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WEALTH PRESERVATION

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PRESERVATION
FOR MATURE INVESTORS

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Would Your Survivors Spend It All?

Like most seniors, you have worked hard to get where you are financially, and you want to make sure that your heirs receive everything that you plan to leave them. To accomplish this, you may have even established a trust to reduce transfer costs and possibly shelter taxes. But what will happen once your loved ones receive their inheritance?

Will they invest it wisely for the future, quickly spend it all, or will angry creditors line up at their door to get paid? An additional special clause within your trust may possibly assure that the assets that you pass to your beneficiaries will last as long as you had wished.

A spendthrift clause prevents trust beneficiaries from voluntarily or involuntarily transferring current or future rights in the trust. Without this, beneficiaries have unrestricted ability to use the assets, and thus their creditors can attack those funds. State laws determine the exact language and the degree of creditor protection spendthrift trusts offer. Nevertheless, the concept restricts the beneficiaries' access to the trust's property.

The trustee whom you select is usually given the discretion to distribute money as needed to the beneficiaries. This may be an ideal choice for a beneficiary who is financially irresponsible, and likes to spend, or you may want to provide for a loved one who has special physical or mental needs.

If you worry about how your children, grandchildren, or other beneficiaries might spend the money you leave them, check off and return the enclosed coupon. We can schedule an appointment to review your concerns, and if necessary, I will refer you to a local, estate-planning attorney to draft the documents.

Should You Consider a Separately-managed Account?

As your investment portfolio grows in value, it becomes more critical to make the right moves with the assets. For many high net worth individual investors, a separately managed account provides an effective solution to the challenges faced when running a large portfolio. By hiring an investment manager to manage your assets directly in a separately-managed account, you can gain access to sophisticated investment strategies, and a higher level of personalized service that is not typically available in a mutual fund.

A separately-managed account differs from a mutual fund in that you directly own the securities in your account. In a mutual fund, you share ownership of a fund's holdings with other fund shareholders. Changes to a separately-managed account portfolio are made at the manager's discretion, although consideration can be made for any tax consequences that you may personally face related to transactions within your account. Whenever securities are purchased and sold from a portfolio, be it in a mutual fund or a separate account, the potential for tax consequences arises.

One of the primary benefits of a separately-managed account is that securities can be sold in a manner that can minimize the tax consequences for the investor. For example, specific securities that have sustained net losses can be sold in order to offset any potential capital gain tax liability. On the other hand, in a mutual fund, securities are typically bought and sold without consideration of the tax situations to the individual fund shareholders. In addition, redemptions by other fund shareholders can result in a tax liability if the fund manager has to sell

some of the fund's holdings in order to meet these redemption requests.

Many prominent asset managers offer separately-managed account programs to high net worth individual investors. Account minimums are typically higher than they are in a mutual fund, and the fees paid to the portfolio manager are usually based on a percentage of the assets in the account. In contrast, mutual funds can have annual management, distribution and administrative expenses. Be sure to compare fees, liquidity, and investment objectives prior to investing.

Please note that investment returns and principal value of both managed account investments and mutual funds will fluctuate, and the investor's managed account or mutual fund shares may be worth more or less than the principal value. Mutual funds are investments involving risk and are offered by prospectus only. An investor should carefully consider the investment objectives, risks, charges and expenses before investing. The fund prospectus contains this and other information about the investment company. For a copy of the prospectus, please contact your financial advisor. Please read the prospectus carefully prior to investing.

If you have been looking for a more personalized investment approach for your portfolio, a separately-managed account may make sense for you. Please complete and return the enclosed coupon for additional information.

Can You Count On Dividend Income?

One of the challenges many older investors face when managing their cash flow is getting income from dividends. Unfortunately, common stock dividends come with no guarantees. Companies are not required to pay them, and those that do can suspend their dividends at any time as their business needs dictate. Since there are no guarantees for dividends, should you rely on them for planning even a portion of your retirement income? Possibly, but first consider the following points.

First, create a diversified portfolio of different dividend-paying stocks. If your dividends are coming from a single source, you run the risk losing what could be a significant portion of your income

should the company decide to discontinue their dividend payments. With a diversified portfolio, your regular dividend income stream could continue, buffered by the on-going payments of the other stocks in your portfolio. Although diversification does not guarantee against the risk of loss in a declining market, it can help to reduce the market volatility risk of your overall portfolio.

Second, when building your dividend-income portfolio, look for high-quality companies in sectors that have historically paid out a steady stream of dividends to shareholders. Finding these stocks can be tricky, but there are a few good places to start. Companies in stable industries or in highly-regulated markets such as electric utilities are typically good candidates for a dividend-income portfolio. These companies usually face fewer threats to their business and fewer interruptions of their cash flow, making it less likely that they would have to discontinue dividend payments.

Another way to invest in a diversified portfolio of high-quality dividend-paying stocks is to choose a dividend income fund. A dividend income fund offers diversification in a mutual fund investment. Plus, a fund offers the expertise of a professional money manager, who does the research and selects the stocks on your behalf. Please note, however, that stocks and mutual funds are investments that involve market risk, and investment return and principal value will fluctuate so that upon redemption an investor's shares may be worth more or less than the original value.

If you would like to learn more about using stocks for income or dividend income funds, simply complete the attached reply coupon and return it to my office.

Mutual funds are offered by prospectus only. An investor should consider the investment objectives, risks, charges and expenses before investing. The fund prospectus contains this and other information about the investment company. For a copy of the prospectus, please contact your financial advisor. Please read the prospectus carefully prior to investing.◆

As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment purchase decisions.

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- I am interested in learning more about decreasing my taxes & increasing my investment returns.
- Please send me free information about high quality dividend paying stocks.

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