

Inside this issue:

Market Update	1
Tax Changes for 2007	1
Should You Be a Personal Representative	2
Retirement Plans for Your Small Business	2
Ask the Expert: How Long Should I Keep My Financial Records?	3
Mutual Funds in the News: Loomis Sayles Global Bond Fund (LSGLX)	4

Contact us:

Scott J. Munkvold, CFP, CTFA
(773) 714-1541
sjm@fsadvisorygroup.com

Scott A. Jurczyk, CFA
(773) 714-1543
saj@fsadvisorygroup.com

Mark C. Soehn
(773) 714-1542
mcs@fsadvisorygroup.com

Brian H. Wilson
(773) 714-0012
bhw@fsadvisorygroup.com

Market Update

While the February 27th 400+ point plunge in the Dow Jones Industrial Average may have felt cataclysmic, the trading in global markets in some ways appeared quite orderly. In short, investors dumped risk. They also decided they were comfortable in securities whose principal is guaranteed by the “full faith and credit” of the U.S. Treasury Department. The long bond yield plummeted 12 basis points to 4.52%, as T-bond prices soared. Though there is no doubt the stock market sell-off was alarming, it would have been worse if Treasury yields had risen as well.

At times like these, we think it makes most sense to understand the fundamentals underpinning the financial markets. In the stock market, those fundamentals are earnings and valuations - and are linked to fundamentals driving the bond market (namely, the direction of the economy and inflation). The first set of fundamentals includes the

economy and corporate earnings. From our vantage point, neither looks terribly strong - but neither looks to be a major problem, either.

We remain optimistic about the trends in U.S. GDP and are forecasting growth of 3% in 2007, with a strong start in the first quarter as pent-up fourth quarter demand catches up. The consumer is employed, wages are growing and oil prices are down from summertime highs. We are also forecasting an advancement in corporate earnings, though our outlook for growth of 8%-9% in 2007 is below the 18% growth rate notched in 2006. In fact, the Street’s estimates for 2007 growth, particularly in the first half, have fallen dramatically. During the 1Q reporting season, these estimates fell from 10% to the current 4%. This occurred while stock prices were climbing, again suggesting that the recent sell-off was orderly.

On inflation, the news during

Tax Changes for 2007

Every year offers some surprises, and 2007 is no exception. Here’s a brief look at some of the changes that may affect your finances this year.

Charitable deductions need more documentation

If you give cash to your favorite charity in 2007, ask for a receipt. The IRS now requires that you have a receipt or other written confirmation for all cash contributions for which you are claiming a deduction, not just for those exceeding \$250. Bank re-

ceipts, such as canceled checks, bank statements, or credit card statements showing the transaction, can also be used as support. Supporting documents must show the name of the charity as well as the date and amount of your contribution.

Charitable contributions from IRAs allowed

If you’re over 70 1/2 and need to take required minimum distributions (RMD) from your IRA, you may benefit from a new rule that

2007 YTD Returns

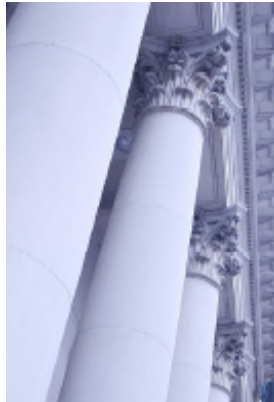
DOW	-0.33%
S&P 500	0.64%
NASDAQ	0.26%
Russell 2000	1.95%
Mid Cap 400	5.80%
MSCI EAFE	4.10%
Lehman US Agg.	1.50%
Lehman Muni.	0.80%
10 Year Treasury Yield	4.65%

the sell-off week was also positive. The Fed’s favorite indicator (the price index for personal consumption expenditures) rose at a 2% rate over the past year, in line with six-month trends. Valuations are linked to inflation, of course. And the sell-off in stocks, while inflation is tame and corporate profits are rising, suggests earnings multiples have become more reasonable.

Source: Argus Research Company

allows you to contribute as much as \$100,000 to a qualified charity directly from your IRA. These IRA distributions are tax free and satisfy minimum distribution requirements. But if you want to make a charitable contribution from IRA funds, don’t wait—this option is available only until the end of 2007.

Should You Be a Personal Representative?



“Personal representatives have a legal duty to quickly and efficiently settle and distribute the decedent's estate.”

A "personal representative" is a general term for someone who administers a deceased person's estate. A personal representative named in a will is called an executor. A personal representative appointed by a court when a decedent leaves no will or doesn't name an executor is called an administrator.

Think twice before agreeing

Think carefully before you agree to be a personal representative. The job can be difficult and time consuming, especially if the decedent leaves a large estate. Make sure you clearly understand the responsibilities involved, and are prepared to fully commit to the undertaking. Personal representatives have a legal duty to quickly and efficiently settle and distribute the decedent's estate, and to act in the best interest of the estate's beneficiaries. Because of this "fiduciary" duty, you may be required to post a bond or other security. Furthermore, if you do not perform your duties properly, you could be held personally liable, and that could cost you money.

You can always just say no You're not legally obligated to serve as a personal representative. You can decline immediately, or resign later—but be careful to follow the rules in your state for doing so. The court will appoint a replacement for you.

Getting help is OK and often prudent

Though you are fully responsible for your fiduciary duties, you can seek assistance. You can always ask a court officer for some guidance, but it may be wise to hire professional help—an experienced probate or estate planning attorney, an accountant, a tax professional and/or investment advisor.

Main duties of a personal representative

The duties of a personal representative are determined by the decedent's will and/or state law and may include:

- Locating will, acquiring death certificate
- Opening probate (file certain forms with the court, get letters of authority to act)
- Giving actual notice to potential beneficiaries and

unpaid creditors (also publish a notice in the newspaper)

- Notifying Social Security, and the Civil Service and VA, if applicable
- Inventorying, appraising, and safeguarding the decedent's assets
- Opening an estate checking account
- Receiving payments due to the estate (e.g., unpaid salary, Social Security death benefit)
- Paying the decedent's final bills, valid creditor claims, and estate expenses
- Filing and paying income and estate taxes
- Distributing the remaining property to the beneficiaries or heirs
- Closing probate (file a final accounting with the court)

You're entitled to compensation

As a personal representative, you may choose to be compensated for your service. Your fee is subject to court approval and must be reasonable. Be sure to keep a record of the tasks you perform and the amount of time you spend on them.

Retirement Plans for Your Small Business



A retirement plan is a critical part of a competitive benefits package. Although small business owners can sponsor a qualified retirement plan like a 401(k) or profit-sharing plan, these plans can be expensive to maintain and relatively difficult to administer. Luckily, there are a number of simpler alternatives.

SIMPLE IRA plans

You can adopt a SIMPLE IRA plan if you have 100 or fewer employees who earn \$5,000 or more. A SIMPLE IRA plan lets your eligible employees contribute a percentage of their salary on a pretax basis, up to \$10,500 in 2007 (\$13,000 for employees age 50 and older). You either

match each employee's contributions dollar for dollar—up to 3% of the employee's compensation—or make a fixed contribution of 2% of compensation for all eligible employees. All contributions to the plan are fully vested (that is, immediately owned

Continued on page 4

Ask the Expert: How Long Should I Keep My Financial Records?

Clients have often asked how long they should keep their financial records, so we thought we would address the topic in this quarter's newsletter.

The answer is, as you might expect, it depends. Here is the general rule of thumb:

Tax records

Most financial professionals recommend that you keep your tax records for seven years. The IRS has three years from a tax return's due date to challenge your return, however, it has up to six years to challenge your return if you've underreported your income by 25% or more in a given year. The tax records you should keep include statements related to wages, deductions, dividend or interest income, capital gains or losses, and business profits. As for the actual tax returns, it's a good idea to keep copies indefinitely.

Retirement records

You should keep year-end 401(k) account statements at least until you retire, along with any rollover paperwork. Similarly, you should hold on to records that detail your IRA contributions and withdrawals, again year end statements should suffice but you should also keep any related tax forms (forms 1099-R or 5498).

Investment records

When you purchase stocks, mutual funds, and other investments, you need to keep records relating to how

much you paid (a figure referred to as your "cost basis") so you can document the amount of your gain (or loss) when you sell the asset. You should also keep paperwork showing periodic purchases or the reinvestment of dividends related to the asset, if applicable (again, year-end statements should suffice). At FSAG, we maintain cost basis records and copies of all trade confirmations on our clients' behalf.

Home improvement records

If and when you sell your home, you'll need to calculate the costs of any permanent home improvements that you've made for tax purposes. So make sure to keep copies of all work invoices and canceled checks related to your home.

Paper vs. Electronic

We're also asked if electronic retention of these records is adequate. If you're like most people today, your electronic record is often your only record. The number of people using their computers to prepare tax returns and manage investments has skyrocketed in recent years.

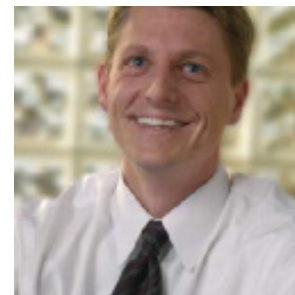
Generally, an electronic record has the same worth as a paper record for tax and legal purposes. And the rules for how long you should keep electronic records are the same as for paper records.

But if you decide to go the

electronic route, you must take extra steps to make sure your records are safe. This means keeping at least two copies of your electronic records (e.g., one copy on your hard drive and another copy on a removable hard drive device or burned onto a CD or DVD). In fact, even if you have paper records, if you own a scanner, you might consider scanning important records into your computer. And if you need help deciding how to organize your documents, many retail stores sell software designed to simplify financial recordkeeping.

Many banks and financial institutions now keep electronic images of your financial records, such as monthly canceled checks or quarterly brokerage statements. If you don't download important items and save them on your own computer, inquire about the institution's policy on how long it will store your records, and how you can access them if you need them, and most important, how long it will take to get a copy. You wouldn't want to lose a tax deduction because your bank didn't keep an electronic image of a canceled check for a sufficient period of time.

So, while electronic records can help cut down on the volume of financial paperwork you need to store in your filing cabinet, it's your responsibility to make sure you can access the records if you need them.



Scot Munkvold, CFP, CTFA is a Principal and Managing Director of FSAG.

“Most financial professionals recommend that you keep your tax records for seven years.”



A Registered Investment Advisory Firm

Financial Solutions
Advisory Group

At Financial Solutions Advisory Group, you'll find a fee-only Registered Investment Advisor (RIA) committed to putting your interests and your needs first, eliminating the commissions and self-serving incentives that get in the way of solid, successful financial planning and investment management.

Please contact us if you would like to receive this publication by e-mail.

8700 W. Bryn Mawr Ave.
Suite 710-N
Chicago, Illinois 60631
(773) 714-1540 Main
(773) 714-1550 Facsimile
fs@fsadvisorygroup.com
www.fsadvisorygroup.com

Mutual Funds in the News: Loomis Sayles Global Bond Fund

The Loomis Sayles Global Bond Fund remains a top option in the world-bond category. Managers Kenneth Buntrock, David Rolley, and Lynda Schweitzer and their team look for government and corporate bonds with the best return potential in developed and emerging markets. They see a benefit to holding foreign currencies when they are undervalued. They keep an eye on the characteristics of the Lehman Brothers Global Aggregate, but they won't necessarily hew close to it.

The approach used at the fund focuses on maximizing total return through the use of both macroeconomic analysis, to help determine country, currency, and interest-rate posi-

tioning, and careful analysis of individual securities. The managers take varying degrees of currency risk, depending on their market outlook, which separates the fund from many in the category, which will be either always hedged or unhedged. While the approach can court volatility, management has shown skill in maneuvering through difficult currency markets. Management's talent and experience is displayed well in the fund's impressive long-term performance. The fund recently hit its 10th anniversary since inception, and its trailing five- and 10-year total returns, through February 12th, both rank it in the world-bond category's top decile. The team's experience, its flexible approach, and its

Key Statistics: LSLGLX

Category	World Bond
Rating	4 Star
Net Assets	\$660 M
Price	\$15.51
52 Week High	\$15.93
52 Week Low	\$14.59
Bond Holdings	172
Turnover Rate	77%
12 Mo. Yield	2.66%
Risk	Above Avg.
Return	Above Avg.
3 Yr. Ann. Return	4.08%
5 Yr. Ann. Return	10.54%
10 Yr. Ann. Return	7.15%
Expense Ratio	1.00%

proven record of skillfully navigating difficult international debt markets has served it well.

Source: Morningstar

Retirement Plans for Your Small Business Continued from page 2

by your employees), and your contributions are fully deductible. SIMPLE IRA plans are easy to set up (you fill out a short IRS form to establish the plan), easy to administer, and inexpensive to maintain. You can let each employee set up a SIMPLE IRA account at a financial institution of his or her choosing, or you can select the financial institution that will serve as trustee and initially hold all plan contributions.

Simplified employee pension (SEP) plans

A SEP plan allows small business owners to set up traditional IRAs, called SEP-IRAs, for themselves and each employee. You must generally contribute a uniform percentage of pay, up to 25%, for each eligible employee (up to \$45,000 in 2007), but you don't have to make contributions every year. Your employees don't directly contribute to the SEP plan, although they

can make their regular annual IRA contributions to their SEP-IRAs if they choose. As with SIMPLE IRAs, all contributions to the plan vest immediately, and your contributions are fully deductible. Most employers, regardless of size, can establish a SEP plan. SEP plans have low startup and operating costs, and can be established using a two-page IRS form.

But don't rule out a 401(k) plan ...

No employees? Then there is one qualified plan you should consider--the individual 401(k) plan (also known as a solo 401(k) plan). An individual 401(k) plan is a regular 401(k) plan combined with a profit-sharing plan. You can elect to defer up to \$15,500 of your compensation to the plan for 2007 (\$20,500 if you're age 50 or older), just as you could with any 401(k) plan. In addition, as with a traditional profit-sharing plan, your busi-

ness can make a tax-deductible contribution to the plan of up to 25% of your compensation. Total contributions to your account in 2007 can't exceed \$45,000, plus any catch-up contributions (or, if less, 100% of your compensation). If you're self-employed, compensation is your earned income from your business. Since an individual 401(k) plan can cover only the business owner and his or her spouse, it isn't subject to the often burdensome and complicated administrative rules and discrimination testing requirements that generally apply to regular 401(k) and profit-sharing plans. If you're a small business owner and haven't established a retirement savings plan, what are you waiting for? Your FSAG advisor can help you select the plan that best fits your needs, and the needs of your employees.