



Kensington Times

Vol. 1 Issue 2

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From The President's Desk



I would like to extend a personal welcome to members of the New Kensington Chamber of Commerce, the Strongland Chamber of Commerce and the New Kensington Business Association, who are receiving this publication for the first time.

We continually search for ways to improve on the performance of investments made by the clients served by our firm. I therefore, am pleased to announce that Kensington Financial Services has formed a relationship with SunAmerica Securities, Inc..

(Continued on page 4)

Special Thanks

A warm thank you goes out to Mr. Chris Kaminski, CPA, MBA. with the firm of Kaminski & Kaminski, Certified Public Accountants, for his contributions to the articles on SIMPLE plans and spousal IRAs in this edition of Kensington Times.

Kensington Financial Services, Inc. is proud of its professional relationship with Kaminski & Kaminski, CPAs. This working friendship offers to all of our clients the best of two worlds. We can and will work with each other hand in hand to assist you in tackling your financial goals.

*You can reach K&K by phone at:
(412) 337-9064 or by E-mail at:
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It's Now "SIMPLE" For Small Businesses

A few months ago, Congress passed three pieces of legislation which will have an immediate impact on investors and people who are concerned with savings. One of these created a new and unique retirement vehicle for small businesses called a SIMPLE account. A SIMPLE Plan (savings incentive match plan for employees) has completely replaced SARSEPS (salary reduction simplified employee pension program). These new plans do not have to meet many of the rules of qualified plans such as "Top-heavy" and "Discrimination" provisions. Prior plan provisions generally drove many small businesses away from any type of retirement plan altogether. SIMPLE plans will replace SARSEPS effective January 1, 1997. They may either be funded through IRA accounts or adopted as part of a 401(k) plan.

To be eligible an employer must have 100 or fewer eligible employees and cannot maintain any other type of retirement plan. The employer has a two year "grace period" if their company expands to more than 100 eligible employees, after the plan has been in existence one year.

If you own or are an employee of a small business that can take advantage of this new plan (or the one being eliminated), contact us to learn more information.

NOTE: SARSEP plans, currently in place, are unaffected by the new legislation. Any new SARSEP's must be set in place by December 31, 1996, therefore, you must act quickly.

New Ceiling Constructed Over Spousal IRA's

Married couples finally have an opportunity to save more for retirement. Starting on January 1, 1997, a nonwage-earning spouse can save \$2,000 per year in a Spousal IRA. This means that the annual combined contribution married couples may make to IRAs-when only one spouse is employed-increases from \$2,250 to \$4,000. The rules that determine the tax-deductibility of contributions remain unchanged. If neither spouse is covered by an employer-sponsored retirement plan, IRA contributions are fully deductible. If one spouse is covered by an employer's plan, contributions are fully deductible only if the couple's adjusted gross income is below \$50,000. It should be noted that the taxpayers must file a joint return and the amount of combined compensation for both spouses must be equal to or greater than the amount of the contribution. This change is certain to generate a tremendous amount of interest for those couples who feel the need to contribute the maximum amount to their IRAs. We at Kensington Financial Services, Inc. would be glad to assist you in accomplishing this and any other investment goal.

Quick Decision on College Choice Discouraged

Kalman Chany, president of Campus Consultants warns against applying for early college admission. The financial aid expert said that an early decision might reduce the aid a student receives. If the college knows it is your child's top choice, it naturally assumes you are willing to pay more to send your child there. Colleges work harder for students who do not appear too eager. Hold out for the best aid package available for your child by playing the aid offers of one school against another.

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See page 4 for further information.

Time Out! For Your Annual Financial Check-up

Income Flow Worksheet

Monthly Income

Monthly wages; salary \$ _____
 Dividends/interest \$ _____
 Other income \$ _____

Total Monthly Income \$ _____

Monthly Expenses

Mortgage/rent \$ _____
 Transportation \$ _____
 Food \$ _____
 Education \$ _____
 Child care \$ _____
 Entertainment/recreation \$ _____
 Loans (car/credit card, etc.) \$ _____
 Utilities (gas, electricity, phone, etc.) \$ _____
 Miscellaneous (clothes, medical, etc.) \$ _____

Total Monthly Expenses \$ _____

Monthly Income \$ _____

Monthly Expenses - \$ _____

Savings/Investments - \$ _____

Total Discretionary Cash = \$ _____

Net Asset Worksheet

Property Assets

Residence \$ _____
 Vacation home \$ _____
 Furnishings \$ _____
 Jewelry/Art \$ _____
 Automobiles \$ _____
 Other \$ _____

Fixed Assets

Government bonds \$ _____
 Municipal bonds \$ _____
 Corporate bonds \$ _____
 \$ _____

Fixed annuities \$ _____
 Other \$ _____

Equity Assets

Real estate \$ _____
 Stocks \$ _____
 Mutual funds \$ _____
 Variable annuity \$ _____
 Business equity \$ _____
 Other \$ _____

Cash Reserve Assets

Checking account \$ _____
 Savings account \$ _____
 \$ _____
 Credit Union \$ _____
 CD's \$ _____
 Other \$ _____

Total Assets \$ _____

Total Liabilities

Home/Other mortgage \$ _____
 Bank/Auto/Personal loans \$ _____
 Other \$ _____

Your Net Worth is calculated by taking your total assets minus your total liabilities. This check-up will give you a quick personal financial snapshot. If you have questions, need help completing the worksheets, or are unhappy with your financial fitness call for an appointment with any of our financial doctors at Kensington Financial Services, Inc. for a diagnosis and cure. Please be advised that with any illness; quick, immediate, and professional treatment is desired for best results. Do not hesitate, just call!

Financial Planners Help to Relieve Daily Stress

It can be tough trying to balance a budget, save for a child's education and making a choice between an IRA or a 401(k).

More and more, people are turning to financial planners -the personal trainers of the financial world.

There are such a vast number of choices for people to make financially that it can be overwhelming at times. What financial planners do is help people decide which choice is best for their particular situation

then walk them through the process step by step. Basic financial planning is something an individual can do for themselves or their family. So why secure someone for the service? Although some people have a good handle on how to make sound financial decisions, most can not be experts in all areas of finance. There are areas like estate planning and taxes that many people are not knowledgeable enough about. This is where we

come in, we are paid (through your investments with us) to know these things. Even individuals with master's degrees in business administration need help organizing their finances. Many people are too busy with their careers and personal lives to spend the time to follow mutual funds and the stock market.

Beware, however of planners trying to push proprietary mutual funds or investments.

Three questions to ask

on an initial consultation with a financial planner are:

- (1) What is their background?
- (2) What is the planners focus?
- (3) How is the planner paid?

You must be as comfortable with your planner as you are with your best friend. We pride ourselves in making new clients our friends.

Book Review

We at Kensington Financial Services, Inc. are always looking for ways to help educate our clients, we therefore recommend these books that are focused on the woman investor:

"The Woman's Independent Guide to Insurance" & "Women and Investing".



A Little TLC For Long Term Care

Great News! On August 1, 1996, by a vote of 421 to 2, The House of Representatives passed legislation that provides very favorable tax treatment for long-term care insurance policies. The Senate took the same action the next day, by a vote of 98 to 0. This law will bring to a successful conclusion many years of efforts by the insurance industry to give consumers tax advantages for the purchase of LTC insurance.

This action by the Congress sends a clear and unmistakable message that individuals must provide for their own long-term care. Government programs such as Medicare and Medicaid will see slower growth or more likely reductions in the future. The government simply cannot afford to expand existing programs to provide for long-term care. The role of government is now to encourage the purchase of long-term care insurance by providing tax incentives to do so.

The long-term care market is primed for rapid expansion. The line has now been drawn in the sand between the individual and the government. The tax incentives offered by the government have been discussed in the press and is becoming better understood by the man or woman on the street. As Americans become more aware of the high cost of long-term care, they will turn with confidence to the quality products that meet federal and state standards and to the quality insurance companies that have experience and commitment in the long-term care market.

The following are some specific provisions of the new legislation that benefit consumers most:

- * LTC insurance premiums will be deductible as a medical expense for those who itemize, subject to limitations.
- * LTC insurance benefits received by a claimant will be tax-free to the recipient, subject to limitations.
- * LTC expenses that were not covered by insurance will be deductible for those who itemize, subject to limitations.
- * Employers who pay LTC premiums on behalf of an employee will be entitled to deduct that premium as a business expense, as they do for medical insurance.
- * LTC premiums paid by an employee will not be treated as income to that employee.

There is a limitation to the amount of premiums that are eligible for deduction. The limitation is based on the current age of the person filing the tax return. This new legislation provides the strongest endorsement yet for private long-term care insurance. With these tax incentives, insurance companies and their producers now have the tools to meet their clients' needs for protection from the high cost of long term care.

Call us at Kensington Financial for help with assuring your LONG TERM CARE objectives!

Do you know.....

Today's Price Tags

Average cost of college education:	\$44,100
Average retirement nest egg:	\$500,000
Average cost of a new car:	\$19,829
Average cost of a new home:	\$133,400



DOLLAR COST AVERAGING...

Don't try to outthink the market

The secret of timing the market is to buy when prices are low. Unfortunately, no one can know for sure which direction tomorrow's financial markets will go. Don't bother trying to guess. Just keep investing regularly, and you'll automatically be buying more shares when prices are low and less when prices are high. **See below :**

At \$100 each Month

	When Price Is	You Buy
Jan	\$5	20 shares
Feb	\$10	10 shares
Mar	\$15	6.67 shares
Apr	\$10	10 shares
Total	\$10(average/share)	46.67 shares



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If you would like free reprints of this Newsletter, please call, stop in or e-mail us at the address, above.

Do I Need a Living Will?



This is a question that many people ask themselves but put off answering. You can call us at Kensington Financial Services, Inc. and we will provide you with some information and point you in the right direction to finally answer this

The Educated Investor

Annuity-A contract between an insurance company and an individual in which the company agrees to provide an income, which may be fixed or variable in amount, for a specified period.

Blue Chip-A highly regarded stock from a leader in an established industry with a history of paying dividends through good times and bad.

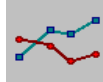
Common Stock-Securities which represent part ownership of a company.

Convertible Securities-Typically a corporate bond which can be converted into company stock as an alternative or addition to accepting dividend payments.

Municipal Bonds-Issued by a city, county or other public agency. Dividends may be received tax free.

Mutual Funds-Pools of money from many individuals, invested with specific goals in mind managed by professional money managers. This pool is invested more productively than it could be by each individual investor alone. There are mutual funds available for virtually every conceivable type of investment goal or objective.

Preferred Stock-A class of stock with a claim on the company's earnings, before dividends may be paid on common stock if the company pays a dividend at all.



MicroPower Systems Your Internet Link

MicroPower Systems Inc. is the first and only local company that is focused exclusively on educating businesses to master the vast potential of Internet Technologies. Kensington Financial Services, Inc. recommends that you stop by their showroom to see their new line of Personal Computers for home and business. These systems come Internet ready and are fully upgradable to allow for future expansion.

Contact Richard E. McKenzie, Jr. for more information at: 412-339-7000 or E-mail him at: remckenz@micropowersystems.com



Kensington Offers Community Showcase

We at Kensington Financial Services, Inc. pride ourselves on the New Kensington Community and our involvement in it. We are therefore making available to all crafts people and artisans in the community our glass enclosed storefront for the display and marketing of their work. We of course reserve the right to refuse any items that we feel to be in poor taste or unfavorable to the community. Call us or stop by the office with a sample of your craft so that we can arrange for its showing.



(*"From the President's Desk", Continued from page 1*)

I trust that you will find the articles contained in this issue of the Kensington Times informative and educational. I would like to guide you, in particular, to the articles on Long Term Care and Spousal IRAs. These issues can have a strong effect on your life now and in the future. There is so much information on these and other issues that, we urge you to contact us for more details and a greater explanation of how these new laws and legislations will impact all of our lives. We invite all to use the **Client Tell** section, below, to ask questions of us, which we will answer in our next issue of the Kensington Times. Finally, we want to wish all of our clients, friends and families, and The Greater New Kensington Area, the safest and happiest of



HOLIDAY SEASONS!

Ralph H. Phillips.

Client Tell

If you have any questions, comments, suggestions for our next newsletter, or know of someone who should be receiving our publication, please list them below. Tear off and send or bring this form to our office by December 18th and you will be entered into a drawing for a holiday basket of cheer. We thank you in advance for the information you have presented to us.

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