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Frank Talk

3rd Quarter Newsletter

August 2011

Dear Clients and Friends:

As our firm continues to grow we are pleased to welcome the many new clients who have come to trust our advice and appreciate the care and attention they receive, especially during these challenging and extraordinary times.

Earlier this year we were again excited to learn that we had been named by 401(k) Wire as one of the nation's top 300 firms whose expertise has shined in the defined benefit and defined contribution markets (i.e. 401(k) plans). Nominations came from both industry players and from the editorial staff of the 401(k) Wire, the most read source of breaking news and intelligence for industry insiders. The final list was based on input from nominated advisors and an objective analysis of statistical information. It is a testament to our team and their hard work creating relevant and timely tools that our plan sponsors and their employees have eagerly embraced, including:

1. Fiduciary Toolkit

2. Electronic Vaulting

3. Employee advice versus basic education

4. Tactical management of investments versus statically managed portfolios

5. Complete transparency

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"Our commitment to our clients and prospective clients is that you will see a clear line in the sand in terms of our commitment to providing entrepreneurs, leaders in business, and families an experience that is customized around you...Your life. Your money. Your way℠."

Frank Fantozzi, President
CPA, MT, PFS, CDFA, AIF
LPL Investment Advisor Representative

One of our goals has always been to make a difference in our clients' retirement outcomes—their **Return on Life™** leading up to and throughout retirement. This extends to the participants in the 401(k) plans we manage. **Return on Life™** is defined differently by each person but it is equally important to each individual because it is the way they define and the value they place on fulfillment in their lives.

It is one of the many reasons that I am proud of our team, who is really YOUR TEAM. After spending time individually with each of our people, I am pleased to say that all are excited about the work they do and the important role they play in taking care of you. We know we can only be as good as the professional staff who decides to make PFS their home. That is why we will do all that we can to enable everyone at PFS to not only fulfill their career goals, but to genuinely enjoy what they do along the way. We feel fortunate that you, our clients, make it possible for all of us to find that level of fulfillment as we serve your financial needs.

We are also excited about our give back to our community. In addition to the financial support we provide the Playhouse Square, music and athletic programs at Brecksville-Broadview Heights High School, the nonprofit soccer program I founded, the United Way, American Cancer Society, Journey of Hope and other worthwhile charities, our team decided to roll up our sleeves to help out The Greater Cleveland Free Clinic and provide a "day of caring." During the day of caring our entire office helped paint, clean and complete other required work for The Free Clinic. We feel strongly that we all have a responsibility to help out. We have all benefited from a helping hand throughout our lives and it is nice to be able to do the same for others.

In recent months we have taken steps to incorporate social media into our communication channels. We recognize that many of our clients and friends like to receive information through LinkedIn, Facebook and other social networks. We have been configuring our system to push relevant and timely information through these electronic channels. Feel free to connect to me via LinkedIn as well as connecting to our firm's Facebook (become a fan ☺), and follow us on Twitter.

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Market Update

The hard fought debate in Washington has come to an end. A two-step deal to lift the debt ceiling by $2.1 trillion and cut about $2.4 trillion in spending over a decade has been signed into law. The increase to the debt ceiling has lifted some of the uncertainty that has weighed on investors, businesses, and consumers, who were unsettled by talk about a possible new and deep financial crisis.

Still, the deal does not go far enough to put the United States on a path of fiscal sustainability, with deficits projected to continue to rise, nor does it decisively remove the threat of a downgrade to the nation's AAA credit rating. The size of the spending cuts will have minimal impact on the economy in the near term as they will be phased in slowly with little effect until 2013, after the next election.

While investors may be relieved by the agreement to raise the debt ceiling and avoid default, the market is likely to continue to be held captive by Washington for the rest of 2011. The budget agreement that averted a government shutdown earlier this year, and provided a preview of the current battle in Washington, only funded the government for the 2011 fiscal year which ends September 30, 2011. While the current deal making in Washington may alleviate the problem of "running out of debt capacity", the government will soon "run out of money" if another deal is not reached by the end of next month to avoid a shutdown. And, this will be exacerbated by the vote by Congress over the $1.5 trillion second round of spending cuts and boost to the debt ceiling, which is set for December 23. These two events combined will mean another market-volatility inducing budget and debt battle is on tap for early this fall.

While raising the debt ceiling was an important hurdle to clear, the latest battle over the national debt reflects only a small portion of the nation's total liabilities. The biggest budgetary expenses are Medicare, Medicaid, and Social Security, which account for nearly half of all spending and seven times what is spent on servicing the nation's debt. Until these items are addressed through politically polarizing entitlement cuts and/or revenue increases, the nation is still not on a path to fiscal sustainability, resulting in the markets having to deal with continued fiscal fights for the foreseeable future.

In the near term, investors may refocus their attention on the economy. While economic growth may remain below average and data may be volatile, any signs of improvement could inspire investors to re-engage the markets and reduce defensive positions now that the debt ceiling concerns are lifting. One outcome is clear, volatility is here to stay. As always, if you have questions, I encourage you to contact me.

We value your input and your trust in us as your wealth advisor. Our goal is to always have a positive impact on your life so you can live life on your terms. Remember, it is your **Return on Life™** that matters not just Rate of Return.

Update on 2011 Initiatives

1. Our focus this year has been and will continue to be on helping our clients to better define their **Return on Life™**. This ensures that your unique voice is heard and your vision reflected in every decision. It helps to shape your unique **Return on Life™**, an individually-defined measure of success that goes well beyond investment performance.

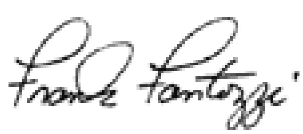
2. We introduced electronic vaulting of critical information for defined benefit and defined contribution plans (i.e. 401(k) plans).

3. Enhancements to **Wealth Plan℠** were added. **Wealth Plan℠** is a comprehensive tool used to aggregate financial information, store critical documents and provide interactive and customized feedback, allowing you to make confident and informed decisions so your wealth works the way you choose. I invite you to visit our website at www.plannedfinancial.com to learn more about **Wealth Plan℠** and view our online demo.

We remain committed to keeping you informed on financial market activity and firm news so you can make better decisions as they relate to your family and your business. As always, please call Jeremy, Walt, Sarah or me with any questions or concerns. We value your input but most importantly, we value our relationship as your wealth advisor. If you know of someone who can benefit from our services or a second opinion, please let us know.

Thank you for your trust and confidence. We work hard to earn it every day.

Health, Happiness and Good Fortune,



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Mortgage Sweet Mortgage
Sarah Horrigan

Choosing the right loan is just as important as choosing the right home

Buying a home ranks as one of the largest investments most people will ever make. Add in the interest cost of a mortgage, and you're talking about a sizable financial commitment.

For example, if you borrow $500,000 at 5% amortized over 30 years, you'll pay $466,280 in interest over the life of the loan, in addition to repaying the $500,000 principal, for a grand total of $966,280. That's why it pays to make sure you get the right mortgage for your situation.

To lock or not to lock?

An important choice you face is deciding between fixed-rate and adjustable-rate mortgages. With a fixed-rate loan, your interest rate won't change during the life of the loan, but you'll pay a little more for the privilege of "locking in" a rate for 20 or 30 years. That said, if interest rates are low, locking in your rate might be a smart move, especially if you plan to remain in your home for many years.

Adjustable-rate mortgages (ARMs) usually start with lower interest rates than their fixed-rate brethren. If rates remain relatively stable or decrease while you're repaying an ARM, your total cost could be lower than with a fixed-rate mortgage.

However, after a set term, commonly three or five years, ARM rates reset once a year (or in some cases more often). So if rates rise, your monthly payments do, too. Rate hikes typically are capped for any given year and for the life of the loan. Common caps are two percentage points a year and six points over the life of the loan.

A "balloon" mortgage is another way to keep monthly payments smaller. This loan type usually has a lower fixed interest rate than comparable adjustable-rate or traditional fixed-rate loans. However, after a specified period of time — often five or seven years — the borrower must repay the remaining balance of the loan in full. That probably means refinancing at then-current rates, which could be higher.

Jumbo mortgages are larger mortgages. Loans above $417,000 for a single-family home in the continental United States have fallen into the jumbo category in recent years. Despite legislation that has raised these conforming limits, you can still generally expect to pay at least one-half of a percentage point more for loans above this amount.

Income guidelines

Many borrowers got into hot water during the last housing boom because they bought homes they couldn't afford. By sticking to the following rules of thumb, available on Bankrate.com and elsewhere, you'll be less likely to end up with a mortgage you can't afford:

- Your annual mortgage, property tax and homeowner's insurance costs combined should typically not be greater than 28% of your gross (pretax) annual salary.

- Your monthly mortgage, property taxes, utilities, insurance and any assessments and other monthly debt payments combined shouldn't be greater than 36% of your gross (pretax) monthly salary.

Naturally, individual circumstances may require modifying these guidelines.

Looking for deals

Don't forget to check with local lenders to see if any of them are running special promotions on specific kinds of mortgages that might suit your needs. You can also consult websites such as Lendingtree.com and Bankrate.com to compare rates beyond your local area. Finally, don't forget to talk to your financial advisor. He or she may have suggestions about the right type of loan for your situation and where you can obtain good rates.

Sidebar: A word about points

When shopping for a fixed-rate loan, you can usually pay a slightly higher interest rate for a loan with no "points," or a lower rate with one or two points. Points are fees the bank charges when you receive the loan, with one point equal to one percent of your loan amount.

The longer you plan to stay in your home, the more sense it may make to pay the up-front cost of points in exchange for a lower rate. However, if you think you might pay off your mortgage early and thus not be paying interest for the entire loan period, paying points might not be such a good idea.

Buying Bonds?
Walt Moore

Your choices range from conservative to speculative

Along with stocks and cash, bonds are one of the key building blocks of a diversified portfolio. While over long periods of time bonds historically have offered lower total returns than stocks, they can provide a reliable, steady income stream. What's more, bond prices have often increased when stock prices have fallen, making them potentially useful for diversification purposes. Let's review the main categories of bonds and briefly discuss the pros and cons of each.

Talking Treasuries

Bonds are available with a variety of risk/reward characteristics. At the low end of the risk spectrum are Treasury and government agency bonds. These securities are backed by the "full faith and credit" of our federal government. Consequently, they're thought to have virtually no risk of default. Because of their relative safety, Treasuries offer lower yields than most other bonds.

Treasuries are perhaps the bonds most sensitive to swings in interest rates. Rates and bond prices move in opposite directions, and interest rates are near all-time lows. That means if rates rise appreciably — for example, in response to rising inflation — Treasury prices could fall significantly, especially for longer-term bonds.

However, Treasuries can be an effective hedge against financial upheaval. This point was driven home in 2008, when Treasuries stood virtually alone — even among bonds — as investments that delivered positive returns. Although profits are never guaranteed, this "flight to safety" feature is worth considering when structuring your portfolio.

Mentioning munis

State and municipal bonds (munis) are issued by state and local governments, as well as their agencies and authorities. These bonds generally are exempt from federal income taxes and in some cases state income taxes. Because of their tax-exempt status, munis tend to offer lower yields than even U.S. Treasuries. That said, for investors in high tax brackets, munis can produce better returns than comparable taxable securities after the tax benefits are factored in.

Because municipal bonds are debt obligations of states, cities and towns, they don't have the full faith and credit of the U.S. government behind them. Moreover, the recession has pushed many state and local government budgets nearly to the breaking point. Consequently, munis are a market where you should carefully assess the quality and risk of any potential purchases.

Concentrating on corporates

Corporate bonds are debt securities issued by corporations. As you might expect, corporate debt runs the gamut from the very highest-rated securities, issued by financially solid firms, such as Exxon Mobil and Microsoft, to low-rated bonds floated by companies that are struggling to stave off bankruptcy. Corporate bonds rated BBB or higher are considered investment-grade; those below that level are high-yield or "junk" bonds.

As their name implies, high-yield bonds offer significantly higher levels of income than investment-grade debt. The prices of junk bonds can be extremely volatile, though, as investors discovered in 2008. Moreover, there is significant risk of default, especially as you move down into lower-rated issues.

Investigating international bonds

This category includes foreign sovereign bonds in developed markets (the foreign equivalent of U.S. Treasuries), international corporate bonds and emerging market bonds. Investing in foreign bonds introduces some new risks and opportunities, including currency risk.

For example, if you purchased a German government bond that carries a 5% yield but the euro depreciates by 5% against the dollar, you're back to a break-even return after one year. By the same token, currency movements can sometimes provide a tailwind.

Investors in foreign bonds also are subject to the credit risk of the countries issuing the bonds. Greece and other eurozone countries made news in early 2011 because of their shaky finances, which drove the yields on their bonds up and the prices down.

The right bond portfolio for you

What's evident from this brief survey is that bonds are a multifaceted market. You should approach bonds the same way you would stocks, matching exposure to the various categories according to your risk tolerance, time horizon and other criteria.

Sidebar: Bond funds vs. individual bonds

For practical purposes, two primary avenues exist for investing in bonds: You can buy individual bonds or purchase a product that pools the capital of a group of investors, such as a bond mutual fund or an exchange-traded fund (ETF).

Bond mutual funds and ETFs have the advantages of being easy to buy and sell, offering more diversification within a single security and having low investment minimums. They also offer a way to buy bonds that would be difficult for individual investors to purchase on their own, such as bonds from emerging market issuers.

That said, individual bonds offer one key advantage: They have a specific maturity date on which your principal must be returned. Even if interest rates have risen and the price of the bond has fallen since it was purchased, your principal is repaid in full at maturity — barring a default, of course.

By contrast, bond funds and ETFs have no particular maturity date on which you're entitled to a return of your principal.

The Cost of Being a Member of the Sandwich Generation

Jeremy Bok

Do you find yourself taking care of your children and your aging parents? If so, you're among the many people who are part of the Sandwich Generation. Even if you're not yet a member, it's a good idea to start thinking about how you might be affected in the future.

Although it may be personally gratifying to be able to help your parents, it can be a financial burden. What with having to possibly pay for your child's college education and fund your own retirement, you may find your finances stretched thin. The good news is that tax breaks and insurance may help.

Adult-dependent tax exemption

The adult-dependent tax exemption allows qualifying taxpayers to deduct up to $3,700 (in 2011) for each adult dependent claimed. So how do you qualify?

First, for your parent to be considered a dependent, his or her income must be less than $3,700 (in 2011). Social Security generally doesn't count toward this amount, though any income from sources such as dividends, interest, and retirement plan or IRA withdrawals does.

Second, you must contribute more than 50% of your parent's financial support. (If two or more individuals combine to provide more than half the support, such as two children supporting a parent, they can agree that one of them will claim the exemption.)

Here Social Security is a factor in that the amount your parent receives may detract from how much you're contributing. For example, your parent may receive less than $3,700 in income, but if he or she is using Social Security to pay for medicine or other items, you may not be providing enough support to claim the exemption.

On the bright side, if your parent lives in your home, you can factor the fair market rental value of a portion of your residence into how much financial support you're providing. However, your parent does not have to live with you for you to claim the exemption. If he or she stays in a separate residence, or lives in a nursing home or assisted living facility, you can still factor your financial support into the 50% test.

If you don't qualify for the exemption because your parent has too much income, you may not be out of luck. You may still be able to deduct combined medical costs that you pay for a parent and your own family in excess of 7.5% of your adjusted gross income.

Long-term care insurance

If you aren't supporting your parents now but are concerned you may have to in the future, you may want to discuss long-term care (LTC) insurance with them. Medicare and supplemental health insurance policies generally don't cover assisted living arrangements, nursing home residence and other LTC costs. LTC insurance can cover a broad range of such costs.

LTC policies typically require a short waiting period, similar to a health care insurance policy's deductible amount. In addition, these policies offer a daily or monthly maximum monetary benefit or a maximum period (in years) for which they'll cover expenses.

The cost of LTC insurance premiums depends on the insured's age and the coverage amount he or she purchases. The younger your parents are when they buy their policy, the lower the monthly premium. But keep in mind that the earlier your parents start their coverage, the longer they're likely to pay premiums. And they must purchase LTC insurance before they actually need it. Those who already have a chronic or degenerative illness or who are disabled likely will face high premiums or not be able to obtain a policy at all.

After deciding to buy an LTC insurance policy, your parents can choose from an individual or group plan. Briefly, an individual plan typically offers more comprehensive coverage and greater benefits options but is more expensive. A group plan generally is less expensive and easier to qualify for, but offers fewer options because benefits are less flexible.

Responsibilities increase

As you grow older, so do your responsibilities. If you're part of the Sandwich Generation, those responsibilities can include raising your children while also taking care of your aging parents. To help ease the financial burden, discuss all of your options with your financial advisor.

Love, Marriage and Then a Postnuptial Agreement

Frank Fantozzi

You've heard of its more famous sister document, the prenuptial agreement, but did you know that you may be able to realize the benefits of that document even if you're already married? A postnuptial agreement can help provide peace of mind regarding what will happen to your assets should your marriage dissolve.

Postnups, which are permitted in many but not all states, usually address issues regarding finances, property and children. Similar to prenups, postnups can include provisions for the division of property and set specific spousal support dollar amounts. If desired, the agreements can be structured to influence behavior, such as through a financial penalty for infidelity. And postnups can be useful when one spouse's financial situation changes drastically — for example, from inheriting a large sum of money.

For a postnup to be legally binding, both you and your spouse must provide "consideration," which means something of value, such as money, assets or even a promise. For a prenup, the marriage vows are the consideration. But because with a postnup the marriage vows have already been exchanged, additional consideration is necessary. This might be a transfer of property or the release of certain property rights.

Courts keep an especially close eye out for any indications of undue influence or fraud in a postnup. To determine the validity of the document, a judge typically will look to see that it provides a full disclosure of the couple's assets, determine if there was any duress in the creation of the document and decide whether it was fair to both parties when signed. It's also important that you and your spouse hire separate attorneys when executing the postnup.

Frank in the News

Frank's expertise and ability to communicate complex financial concepts in a manner that resonates with the general public and the media has made him a sought-after subject matter expert among both local and national media outlets. His ability to help clients and the public understand the context and potential outcomes of specific financial, political and economic events and situations has led to numerous interviews and appearances.

Click on the links below to access Frank's recent thoughts on the topics that impact your **Return on LifeTM**.

June 16, 2011 – MarketWatch Morning Stock Talk
Will anticipated solid earnings reports be enough to wake up the bulls? Hear what Frank Fantozzi, CEO and Chief Investment Strategist at Planned Financial Services, believes it will take to turn the tide on Wall Street. Frank shares his perspective on the current economic soft patch as well as his outlook for the months ahead with MarketWatch radio's Larry Kofsky.

June 2, 2011 – **Dow Jones – The Wall Street Journal Digital Network** – "Stocks Set to Rally as Weak Jobs Report Already Priced In"

May 31, 2011 – **Crain's Cleveland Business** – "Amendment in FDIC Bill Was Spark That Led to Financial Inferno"

May 31, 2011 – **CNN Money** –"How to Invest if You've Lost Your Job"

May 25, 2011 – **Crain's Cleveland Business** – "INVESTING GUIDE 2011: Investors now more careful"

May 19, 2011 – **CNNMoney.com** –"Stocks Poised to Open Higher"

May 6, 2011 – **New York (AP)** – "Stocks Rally as Hiring Spree Surprises Wall Street"
Also appeared in: Cleveland.com; USA Today; Forbes.com; TheStreet.com; Washington Post; CBS News; ABC News; Los Angeles Times; Miami Herald; Seattle Post Intelligencer; San Francisco Chronicle; Detroit Free Press; Chicago SunTimes; MSNBC.com; Seattle Times; Bloomberg BusinessWeek; AOL News; Charlotte Observer; Yahoo News; and MSN Money.

April 8, 2011 – **WELW Small Business Talk Radio**
As a guest on radio station WELW's *Small Business Talk Radio*, sponsored by COSE Small Business Resources and COSE Mindspring.com, Frank shares his thoughts on why it's so important for entrepreneurs and business owners to synchronize both business and personal goals; how and why emotions can undermine rational financial decision making; and the difference that reaching retirement goals on their own terms can make for business owners and their families.

Disclosures:

1. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund. Investing in mutual funds involves risk. Including possible loss of principal.

2. Investors should keep in mind that they should consult their tax advisor prior to engaging in the strategy described in this article, significant transaction costs may apply and it is suitable for investors who can afford to absorb losses from their holdings and who are not seeking to hold securities for long-term application.).

3. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. Investing in Real Estate Investment Trusts (REITS) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained. Alternative investments may not be suitable for all investors and involve special risks such as leveraging the investment, potential adverse market forces, regulatory changes and potentially illiquidity. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

4. Fixed annuities are long-term investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject are subject to a 10% IRS penalty tax, and surrender charges may apply.)

5. Assets under management are in brokerage and advisory assets held with LPL Financial.

6. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

7. Investing in mutual funds involves risk, including possible loss of principal. An investment in Exchange Traded Funds (ETF), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks such as not diversified, price volatility, competitive industry pressure, international political and economic developments, possible tracing halts, and index tracking errors. LPL Financial does not endorse any product reference in this article.

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Stock investing may involve risk including loss of principal.

Past performance is no guarantee of future results.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by any Government Agency | Not a Bank/Credit Union Deposit Member FINRA/SIPC

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

Credit rating is an assessment of the credit worthiness of individuals and corporations. It is based upon the history of borrowing and repayment, as well as the availability of assets and extent of liabilities.