

Kensington Times

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1997 Spring Edition

From The President's Desk



Happy Spring! We have all been looking forward to a warming trend, and it seems like it has finally happened.

I want to thank all of you who have responded so favorably to our "1996 Portfolio Summaries", "Account Update Forms" and the "Kensington Times" newsletter. Enclosed with this newsletter you'll find our new business card. Also, look for us on the "net" at "www.kensingtonfinancial.com". I hope that you appreciate the card and "web" site just as much!

If you need more information about any of the articles you see in this newsletter, please call or write to your Kensington Financial representative!

As always, you have my personal gratitude, for allowing us to work for you and your family!!

Ralph H. Phillips

Good News for Middle Class?

If you're a member of today's middle class, President Clinton's latest proposal is something you might want to keep an eye on. This proposal known as the "kiddie tax cut" is a \$500 tax credit for each child under the age of 13, (for families with incomes up to \$60,000) & smaller credits, (for families with incomes up to \$75,000).

Clinton also proposed a \$1,500/year tax credit for 2 years of college. He refers to this as a "Hope Scholarship", which a student receives as long as he or she maintains a "B" average. President Clinton's "wish", is to make attending 2 years of college as common as attending high school. The proposal hopes to achieve this, considering \$1,500 is slightly more than the tuition at many community colleges.

You Still Have Time to Save on 1996 Taxes

Here are some of the things that Lower Burrell, PA's Certified Public Accountant, Chris Kaminski suggests to keep in mind when completing your 1996 taxes:

- 1) Accelerate expenses by prepaying tax deductible items, such as some of next years interest for mortgage payments or real estate taxes.
- 2) Sell or hold investments depending on your profit-and-loss situation.
- 3) Self-employed workers should consider shifting income to a self employed retirement fund, (SEP, SAR-SEP, SIMPLE).
- 4) Go to school. Educational benefits of as much as \$5,250, paid by employers, are no longer taxable retroactive to 01-01-95.
- 5) Make charitable contributions.
- 6) Contribute to an IRA

For more information on tax planning, Mr. Kaminski can be reached @ (412) 337-4064.

Call your Kensington Financial Representative for more information about funding a retirement account @ (412) 334-1950.



Will vs. Living Trust

- 1) If you have a **Will**: are physically or mentally incapacitated and are unable to manage your own financial matters, a court appointee takes over control of your financial affairs. If you have a **Living Trust**: become incapacitated, the court does not need to interfere. The next trustee listed in the trust can handle your finances and medical bills according to your wishes stated in the trust.
- 2) If you have a **Will**: in the event of your demise, your estate must go through probate, which ensures that your debts are paid and that your assets are distributed accordingly. This process can take as long as two years. If you have a **Living Trust**: going through probate can be avoided. The trustee distributes the assets and settles your debts. This process may take only weeks.

For more information on estate planning call your KFS Representative @ (412) 334-1950 or Jacqueline Martinez, Attorney at Law @ (412) 369-8467.



Should your Teenager have a Credit Card?

1. Is your child among the small few who pay off their monthly bills in full?
2. Did your child compare the annual fees, interest rates, grace periods and penalties of all potential credit cards before choosing one?
3. Did you as a parent co-sign on your child's credit card application?
4. Does your child have a part-time job?

If you answered "yes" to questions 1 and 2, your child is taking the first steps in establishing good credit.

If you answered "yes" to question 3, then you are potentially risking your own credit rating, and furthermore thwarting your efforts to make your child more financially responsible.

If you answered "yes" to question 4, depending on their expenditures, your child may realize how displeasing it is to hand over their entire paycheck to payoff the large credit card bills each month and discontinue their use.

Are You Ready to Bowl?

“Leadership Alle-Kiski Valley • Class V”, is sponsoring a Bowl-A-Thon on **Saturday, May 10th, from 12:30 PM to 4:30 PM** at the Plaza Lanes in Natrona Heights, PA. The cost is **\$10 per person or \$50 per team**. It is being held to benefit the Leadership Program in the Allegheny & Kiski River Valleys, and all of the wonderful programs and organizations that the LAKV helps to support and nurture. For more information, or to sponsor a team, please call **Lorri Wildi at**



Kensington Offers Community Showcase

We 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 on Fourth Avenue, with a sample of your craft so that we can arrange for its showing.

Collaboration 2000

Collaboration 2000 is a software package developed for the Strongland Chamber of Commerce by MicroPower Systems, Inc. (with some help from Kensington Financial). The computer program is intended to be a collaborative effort in student guidance between the Business and Educational communities.

The process, to take part in the program, is as follows: A business provides a data sheet containing information about positions at the company. We add the data sheet to **COLA 2000** and install the entire software package at local high schools. Students who wish to find information concerning employment can use the program to find an employer and contact him or her for further details on positions available. Mentoring is available.

If your business would like to be included in Collaboration 2000, please call us at (412) 334-1950 for a data sheet.

Changes in the Laws Relative to Retirement Plans

- 1) The 5 year averaging for Lump Sum Distributions has been repealed. Those who have reached age 59½ and participated in a Qualified Plan for 5 years can take the 5 year averaging. However, this option will not be available after 12/21/99.
- 2) The 15% Excise Tax on excess distributions has been suspended until 12/31/99.
- 3) The 10% penalty for early withdrawal will not apply for IRA distributions taken for Medical Expenses that exceed 7.5% of adjusted gross income.
- 4) A non-earning spouse may now invest \$2,000 per year in a Spousal IRA. This increases the maximum amount which may be invested between both spouses to \$4,000 from \$2,250 per year. •**To start your own IRA call us at (412) 334-1950•**

The Educated Investor

Mutual Funds are broken down by their investment objectives. The following explains the three basic fund objectives.

The first is **Income Funds**: These funds invest primarily in debt based securities (bonds) with a small portion in dividend-paying stocks. Their main objective is income. These funds tend to be more conservative.

The second type is **Income and Growth**: The objective here is to keep a balance between equity and debt securities.

The third type is **Growth**: The objective of a growth fund is to invest in companies that pay little or no dividends but are expected to increase (sometimes dramatically) in value.



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

Know Your Market Indices

Here's a summary explaining the background of the 7 major market indices that are reported in the Wall Street Journal.

~ **The Dow Jones Industrial Average** consists of 30 of the most well known companies, such as IBM, Merck, Disney, Coca-Cola, and GE. When you hear a newscaster say, “the market did this” or “the market did that”, they are referring to the “DJIA”. However, (and unfortunately)

while this is the most widely reported index, it is not a terribly accurate indicator of the equities markets as a whole.

~ **The NYSE Composite** covers all stocks traded on the New York Stock Exchange. The NYSE reports activity in four major sectors — industrial, utility, transportation and financial.

~ **The NASDAQ Composite** is similar to the NYSE Composite except that it covers all of the securities traded on the NASDAQ/Over-the-Counter Market

~ **The Standard & Poor's 500** is an index of 500 securities of which 400 are industrials, 20 are transportations, 40 are

utilities and 40 are financial concerns. It is often referred to as the benchmark for large-stock investors

~ **The AMEX Market Value** covers over 800 companies listed on the American Stock Exchange in Chicago, Illinois.

~ **Value Line** tracks the performance of 1,700 companies, chosen by Value Line.

~ **The Russell 2000** covers the smallest two-thirds of the 3,000 largest U.S. companies

~ **The Wilshire 5000**, includes all stocks traded over-the-counter and on exchanges in the U.S.. It is the broadest of all indices.

Tip Of The Month

If you are under age 59½, and incur extraordinarily high medical expenses this year, consider using a new IRS provision that permits penalty-free early IRS withdrawals from your IRA. Beginning in 1997, the 10% additional tax on premature distributions from an IRA will not apply to distributions up to the amount you pay for unreimbursed medical expenses that are more than 7½% of your adjusted gross income.

- Mutual Funds Magazine, March

Reverse Mortgages... Friend or Foe?

Reverse mortgages are being cleverly marketed to senior citizens. **Here is what we know:** This loan gives seniors a one-time cash windfall, a credit line, an annuity for life, or any mix of these. The borrower's home is the collateral, which is sold off after the owner's death in order to pay off the interest and principal.

Here is what they don't tell you: It can be quite expensive. The plan of the reverse mortgage is based upon the borrower's life expectancy, the older they are, the more money they can borrow. The reasoning is that the lender will get paid back sooner, because most of the interest charges are in the first years. This results in phenomenal interest rates and fees, sometimes as high as 62%. The bottom line is, if you are considering a reverse mortgage, get a

Editors Note: *The information in the article concerning Wills and Living Trusts was provided by Mr. Brian Park of Foundation Stone Financial Services. Your Kensington Representative is not an attorney. Please call your attorney for more information or your Kensington Financial Representative, who would be happy to assist you in finding one.*

STRATEGIES THAT SAVE MONEY

1. You can save on automobile insurance by raising your deductible. Raising the deductible usually results in a corresponding drop in the insurance premiums. Another way to save is to have safety features installed in your car, such as an alarm system, anti-lock brakes and air bags.
2. Lowering your monthly utility costs can be fairly simple. Weather stripping around the windows and doors of older homes can help keep the heat in, in the Winter and out in the Summer. Keeping your heating and cooling system in good condition, in the first place, is the key. Have it inspected yearly.
3. By taking a packed lunch to work, you can save yourself \$1,250 annually, assuming that you spend \$5 daily on lunch. If you pack your lunch at least twice a week, you'll save yourself \$500 per year.
4. Clipping coupons may seem pointless to some, but that isn't the case. By clipping the coupons of only products you use and need and by switching to store name brands, you can save plenty.
5. Bank assessed fees can be saved by withdrawing cash from **only** your bank's automated teller. Also, if you maintain a certain

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