimately passing to remaining beneficiaries.*

Q: Alternatively, should an IRA be considered to fund the decedent's credit shelter trust?

A: *Effective estate tax planning ensures a couple coordinating their tax planning receives the benefit of both spouses' estate tax exemptions. However, if everything, including the IRA, passes to the surviving spouse, the first spouse to die's exemption is wasted. If there are insufficient other assets to fully fund the exemption, it may be desirable to direct all or a portion of the IRA to individuals other than the surviving spouse, such as children, grandchildren or a credit shelter trust for their benefit. The appreciated value of the decedent's credit shelter trust will also "bypass" the surviving spouse's estate (unlike the QTIP marital deduction trust). However, like the QTIP trust, distributions are based upon the oldest trust beneficiary's life expectancy.*

Q: For the client with charitable intent or inclination, how should a charitable bequest of an IRA be structured?

A: *To ensure income tax (IRD) is eliminated, the charity (income tax exempt entity) should be named as the IRA beneficiary. The unlimited charitable estate tax deduction will also shelter the IRA from federal estate tax. Note, however, if both charity and individuals are named as beneficiaries, all the individuals will be subject to the 5-year rule for required distributions unless the charity is "cashed out" by September 30 of the year following the decedent's death.*

Q: As an alternative, the IRA can pass to a testamentary charitable remainder trust (CRT) for the benefit of both charitable and non-charitable beneficiaries. How do the benefits of a testamentary charitable remainder trust ("CRT") compare with a credit shelter trust stretch?

A: *The stretch IRA through a credit shelter trust requires distributions to be made over a period not exceeding the life expectancy of the oldest trust beneficiary. However, a CRT term can last until the youngest of multiple beneficiaries dies and can extend the payout period from one individual's life expectancy to actual years lived by one or more individuals. Distributions and income tax may be deferred considerably longer, particularly if there is a sequence of beneficiaries or significant age disparity among beneficiaries. The decedent's estate also receives an unlimited charitable estate tax deduction for the value of the charity's remainder interest in the CRT.*

Q: Why would a beneficiary consider disclaiming an IRA?

A: *Disclaimers can be used by a spousal beneficiary in favor of non-spousal beneficiaries (children or grandchildren), in order to fully fund the decedent's estate tax exemption or credit shelter trust. Disclaimers might also be used by the oldest of multiple named beneficiaries to enable the younger beneficiaries to use their longer life expectancies in calculating required distributions. Disclaimers might also be considered to fund a charitable bequest. The disclaiming beneficiary must execute and file a qualified disclaimer within 9 months of the IRA owner's death, must not accept any IRA benefits prior to making the disclaimer and must comply with all applicable federal and state requirements.*

Q: Finally, how can life insurance enhance IRA distribution planning?

A: *Properly structured life insurance can play a vital role in IRA distribution and estate planning, providing a tax favored source of liquidity to pay income or estate taxes, a wealth replacement bequest in coordination with a charitable bequest or a leveraged legacy for heirs. Lifetime distributions, such as required minimum distributions which must begin at age 70.5, can fund the premiums on a policy positioned outside the taxable estate, such as in an irrevocable life insurance trust (ILIT).*

For information about Penn Mutual programs, product offerings and support, contact your local Penn Mutual office or representative at www.pennmutual.com.

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Exhibit I: Federal Taxation Of IRAs

IRA Value	$1,000,000
Minus Estate Tax (45%) Attributed To IRA (IRD deduction)	- $450,000
=Amount Subject To Income Tax	= $550,000
Multiplied By Beneficiary's Income Tax Rate	x 35%
=Income Tax On IRA	= $192,500
Net To Beneficiary (Less Estate And Income Taxes)	$357,500

Exhibit II: Distribution Options Upon IRA Owner's Death

Note, financial institutions are not required to offer all distributions options available under the IRS rules.

Beneficiary . . .	Distribution Options If Owner Dies Before RBD 04/01 Following Year Owner Reaches Age 70 ½ . . .	Distribution Options If Owner Dies After RBD 4/01 Following Year Owner Reaches Age 70 ½ . . .
Spouse Sole Beneficiary; Or Separate Account Established For Spouse (If Spouse Not Sole Beneficiary)	Distributed Within Five Years Of Owner's Death; Or Distributions Based On Spouse's Single Life Expectancy Recalculated Annually [1](Non-Recalculated If No Separate Account Established For Spouse); Or Spousal Rollover (Treat as Own)	Distributions Based On Spouse's Single Life Expectancy Recalculated Annually (Non-Recalculated If No Separate Account Established For Spouse) ; Or[2] Spousal Rollover (Treat as Own)
Non-Spouse Beneficiary; Or Separate Accounts Established For Multiple Beneficiaries	Distributed Within Five Years Of Owner's Death ; Or Distributions Based On Beneficiary's Single Life Expectancy Non-Recalculated Annually (If Separate Accounts Not Established, Distributions Based On Oldest Beneficiary's Life Expectancy).[2]	Distributions Based On Beneficiary's Single Life Expectancy, Non-Recalculated Annually (If Separate Accounts Not Established, Distributions Based On Oldest Beneficiary's Life Expectancy).[2]
No Beneficiary (e.g., Non "See-Through" Trust, Estate, Charity)	Distributed Within Five Years Of Owner's Death.	Distributions Based On Decedent's Remaining Life Expectancy Non-Recalculated Annually.
"See -Through" Trust (e.g., QTIP Martial Deduction Trust Or Credit Shelter Trust)	Distributed Within Five Years Of Owner's Death; Or Distributions Based On Oldest Beneficiary's Single Life Expectancy Non-Recalculated Annually.[2]	Distributions Based On Oldest Beneficiary's Single Life Expectancy Non-Recalculated Annually.[2]
Charitable Remainder Trust ("CRT")[3]	Trust Term Of Years; Or Lifetimes Of One Or More Trust Beneficiaries.	Trust Term Of Years; Or Lifetimes Of One Or More Trust Beneficiaries.

[1] Distributions must begin by 12/31 of the year following the death of the owner, or by 12/31 of the year owner should have reached age 70 ½.
[2] Distributions must begin by 12/31 of the year following the death of the owner. If owner died after the RBD, the beneficiary can use the longer life expectancy of the beneficiary or the owner.
[3] IRA closed and liquidated.

new accounts:
up close with jared mcgill, new accounts supervisor

FREE: **What are some of the highlights in your background before coming to APFS?**
JARED MCGILL: In 2003 I graduated from State University of NY at Oswego with a BA in Finance and Management. I came out of school not really knowing what I wanted to do, but knowing that it was going to be in business. I started working for my friend, who, at the time was selling music over the internet. I would do fulfillment through amazon.com, and that was okay for a while, but soon after, I took a job at Bridgehampton National Bank. I was in the Loan Department, underwriting loans, processing payments and things but I was really unhappy there. I would come home wondering why I went to college.

FREE: **How did you hear about APFS?**
JM: Actually, it was through my friend. His parents were friends of Lon Dolber and they introduced me

FREE: **So when did you start at the company?**
JM: I came to APFS in July of 2004 and was the first staff person in the New Accounts Department. It was literally just me. Prior to that, New Accounts was one of the many operational functions being performed by an associate in the Operations Department. I was new to the business and was being supervised by Director of Compliance, Frank Giacchetto. I was primarily reviewing NAFs, (the foundation of information that drives all other business in the firm) via the STARS system. I remember after my interview, Frank was walking me out and he slapped me on that back and said, "We are going to have some fun here." I got in the elevator and thought this is going to be much better than my previous positions. When I was at the bank, a kid sitting next to me got fired because he shot someone with a rubber band. When that happened, I just knew I had to leave… Otherwise, I was certain to be fired for something ridiculous like that.

FREE: **So how did things progress for you?**
JM: STARS had been established in January of that year, so the program was only a few months old when I started. I reviewed NAFs for a while and then I got moved under Operations Manager, Phil Bredow and started taking on some of his clearing firm new accounts responsibilities. I was opening accounts in Bear and Pershing and working on homeland security. A few months after working with Phil, New Accounts and I moved over to Dean Bruno, who was already heading up the Relationship Management and Transitions departments.

FREE: **Sounds like a game of musical chairs.**
JM: Well, it gave me the opportunity to learn all facets of the business. I essentially grew with STARS. From the time I started with the company until now, the whole STARS platform went from solely new account forms to everything under the sun. Logically, it made sense for new accounts and I to start out in compliance because new accounts is a regulatory issue. But once we started opening clearing firm accounts through STARS, it became more of an operations function. This was when the department really took form.

FREE: **As New Accounts Supervisor, tell us what you and your department are responsible for at American Portfolios?**
JM: The basics are this: We enter NAFs, review NAFs, do all the homeland security checks and clearing firm setups through Bear Stearns and Pershing. Additionally, we field any questions about the clearing firm setups and regularly maintain those accounts.

FREE: **Can you explain what homeland security is?**
JM: The Patriot Act Laws were really ramped up after 9/11 and required that financial institutions do their part in verifying customer ID information against terrorist and money laundering lists. So every registered entity that is put into the STARS system goes through an electronic id verification process. We use a company called ChoicePoint to run client checks against credit card applications, mortgages, car loans, etc. We also use OFAC, which is basically the FBI's most wanted list. Once these checks are made, if there are failures, we'll comment to a rep through the STARS system and rectify any discrepancies. You know, I've heard there are reps in the business who essentially have to obtain this ID information when they are out in the field. APFS provides this service automatically once new account infor-mation is entered into STARS. We absorb that cost and spare the rep the awkward situation of having to ask a client for proof of ID.

FREE: **Tell us about the daily responsibilities of you and your staff.**
JM: Laura Pryer and David Molter are involved with opening all Bear Stearns and Pershing accounts. They'll add NAFs for reps in transition, open clearing firm accounts and submit any supporting account information to their new accounts areas. The newest addition to the department is Sha-Shawn Montgomery. Her primary focus is homeland security, but she too adds NAFs and reviews new account forms. Working with them is great. They all have a good sense of humor, which for me, is paramount. They are lighthearted and an easy group to work with.

FREE: **What about you?**
JM: I do all the on and off-site training for the STARS platform and am responsible for all three of its blotters: correspondence, BPM and transaction. I personally train all new reps on just about every web service: Albridge, Xtiva, Outlook, NetExchange Pro, BearView, etc. I answer questions from the field on new account documentation, like what type of paperwork is needed to open up certain accounts. I conduct monthly WebEx's for the field, and I also host *the American Perspective* with Laura. Like a lot of my APFS colleagues, I wear a few different hats here.

FREE: **Why do you think that is?**
JM: Well, I think that in terms of the training, which is really a relationship management service, I was a good candidate because I'm also licensed with the company and manage a small book of business. Because of this, I get to see how both sides talk to each other. I'm also not intimidated by the technology.

FREE: **What are the most commonly asked questions you receive from the field?**
JM: I get a lot of questions about where to locate something on the website. I walk people through the new account forms on the phone, but for the most part, the system is pretty intuitive. I get a lot of technology based questions about registration and account transfer issues.

FREE: **Can you point to some references on the APFS website that reps can go to for assistance?**
JM: On STARS, on the top right hand corner, there's a help button that has everything.

FREE: **What do Reps find interesting or useful about STARS?**
JM: Definitely Fax Core, the imaging system. Having the ability to fax docs to the platform and then have the image on your computer is brilliant. It's useful, and cuts down on file cabinet space.

FREE: **Do you think people see the value of the technology?**
JM: In the last year, the reps we've had come on board have been more in-tune with the technology. I think this is because we are bringing on larger producing reps who are fully engaged in the business and who need automated streamlined processes for their heavy production requirements. They know the business inside and out and understand what needs to be done to put through business, and if they don't, they call me and say, where do I do this? Where do I record this check that I'm sending out? What's more, they have staff personnel who know how to do this. But aside from this being a requirement of the B/D, it's really a useful tool for them. Most reps don't have scanning software, and we are essentially providing that to them as a free service. Everything is electronic and it's easier for them. Still you have the occasional few who want to do things manually. That's just not where we are.

FREE: **I understand you are on the STARS V.2 Committee in planning for the rollout of this new version. How is this going? What are the challenges?**
JM: It's going really well, but of course, there are always challenges. To quote CTO, Rob Dolber, "It's like peeling an onion in that you never feel like you're getting to the core." The biggest challenge is the data migration in moving all the data from V.1 to V.2. We are really scrubbing the data down and making it logical to work with. American Outsources has some engine processes they've developed that run reports to locate data that needs to be cleaned up. Still, a lot of it involves individually going through the stuff. In terms of other enhancements, in V.2 we will also be doing state licensing, which is huge. You have to be licensed in the state to add the NAF into your system. For the clearing firm accounts, there will also be an account generator which instantaneously gives the rep an account number instead of making them wait for us to key it in. Also, all the buttons are moving down to the bottom of the NAF, which will save time in having to scroll back up to the top of the page.

FREE: **Tell us about the hold and release function of STARS.**
JM: This is actually out in a beta format now. As a result of the new FINRA rules for pre-approval requirements on annuity business prior to submitting the paperwork to a vendor, the hold and release feature in STARS will basically enable a rep to post the business to the BPM module of STARS, flagging an approval request from their OSJ. In the absence of this, reps would have to physically deliver the paperwork to their manager to approve it and then either get it back or impose on their manager to send the business out to the vendor.

FREE: **How do you see your department growing in the next few years?**
JM: The workload is going to increase tremendously with the amount of reps we're taking on board. But for the most part, unless there's a new piece of technology that comes across the table, the dynamic of our day-to-day is basically going to stay the same. Position wise, I'd like to see Dave or Laura step up to do what I'm doing, and I'd like for myself to move into a more substantial role.

FREE: **What's it like working with Dean and Lon?**
JM: They are great mentors. They give me a lot of work which I like. They also don't breathe down my neck. That's the whole reason I came into the business world. I wanted to be in an environment where I could move up the ladder based on the work I did and how well I did it, as opposed to putting my time into a system, like a teacher or a cop. APFS is a good place for me.

FREE: **Thanks, Jared.**
JM: No problem.

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executive personal planning strategies

By Richard R. Sanderson, CLU, ChFC
VP, Senior Relationship Manager – Life Products
Nationwide Financial

Wealth Transfer and Legacy Planning Issues:
Combining Wealth Transfer with Long Term Care Solutions

Does a Potential Client Already Exist on Your Books?

JOHN, A FICTIONAL CHARACTER, IS A RECENTLY RETIRED EXECUTIVE WITH a large corporation. Years ago, he entered into a benefit plan established by his company for the benefit of the top level executives. During the years, he became close to the investment professional who installed his Deferred Compensation plan and began calling on him for his own insurance needs. John could be described as affluent, but in his mind, he is not "independently wealthy." One might refer to John as "merely" affluent rather than "truly" affluent. His estate is large enough to ensure he and his wife, Mary, have a comfortable retirement – filled with the dreams they shared many years before. He is very interested in leaving behind a legacy, especially if he can benefit the growing number of grandchildren he and Mary have.

Among his assets is an annuity that has been identified as an asset not necessary to provide for John and Mary's retirement. Distributions can be taken from the annuity in order to fund a life insurance policy owned by an Irrevocable Life Insurance Trust (ILIT). The costs of the life insurance policy will vary with characteristics of the insured such as gender, health and age and charges for riders that customize a policy to fit individual needs. The ILIT would own the life insurance policy outside the taxable estate; however, the annuity distributions used to fund the life insurance policy would be subject to income tax. His grandchildren would be named as the ultimate beneficiaries of that trust. Certainly this concept is not new to the members of AALU. The "Wealth Replacement Trust" may be of great value to John. While John expresses interest in this method, he also expresses some reluctance. His concern is in parting irrevocably with that asset. This "What if I need it?" question can be a daunting issue to the "merely" affluent.

Many AALU members are already actively engaged in the Estate Planning process. Others are beginning to branch out beyond Executive Benefits and work with the participants in Benefit plans they have established. It stands to reason that highly compensated executives have needs that can be met by the investment professionals with whom they have become familiar through their deferred compensation or SERP plans. These same individuals range from the "truly" to the "merely" affluent. The vast majority fall into the "merely" affluent category – that is, affluent, but lacking in liquidity and have the need for comprehensive estate planning primarily to avoid "estate shrinkage" so common under our tax system. These clients reflect the profile referred to by Thomas J. Stanley and William D. Danko in the book The Millionaire Next Door.

The potential of Legacy Planning Strategies

There is a niche within this market that has a definite profile. Many of these clients own assets that will put them into a taxable estate. The same individuals often own assets subject to Income In Respect Of A Decedent (IRD). The planning process known as "Wealth Transfer" or "Wealth Replacement" is well established. This process involves using assets subject to both estate and income tax, taking distributions during lifetime and gifting the after-tax portion of those assets to an ILIT. The ILIT purchases life insurance with a death benefit that is potentially a multiple of the initial asset value. Of course, depending on the gender, health and age of the insured and the use of riders, this multiple will vary from case to case. Ultimately, the life insurance death benefit may pass outside the estate of the Grantor. It is not uncommon to use an asset such as an annuity worth $1 Million to create a legacy of $2, $3 or even $4 Million through such a process.

Give it away forever?

The problem often encountered is that in order to proceed with this alternative, the client must be willing to "gift" the asset to the trust irrevocably. That is - forever. In order to do so, any client must be fairly sure that the asset will never be needed again. In short, this type of clarity is often difficult to achieve. The fear of potential unknown future liabilities can be a challenge for the advisor to overcome. Long-term care, specifically, is an expense about which these same clients are often well aware.

There is another way

How can a client obtain an efficient transfer of wealth contained in assets subject to IRD and also efficiently fund LTC benefits simultaneously? Many of us have seen the new approach of combining life insurance with LTC benefits. These solutions provide a death benefit but also allow the death benefit to be used on an accelerated basis for qualifying LTC needs. There are a variety of forms of this hybrid insurance solution, but the primary issue is the character of the benefits that are paid. Both Reimbursement and Indemnity benefits are available. Reimbursement benefits require payment of expenses followed by reimbursement by the insurer upon proper documentation of expenses incurred. Indemnity benefits do not require pre-payment and are not paid as a reimbursement but are paid because of physical or cognitive impairment. These benefits are paid regardless of incurred expenses as long as the requisite impairment exists. Further, no documentation such as receipts is required to obtain benefits. Using an Indemnity based benefit, a solution is available that can combine the use of life insurance owned by an ILIT. This solution is of particular importance to a client that has an asset subject to IRD and the desire to provide a legacy to his or her heirs but is reluctant to irrevocably gift or to liquidate assets in order to fund LTC expenses

What can you offer John and Mary?

Assuming we are operating in a climate based on estate tax law as it is today, what could you offer John and Mary? Suppose John owned an annuity valued today at $250,000 with a cost basis of $100,000. If John were to structure a 5 year "term certain" annuitization payment (all principal and interest paid out completely over a 5 year period with a 3.01% interest rate), this would generate $52,814 annually. After-tax, John would net $41,329 annually. (This assumes a taxable portion of income $32,814 and an income tax bracket of 35%) Assuming John

ASSET FLOW WITHOUT PLANNING		INCOME FROM ANNUITIZATION		ASSET FLOW WITH ILIT	
Annuity Value 2007	$250,000	5 Year Annuitization*		Death Benefit on Gtd basis, 5 premiums	$450,000
Annuity in 20 years at 4% growth	$547,781	Gross income from annuitization	$52,814	Long Term Care rider base	$450,000
Estate tax due @ 85	$256,729	Net income from annuitization	$41,329	Maximum monthly LTC benefit[3]	$9,000
Income tax due @ 85	$70,525			Estate and Income taxes due on ILIT owned Life insurance	$0
Net to heirs @ 85	$230,977			Net to heirs (w/o accessing LTC benefits)	$450,000

**Assumes $250,000 annuity with $100,000 basis and 35% bracket – Association for Advanced Life Underwriting*

was a reasonably healthy, non-smoking male of 65 years old, he could purchase approximately $450,000 of death benefit using a Guaranteed Universal Life contract. All guarantees are subject to the claims-paying ability of the issuer. In this case, this contract includes a rider that allows for an advance of death benefit to be paid out in the event of a qualifying LTC expense. Please note that adding a Long Term Care rider to your life insurance policy may impose additional costs, and the availability of these riders will vary by state and product.

How would that help John? Assuming John's estate is large enough to require the payment of estate tax, and he were to die at 85 owning the same annuity that continued to grow at a 4% rate, it would grow to $547,781. Assuming federal estate taxes of $246,729 and federal income tax of an additional $70,525, his heirs would receive $230,527. State taxes may also apply and will vary by state. Federal tax laws are complex and subject to change. Neither Nationwide nor its representatives give legal or tax advice. Please talk with an attorney or tax advisor for answers to specific questions. Actual results will vary.

Instead of dying while owning the annuity, John could establish an ILIT and the trustee could purchase a life insurance policy. With the trust owned policy, John's heirs could receive approximately $450,000 from the trust at John's death. Provided the contract provides LTC benefits on an INDEMNITY basis (and benefits are not structured on a Reimbursement basis), the trust can allow for discretionary income distributions to the trust beneficiaries. In this example, John as the insured could trigger benefits for LTC expenses with the trustee filing the claim and the trust receiving the benefit. Provided the trustee then made distributions of income directly to the trust beneficiaries, those same benefits could be used by the trust beneficiaries to pay John's Nursing Home, Home Health Care or Assisted Living expenses direct to the provider. Under current gift tax rules, those payments would not be treated as a gift to John because they are for the payment of medical expenses.[1]

There are various solutions like this available today. This example has specific requirements that must be met to claim benefits. Further, the death benefit is reduced dollar-for-dollar for every LTC dollar received by the trust. However, if John did no planning whatsoever, his heirs would receive approximately $231,000 from this annuity. That's nearly a 50% shrinkage due to taxation. Under the Wealth Replacement Trust, including a life insurance contract with this type of LTC rider, the trust could distribute as much as 2%[2] ($9,000) per month of the Death Benefit for qualifying long-term care needs. Balancing his own needs for LTC and his desire to leave a legacy, John is able to give this asset away while alive and increase the potential legacy he leaves his heirs while retaining the right to use the death benefit indirectly under qualifying circumstances - provided the ILIT beneficiaries use the trust distributions to pay for John's medical expenses.

Multi-tasking a solution for the right client

The question "What if I need the funds in the future?" can be rendered moot. This concept is certainly not right for every client. For the client who has a strong desire to leave a legacy, owns assets that are subject to IRD but has reservations about losing control of the asset in question, this concept may be the answer to a dilemma faced by many AALU members. While using this alternative, the client will lose control of the asset in question; there is the potential to obtain benefits while still gifting the asset to trust. Get the advice of product providers to insure you are working with a life insurance/LTC benefit arrangement that can work with an ILIT.

1. The death benefit of the life insurance policy should not be included in John's taxable estate because he has no incidents of ownership in the policy. John is simply the insured and his health will determine whether a LTC benefit is triggered. If triggered, the benefit will pay to the owner of the policy, which is the trust. The trustee is under no obligation to distribute funds to beneficiaries even if it receives funds from the life policy due to John's physical or cognitive impairment. Finally, John retains no ability to direct where or when the funds are paid. Assuming that these funds are paid to the beneficiaries of the trust by the trustee, the beneficiaries may, but are not required to, pay LTC expenses for anyone, including John.

2. Based on current HIPPA rates.

3. This example assumes a LTC Rider with a 2% monthly maximum benefit paid on an indemnity basis. Benefits are based on the amount of the contract death benefit that is allocated to the rider. Maximum monthly benefits are also limited to the HIPAA monthly benefit maximum.

Qualifications to trigger benefits require a 90 day waiting period and either 2 of 6 ADLs OR a Cognitive Impairment. Clients need to understand that life insurance products are not insured by the FDIC, NCUSIF or any other federal government agency; are not deposits or obligations of, guaranteed by or insured by the depository institution where offered or any of its affiliates.

making headway in first quarter 2008

By coo Dean Bruno

WITH A FULL PLATE OF BUSINESS INITIATIVES FOR 2008 BEING HANDED DOWN BY OUR TRUSTED LEADER, LON DOLBER, MY FELLOW COLLEAGUES AT THE corporate offices unanimously decided that the #1 top pick for CEO Quote of the Quarter was, "I want traction!" As one who trained intensely these last several months for the Boston Marathon, I understand all too well the importance of this; as a result, my staff and I fittingly were – and continue to be - up to the challenge of adhering to the tasks at hand and seeing these directives all the way through to the finish line. I present you with a summary of some of the initiatives we closed and some we opened in the first quarter of 2008:

closed-out initiatives in 1Q 2008

> BUSINESS CONTINUITY

In January of 2008 we successfully completed our comprehensive plan for business continuity, providing manuals to key executives for safekeeping and readiness in the event of a disruption of our business. We also established an alternate APFS website (www.americanportfolios.net) to direct affiliated colleagues and clients of the firm to important status and contact information when normal access to services and support is not available.

> ROLLOUT OF THE BUSINESS PROCESSING MODULE (BPM)

We achieved full adoption of the new procedures for Signature Guarantees via the rollout of the Business Processing Module (BPM) through STARS. Easy written procedures posted to the broker website, coupled with a barrage of BPM Webex trainings offered to reps and managers throughout the first quarter of 2008, contributed to this effort.

> ANNUITY INTELLIGENCE

The careful examination of a number of products for consideration that would enable reps and managers to examine appropriate annuity products for clients, resulted in an agreement forged with Advanced Sales Corporation to integrate its Annuity Intelligence Report (AI) into APFS web services. The tool is currently available in the Products section of the APFS broker website or conveniently accessible through the Business Processing Module in STARS.

> FOCUS PARTNER RELATIONSHIPS

New and continued relationships with focus partners to provide product, planning and practice management support to our affiliated reps at our events and all throughout the year were solidified in the first quarter of 2008. Seven additional focus partners from alternative investment firms joined the fold.

> EXTENDED SERVICE HOURS COVERAGE

The quarter closed with the rollout of the b/d's extended hours service support group effective March 31st. As a result of the growing influx of APFS affiliated professionals outside the Eastern Standard time zone, both the relationship management and IT departments coordinated work schedules to keep at least one staff member onsite at the APFS corporate offices until 6:30PM EST every Monday through Thursday.

initiatives opened in 1Q 2008:

> BPM TUTORIAL VIDEO

The first in a series of training videos on STARS, and other provided web services planned for production in APFS Studio 454, is the BPM Tutorial video which will already have been posted to the APFS broker website by the time this issue of FREE is published. More training videos will be posted on the APFS broker website in the third quarter.

> BUSINESS SUBMISSION GUIDE

A monster of a project received real traction in 1Q 2008 with the compilation of information to formulate a comprehensive business submission guide to be posted on the APFS broker website on the "How To's" of conducting business at APFS. Its completion is slated for sometime in the third quarter.

> RAMPED UP PREPARATIONS FOR THE 2008 APFS ANNUAL CONFERENCE

With a new venue location west of the Mississippi, and more than 2500 miles away from the corporate office, the planning for this year's conference at the Paris Hotel in Las Vegas, Nevada, September 11th through the 14th, has taken on far greater proportions then any other event we've arranged for in the past. The pace truly picked up in the first quarter of 2008 by convening the conference planning team into regularly held weekly meetings. (See sidebar of preliminary conference highlights, conference allowances and qualification details).

If you have any questions regarding the 2008 APFS National Conference, please contact Dean Bruno at ext. 138, Melissa Wade at ext. 117, or Ethel Valentino at ext. 107.

While we have a full summer season in front of us to enjoy, I will continue to keep my nose to the grindstone all the way through to September where I look forward to seeing all of you at our conference at the Paris Las Vegas. Until that time, I'd love to hear from you and welcome your calls.

Dean Bruno
COO
Holbrook, NY
800.889.3914 ext 138
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2008 APFS National Conference Preliminary Highlights

Four-Day itinerary Starting Thursday, September 11th and Ending Sunday Morning, September 14th.

Thursday, September 11th	
Cyber Café Available Throughout the Day for Conference Attendees	
Series of Continuing Education Courses on Thursday Morning to be Conducted by our Focus Carriers	8:00 AM – 11:30 AM
Welcome to the APFS National Conference – Overview of APFS' National Conference Format for First Time Conference Attendees	10:30 AM – 11:30 AM.
Partner's Exhibitor Room – More than 40 Vendors Exhibiting, Roundtable Sessions, Attendance Incentive Prize Drawings for Subscriptions to Money Guide Pro, Redtail, Morningstar, etc.	12 NOON – 2:40 PM
Lunch with Partners	12 NOON – 1:00 PM
Keynote Speaker – Alton "Chip" Jones - FINRA	2:55 PM – 4:15 PM
Exploration Sessions with APA, Retirement Specialists and Technology Partner	4:30 PM – 6:00 PM
Cocktail Reception	6:30 PM –7:30 PM
Friday, September 12th	
Cyber Café Available Throughout the Day for Conference Attendees	
Breakfast with Partners or OSJ Managers Breakfast with Tom Wirtshafter	7:30 AM – 9:00 AM
Featured Speaker, Duncan MacPherson, Breakthrough Business Development	9:10 AM – 10:25 AM
Sharing of Ideas Hosted by APFS Advisory Board	10:30 AM – 11:40 AM
Rep-to-Rep Sharing of Ideas Segmented by: 1) Standalone Reps 2) Reps Working as Teams 3) Supervising Principals,	11:50 AM – 12:30 PM
Lunch with Partners or Lunch Hosted by Crump Insurance Services	12:30 PM – 1:45 PM
President Frank A. Tauches, Jr. Hosts End-Client Panelists Interview	2:40 PM – 3:40 PM
Compliance Meeting	3:55 PM – 4:35 PM
Exploration Sessions with Clearing Firm Partners and APA	4:45 PM – 5:30 PM
Cocktail Reception	6:30 PM – 8:00 PM
Free Time for Conference Attendees	8:00 PM –
Saturday, September 13th	
Cyber Café Available Throughout the Day for Conference Attendees	
Breakfast with Partners or Breakfast Meeting with CPA Mark Manzi	8:00 AM – 9:00 AM
State of the Firm Address, CEO Lon T. Dolber	9:15 AM – 10:45 AM
President, Frank A. Tauches, Jr. Hosts Rep Panelists Interview	10:45 AM – 11: 30 AM
Meet-and-Greet APFS Staff Member Sessions Segregated by Departments	11:45 AM – 12: 30 PM
Lunch with Partners or Lunch Hosted by Crump Insurance Services	12:30 PM – 1:45 PM
Featured Speaker, Barry Asmus, America's Economic Future: The Six Unstoppable Trends	1:55 PM – 3 PM
Rep-to-Rep Sharing of Ideas Sessions Segmented by: 1) Standalone Reps 2) Reps Working as Teams 3) Supervising Principals	3:10 PM – 4:00 PM
Free Time for Conference Attendees	4:00 PM – 6:45 PM
Cocktail Reception	6:45 PM – 7:45 PM
Banquet Dinner	7:45 PM –
Sunday, September 14th	
Breakfast with APFS Staff Members	8:00 AM – 9:00 AM
Conference Conclusion Remarks, President Frank A. Tauches, Jr.,	9:00 AM

2008 APFS National Conference Qualifications and Allowances

- The qualifying period which began on July 1st, 2007, continuing through June 30, 2008, invites ALL affiliated representatives to attend the conference
- Supervising principals and registered representatives whose gross production is $1,500,000 and $350,000 respectively of combined securities and insurance commissions and advisory fees during the qualifying period, will receive a three night stay standard hotel room reimbursement – including taxes, at the Paris Las Vegas compliments of the firm. APFS will also provide an additional one night stay standard hotel room reimbursement - including taxes, specifically for Wednesday night, September 10th at the Paris Las Vegas.
- Supervising principals and registered representatives whose gross production is $1,000,000 to $1,499,999 and $150,000 to $349,999 respectively of combined securities and insurance commissions and advisory fees during the qualifying period, will receive a three night stay standard hotel room reimbursement – including taxes, at the Paris Las Vegas compliments of the firm.
- Supervising principals and registered representatives whose gross production is $250,000 to $999,999 and $100,000 to $149,999 respectively of combined securities and insurance commissions and advisory fees during the qualifying period, will receive a two night stay standard hotel room reimbursement – including taxes, at the Paris Las Vegas compliments of the firm.
- Colleagues below the above referenced thresholds are invited to attend at their expense, taking into consideration that most meals, through planned events, will be provided for.
- The top professionals in each of the four production ranked categories, (Top 10 Registered Representatives, #1 RIA Professional, #1 Insurance Professional and #1 Manager), will receive a $500 airfare allowance. All remaining travel expenses will be the responsibility of the attending APFS colleague.
- APFS colleagues attending the conference will need to make their own travel and hotel room reservations. APFS has secured a standard daily room rate of $169.
- Attending APFS colleagues will be reimbursed for their respective qualifying allowances post-conference and upon confirmation of their attendance.

state of the firm commentary from ceo lon t. dolber

I present you with the first quarter 2008 performance results for APFS. 2008 first quarter gross revenues and fees of $16.8 million grew significantly by $3.4 million, a 25% increase from first quarter gross revenues and fees received in 2007 of $13.4 million. Despite an overall 8-10% decline in business due to market downturns, this, in large part, was offset by an increase in business from the added affiliations in the previous quarter. A historical analysis of these quarterly performance results shows that 2008 first quarter revenue figures were $6.5 million more than the total gross revenues received in the firm's first full year in business ($10.3 million in 2002) and about $320 thousand more in gross revenues received for all of 2003 ($16.4 million).

In the face of these challenging economic times, how do we look beyond it? For me, I first looked back about 20 years ago to another difficult market. A downturn, not caused by sub par debt but by junk bond woes, tested my resolve as a financial service professional. Having worked in the business for ten years by then, I had to face my first real challenge navigating an extremely volatile fixed income market. My NASD license was with First Investors Corp., an organization that concentrated primarily in the sale of fixed income securities. At that time, my book of business was comprised of municipal and corporate bond investors.

A good number of my clients owned a fund called the First Investors Fund for Income (FIFI) which was invested in lower rated bonds. Many of my clients were taking monthly dividends to supplement their retirement income. When the media started reporting on the Drexel and bond trader Michael Milken story, the focus soon turned to the junk bond market and the sale of these types of securities. I remember those days extremely well, including a conversation I had with my father, the National Sales Manager for First Investors, who brought me into the business.

I was feeling pretty low and concerned that it would be hard to confront some of my clients. I wanted to hide and certainly stay as far from the phone as possible. With all the stories about junk bonds and the decline in values, how could I explain the situation to those who had placed their confidence and trust in me? My father maintained I needed to speak with my clients and take an offensive approach - reaffirm all the reasons they invested in the first place and, most importantly, listen to their concerns and fears. He told me to be available and accessible and under no circumstances hide.

My father suggested I attend a meeting he was holding in the city with a group of Dean Wittier representatives to discuss the market - specifically the condition of the fixed income markets. My first reaction was that the last thing I needed to hear was a bunch of brokers complaining to my father about market conditions. I had enough problems with my own clients. Nonetheless, I agreed to attend the meeting and soon found myself up against the back wall of an auditorium filled with securities professionals.

My dad was up on the stage talking, not about the market, but rather, how a turkey that Michael Milken sent to David Soloman, one of the fixed income portfolio managers for First Investors, had somehow gotten loose in their offices. As the audience was hysterically laughing, a broker approached me asking me if that was my father. My first thought was, great, now I get to be the sacrificial whipping boy. As if it wasn't enough that my own clients were upset with me, now I have to hear this from a broker I have nothing to do with. I turned to him and defensively stated my absolute disassociation with the man on the stage. To no avail, not to mention the striking family resemblance that undoubtedly broke my cover, I braced myself for a verbal thrashing. He started in with, "Do you know how much of that fund I sold my clients?" In a reflex response, I began apologizing but he immediately interrupted and told me that he was my father's top broker. "I like your father," he said, "and please make sure you tell him I spoke with you."

The only agenda this broker had was to tell me he liked my father and that he had a personal relationship with him. I never forgot that moment and it has profoundly affected the way I conduct myself in business.

Twenty years later instead of the junk bond debacle, today's concerns are over sub par debt, auction rate securities and derivatives. In fact, if you look at a tombstone advertisement from 1980, many of the investment banking firms listed are no longer in business or have merged with other firms. In our line of work, change is inevitable. In the end, it's really about being in the relationship building business – the cement that binds our clients to each and every one of us. In fact, because of the relationships I fostered, most of my clients trusted my advice by sticking with their fixed income investments and, to this day, continue to receive their monthly dividend checks.

If we hang our hat on products, vendors, economic theory, the latest trading scenario or the reputation of firms that support our business, we will fall short and disappoint those who expect so much of us. However, if we hold ourselves out with the best in services and a commitment to forge lasting relationships, in all economic situations, we can, and will, successfully be relied upon.

Looking beyond what is in front of us - no matter how hard or unpleasant - is not impossible. The AP Holdings 2007 Annual Review, which you recently received, certainly attests to that. The mission I have chosen to accept is that by providing premium services and support to APFS affiliated and prospective financial professionals, through continued growth and increased profits, we can continue to work in this independent environment that we have all come to enjoy. In turn, your practice will prosper and thrive because of the services you provide. By committing to both your practice and APFS, shared participation in a potential future equity realization for AP Holdings represents the value I place on our relationship and my commitment to you.

You can look beyond!

We choose to go the moon, and do the other things, not because they are easy but because they are hard. - JFK

Sincerely,

Lon T. Dolber CEO • Holbrook, NY • t. 800.889.3914 ext. 106
ldolber@americanportfolios.com

2008 Quarterly Review
January 1, 2008 – March 31, 2008

Presented on pages 35 through 40 is the first quarter 2008 review for American Portfolios. This review has also been placed in our online weekly newsletter, *The Independent*, as well as being posted to the APFS broker website in Rep Services.

Corporate Overview

American Portfolios has 52 full-time employees supporting 502 registered representatives, which includes 43 registered assistants and 20 registered employees as of 03/31/2008.

Financial Overview:

First quarter gross commissions and fees of roughly $17 million increased by more than $3 million, a 25% increase from $13 million in the first quarter of 2007 (Fig. 1). Gross revenues for the firm have increased tenfold since the fourth quarter of 2001 ($1.6 million in 4Q 2001 to $17 million in 1Q 2008). In an across-the-board analysis of products and services offered through American Portfolios, fixed annuities and life insurance received the highest percent increase in gross commissions of 563% and 129% respectively (Table 1). By the end of the first quarter of 2008, assets under management grew 17%, $9.1 billion from $7.8 billion in the first quarter of 2007 (Table 2).

Fig. 1 **gross commission and fee revenue**

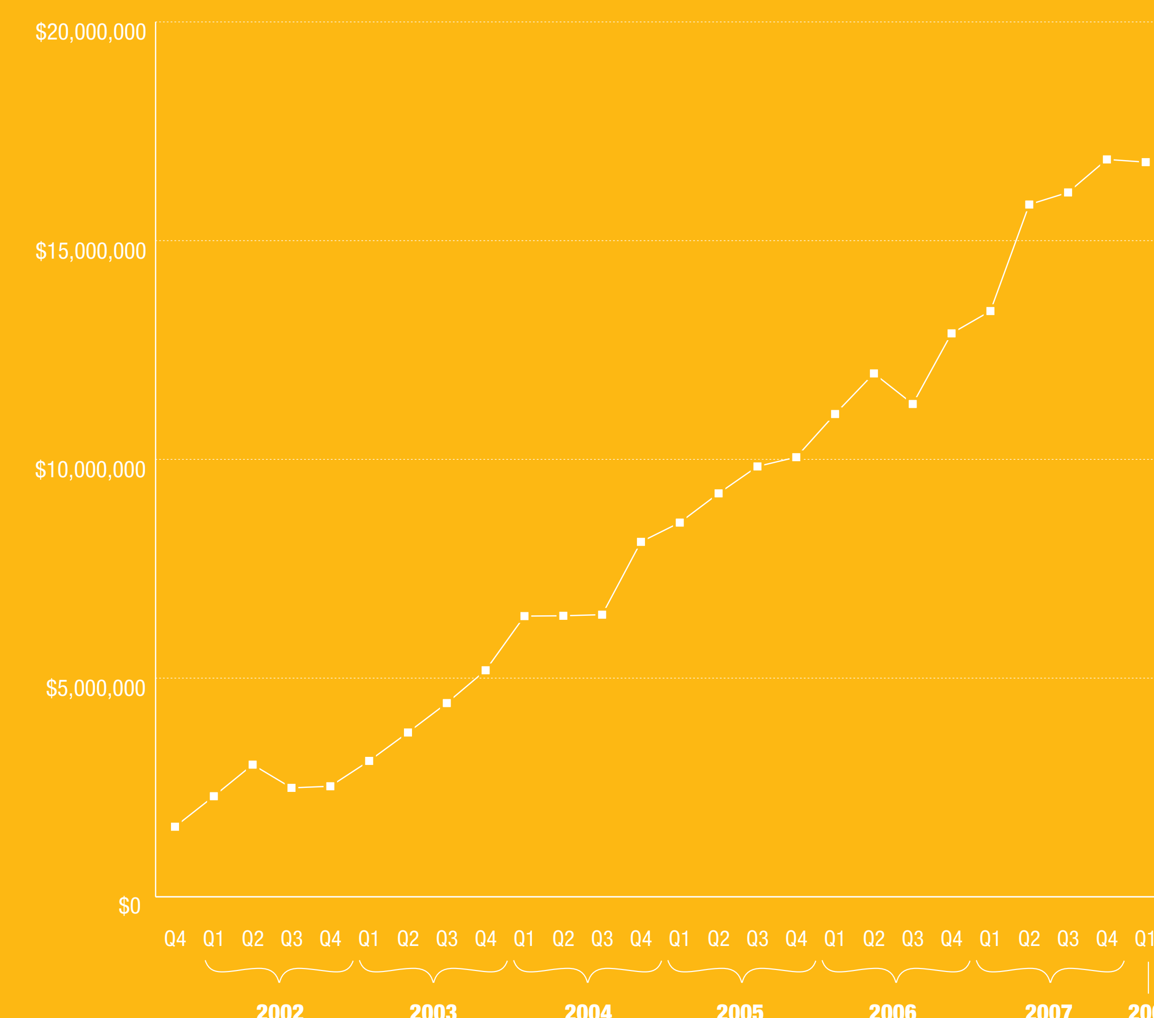


Table 1

gross commission and 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**
Change from 2007 1Q	+4%	+19%	+17%	+563%	+129%	+63%	+10%	+48%

TOP 5

Fund Families by Commissions For The First Quarter of 2008:

1. American Funds
   $ 1,769,236
2. OppenheimerFunds
   $ 1,377,438
3. Franklin Templeton Funds
   $ 513,160
4. Fidelity Funds
   $ 222,758
5. Eaton Vance Funds
   $ 210,390

Variable Annuity Vendors by Commissions For The First Quarter of 2008:

1. John Hancock
   $ 674,830
2. American Skandia
   $ 631,470
3. Nationwide
   $ 552,919
4. Jackson National
   $ 413,986
5. ING
   $ 397,528

Top Five Vendors by Assets Under Management as of March 31, 2008:

1. American Funds
   $ 1,354,459,354
2. OppenheimerFunds
   $ 1,029,207,660
3. Franklin Templeton Funds
   $ 457,576,684
4. Nationwide VA
   $ 314,905,319
5. American Skandia VA
   $ 235.549.330

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**	**$2,59 9,152,578**	**$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**	**($385,745,594)**
+/- over 2007 1Q	**+21%**	**+13%**	**+17%**	**-4%**

recruiting and marketing overview

The firm continues to attract new colleagues. Calls from prospective candidates are a regular occurrence for the new business development area. As of 3/31/2008, the broker/dealer had 502 registered representatives, which included 43 registered assistants and 20 registered employees working from 70 Offices of Supervisory Jurisdiction, as well as 246 Branch Office locations. 20 new associates affiliated with the firm in the first quarter of 2008. As of 3/31/2008, there were 439 producing registered representatives at the firm.

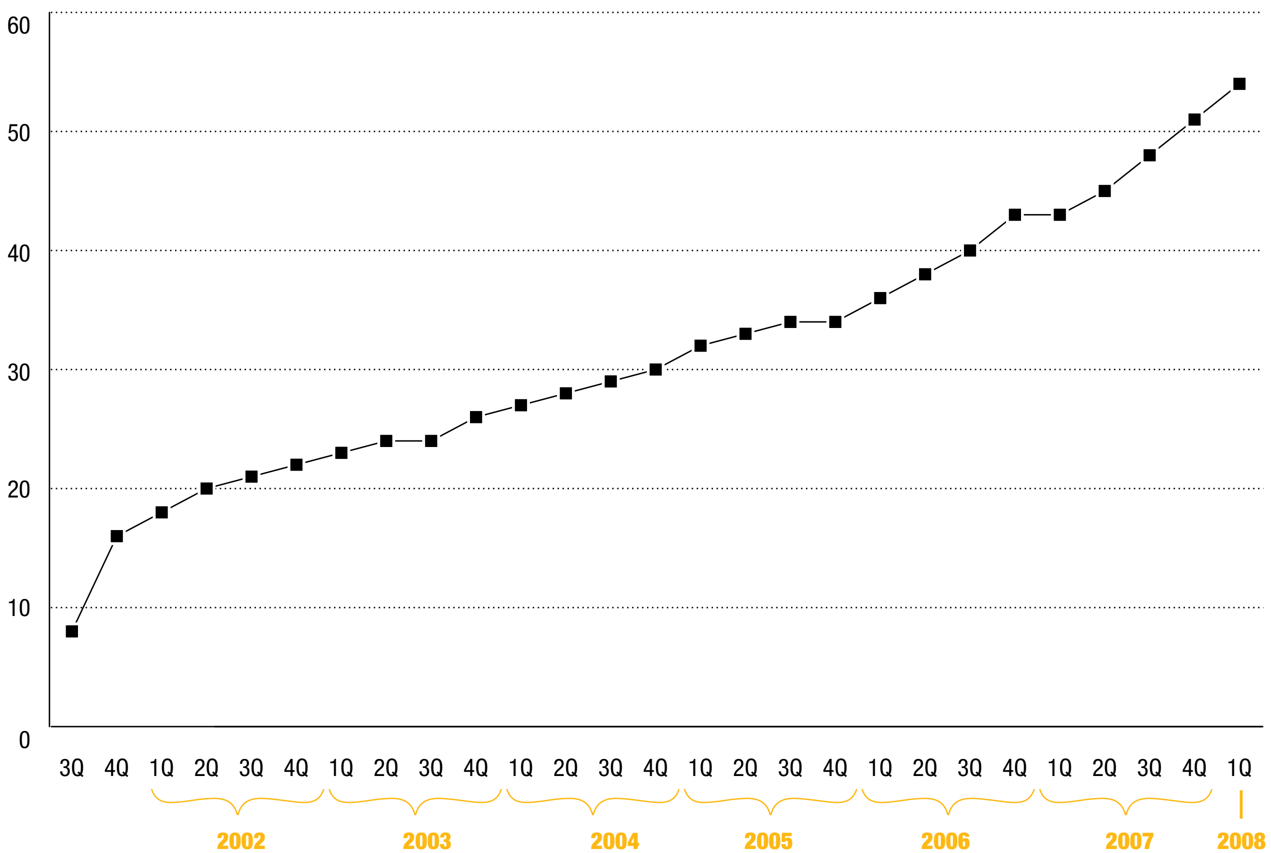
Table 3
representative overview 9/10/2001 – 03/31/2008

A total of 599 new representatives have joined the firm, while 321 representatives were encouraged to leave the firm between September 10, 2001 through March 31, 2008. During the same period of time, quarterly revenues increased by $15,191,395 (Q1 2002 $1,603,089 – Q1 2008 $16,794,484).

First Name	Last Name	City	State	Supervising Principal	Start Date	Status
Jonathan	Teran	Covina	CA	Russell Clark	1/2/2008	Rep
Bryce	Pease	Covina	CA	Russell Clark	1/2/2008	Rep
Maureen	Castor	Whiting	NJ	Russell Clark	1/31/2008	Assistant
James	Copeland	Findlay	OH	Lawrence Copeland	2/4/2008	Rep
Lawrence	Copeland	Findlay	OH	Michael Diemer	2/4/2008	Rep
Kathleen	Natal	Findlay	OH	Lawrence Copeland	2/4/2008	Assistant
Michael	Lewis	Findlay	OH	Lawrence Copeland	2/5/2008	Rep
Bryan	Kranek	Medina	OH	Jack Butler	2/13/2008	Assistant
Michael	Moss	Boardman	OH	Michael Lytle	2/22/2008	Rep
Jeffrey	Baker	Greenfield	MA	Michael Lytle	2/25/2008	Rep
Marc	Click	Louisville	KY	E.J. Gary, Jr	2/28/2008	Rep
Sean	Wood	Oshkosh	WI	Michael Diemer	2/28/2008	Rep
David	Trende	Cleveland	OH	Michael Lytle	2/29/2008	Rep
John	Lagattuta	Cleveland	OH	Michael Lytle	2/29/2008	Rep
Bruce	Ransom	Cody	WY	Michael Diemer	2/29/2008	Rep
Karl	Nembach	Palm City	FL	Kenneth Hauck	3/5/2008	Rep
Gregory	Mayer	Hauppauge	NY	Edward Levine	3/10/2008	Rep
Ioannis	Arniotis	Huntingdon Valley	PA	Ronald Chakler	3/11/2008	Assistant
Edward	Levine	Hauppauge	NY	Frank Tauches	3/17/2008	Rep
James	Hannigan	Hauppauge	NY	Edward Levine	3/17/2008	Rep

Fig. 2

employee growth



Joined APFS January 2008

Name:
Kristen Lee
Position:
Accounting Associate
Department:
Accounting & Commissions
Contact Information:
Phone: 800.889.3914 ext. 193
Fax:
631.439.4698
E-Mail:
klee@americanportfolios.com

responsibilities:

Reporting to Director of Finance Anne Antunovich, as an Accounting Associate, Kristen 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:

Kristen is a recent graduate of Hofstra University in Uniondale, New York, having received her Bachelor of Science Degree in Mathematics. While attending college, Kristen maintained employment at a local retail establishment and taught instructional swimming during the summers at Hofstra Summer Camp. Kristen is a Gold Award Recipient of the Girl Scouts of America, the highest obtainable award in the organization.

Joined APFS January 2008

Name:
Lisa DiBella
Position:
Director of Human Resources
Department:
Human Resources
Contact Information:
Phone: 800.889.3914 ext. 280
Fax:
631.439.4698
E-Mail:
ldibella@americanportfolios.com

responsibilities:

Reporting directly to CEO Lon Dolber, as Director of Human Resources for American Portfolios, Lisa manages all areas of HR, supporting its current staff members and provid-ing further hiring and staff recruiting efforts for the firm. More specifically, Lisa conducts all new hire orientations, on-board and exit interviews, handles all aspects of employee benefits and any workers compensation claims, organizes and manages employee events and maintains the employee website. Additionally, Lisa establishes and maintains protocols for the hiring and termination of employees, any performance review processes and makes revisions and/or additions to policies in the AP Employment Handbook.

biography:

Lisa has been a human resource professional for 20 years having worked in a management capacity for such firms as Home Depot/Expo Design Center and Mastercard International. She received her BS in Management and Communications with a specialization in Human Resource Management from Adelphi University.

Joined APFS in January 2008

Name:
Jessica Piccoli
Position:
Relationship Manager Associate
Department:
Relationship Management
Contact Information:
Phone: 800.889.3914 ext. 279
Fax:
631.439.4698
E-Mail:
jpiccoli@americanportfolios.com

responsibilities:

As a Relationship Manager Associate for American Portfolios, Jessica works closely with her fellow team members supporting the day-to-day functions of the Relationship Management Department. More specifically, Jessica fields many of the incoming calls from our vendors, focus partners and rep/manager force. Jessica also assists Melissa Wade and Jon Michaels in coordinating any in-house training sessions, teleconferences and assisting with the collection of content for our weekly electronic newsletter, *The Independent*.

biography:

Jessica graduated from Bryant University in May of 2007 with a Bachelor in Science in Business Administration. During her years at Bryant University, Jessica played for the Bryant University Varsity Women's Soccer team and actively participated in organizations such as Big Sisters of Bryant. Additionally, she interned at the Rhode Island School and at Ralph Lauren. Jessica enjoys spending time with friends and family and going to the beach.

Joined APFS in January 2008

Name:
Gregory Kelly
Position:
Operations Associate
Department:
Operations
Contact Information:
Phone: 800.889.3914 ext. 149
Fax:
631.439.4698
E-Mail:
gkelly@americanportfolios.com

responsibilities:

Gregory's responsibilities as Operations Associate involve all day-to-day functions of the operations department for the brokerage business through our clearing firms Bear Stearns Securities Corp. and Pershing, LLC.

biography:

Gregory recently graduated from Bryant College in Smithfield, RI with a BS in Business Administration and a concentration in Finance. He also obtained his license for Life, Accident and Health Insurance. Gregory has and continues to stay physically active through intramural athletics such as indoor soccer, basketball, volleyball and dodge ball. He also participates in community events such as the American Cancer Society's "Relay for Life" and the "Athletes Helping Athletes" Organization. Gregory is a resident of Rocky Point, NY.

Joined APFS in February 2008

Name:
Lynn Paturalski
Position:
New Accounts Assistant
Department:
New Accounts
Contact Information:
Phone: 800.889.3914 ext. 272
Fax:
631.439.4698
E-Mail:
akane@americanportfolios.com

responsibilities:

Lynn supports Supervisor Jared McGill and the New Accounts Department with the completion of new account forms and new account information for hardcopy forms and through STARS.

biography:

Lynn has been in the workforce for more than 30 years, 22 of which have been in the import customs and shipping industry. Lynn is a resident of Miller Place, NY

Joined APFS in February 2008

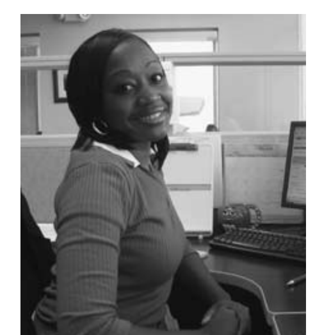
Name:
Nicole Graziano
Position:
Transitions Support Assistant/Receptionist
Department:
Transitions
Contact Information:
Phone: 800.889.3914 ext. 243
Fax:
631.439.4698
E-Mail:
ngraziano@americanportfolios.com

responsibilities:

Nicole provides administrative support to Supervisor Carl Kirchner of the Transitions Department. Nicole is also the frontline representative greeting guests who arrive at the corporate offices receptionist area on the fifth floor landing. She additionally acts as backup to Corporate Receptionist Maryann Rosolino.

biography:

Nicole previously worked as a receptionist and Sales Associate for various businesses on Long Island. She is presently pursuing a degree in Business taking online courses with University of Phoenix.



Joined APFS in March 2008

Name:
Sha-Shawn Montgomery
Position:
New Accounts Associate
Department:
New Accounts
Contact Information:
Phone: 800.889.3914 ext. 295
Fax:
631.439.4698
E-Mail:
smontgomery@americanportfolios.com

responsibilities:

As part of the New Accounts Department team headed by Jared McGill, Sha-Shawn works with Laura Pryer and David Molter in the processing, review and interactive completion of new account forms and new account information for both hardcopy forms and through STARS.

biography:

Prior to joining APFS, Sha-Shawn worked for various firms on Long Island in a customer service capacity. One such firm was with Everbank as a New Accounts Associate where she opened and maintained accounts for high net worth clients. Sha-Shawn received here Bachelors degree from Dowling College in Oakdale, NY. She is a resident of Bellport, NY

American Portfolios would like to extend a special thanks to its focus partners for their service and support throughout the year.

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OFI Private Investments — The Right Way to Invest
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Prudential
Penn Mutual — A better way of life
PUTNAM INVESTMENTS
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CEO, CIO American Portfolios Holdings, Inc.

Ethel Valentino
Assistant

Robert Dolber
CTO

- **Colin Ramroop** — *Manager of Business Technology*
  - **Amber Kane**, **Timothy Mullady**, **Ron Wyche**
- **Andrew Dorfman** — *Director of Software Engineering & Data Architecture*
- **John Rodriguez** — *Systems Analyst*
- **Jason Beauford** — *Systems Administrator*

Dean Bruno
COO

- **Marc Johnson** — *Trading*
  - **Joesph DeBono**
- **Phillip Bredow** — *Operations Manager*
  - **Michael Boccio**, **Barry Cohn**, **John Coyne**, **Anthony Esposito**, **Tim Hannigan**, **Gregory Kelly**
- **Melissa Wade** — *Relationship Manager*
  - **Jon Michaels**, **Jessica Piccoli**
- **Carl Kirchner** — *Transitions Supervisor*
  - **Jennifer Emanuele**, **Nicole Graziano**, **Priscilla Smith**
- **Jared McGill** — *New Accounts Supervisor*
  - **David Molter**, **Sha-Shawn Montgomery**, **Lynn Paturalski**, **Laura Pryer**
- **Tom LoManto** — *President APA Advisors*
  - **Joseph Borriello**, **Dee Gibbons**

Frank A. Tauches, Jr.
President APFS

- **Mary Ann Collins** — *Assistant*
- **Mary Ann Rosolino**
- **Melissa Grappone** — *Director of Corporate Communications*
  - **Becca Dolber**, **Chris Michlowski**
- **Frank Giacchetto** — *SVP Compliance*
  - **Martin Wendel** — *Compliance Officer*
    - **Amy Cintorino**, **Joseph Clottey**, **Joseph Remia**, **Barbara Rovtar**
- **John Crockett** — *SVP Field Supervision*
- **Timothy O'Grady** — *SVP New Business Development*
  - **Jim Finlay**
- **James D. Goedtke** — *SVP Due Dilligence Analyst & Product Manager*

Anne Antunovich
Director of Finance

- **Kristen Lee**, **Michelle Schwab**
- **Russell Kerstein** — *Commissions Manager*

Lisa DiBella
Director of Human Resources

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