

Roffman Miller Review

A Quarterly Newsletter from Roffman Miller Associates

Letter from the President

If you've been an investor long enough, you know that there are times that the market tests both your patience and your fortitude. If you've been in the investment business for a long time, as I have, you know that sometimes the market can be really humbling. In either case, this is one of those times.

The second quarter of 2008 was difficult for investors around the world. Here in the US, the S&P500 ended the quarter down 14.4% year-to-date. Overseas, France and Germany both saw declines of over 20%, and emerging China's markets continued to melt down – losing almost 50% this year alone.

Headlines have included some additional write-downs by banks, but no major bank failures (yet). Also, much has been made of the rising prices of oil and food. In fact, economists at Merrill Lynch estimate that global inflation is now at 5.5% annually, up from 3.5% at the beginning of the year, thanks to soaring food and energy costs.

Through three decades of work in this business, I have seen markets like this before. I can remember the bear market of the 1970s, Black Monday in 1987 when the S&P500 lost over 20% in one day, the 80's Asian crisis, and the tech-telecom bubble-bursting malaise which is so fresh in our minds today. In some respects, the one day drop in 1987 was easier for us to accept because it happened so fast. But looking back, in every one of those situations people came to me wanting to throw in the towel and sell out near the bottom. As it turns out, that would have been the wrong move in each one of those cases.

Perhaps we can turn our disappointment with the current markets to our advantage. At times like this, we feel that the more we communicate with you, the better we can serve you. This newsletter only gets our message out every three months – instead of waiting until next quarter to find out what we're thinking, please give us a call to schedule some time to discuss your portfolio, either by phone, in person, or via web conferencing.

I will take a moment to pass our thoughts along to the family of Milos Knorr, who passed away recently. Milos was one of the original shareholders and a director of Roffman Miller Associates, Inc., and he will be greatly missed.

Don't forget to mark your calendars for the 2008 Making Strides Against Breast Cancer walk. Details are on page 2.

Peter Miller

Recent Company Visits

Members of the Roffman Miller investment committee regularly meet and communicate with the companies we research. Here are a few of the most recent interactions:

Artesian Water – Mark Frombach met with CEO Dian Taylor and CFO David Spacht in May.

DuPont – In April, Mark Frombach attended the annual meeting of E.I. DuPont de Nemours for a general discussion with management.

Fedex – Mickey Foster, Vice President of Investor Relations, visited our Philadelphia office in June.

Should you move your 401(k) money into an IRA?

By Lori Blum, Investment Manager

As we progress through life, we often change jobs and may have various retirement accounts at different companies or several rollovers at brokerage houses. By keeping your money at an old employer, you may be charged service fees or administrative costs that are not charged to current employees. Also, you need to consider possible changes at your former employer, (mergers, partner changes, etc.) which may cause difficulties accessing your savings. Usually, a company sponsored retirement plan gives you a limited number of investment choices. For most of us, it makes sense to consolidate those retirement accounts into a single IRA. This will allow you greater convenience and control. When you 'roll over' your accounts, your money can continue to grow tax-deferred.

Net Unrealized Appreciation (NUA)

If you have a large portion of employer stock in your 401(k), it is important to consider your options prior to rolling over your account. You may want to rollover the rest of your 401(k) and move your employer stock into a brokerage account where the capital gains you've made through years of holding the stock may be taxed at a lower rate than if you just rolled the stock into an IRA. Doing so will create a short term tax obligation, but may save you a lot in the long run if your long-term capital gains tax rate is below that of your ordinary income tax rate.

Early Retirement

More and more people are opting to retire at an early age. In doing so, they are more dependent upon their savings. There is a 10% penalty for withdrawals taken from retirement plans and IRAs prior to reaching the age of 59 ½. What many people do not know is the IRS allows you to access your money *prior* to turning 59 ½ without suffering the 10% tax penalty if you know your options. One method is to take withdrawals in substantially equal periodic payments. Payments need to be calculated over your life expectancy, taken at least annually and must continue for the **greater** of five years or until you reach the age 59 1/2. Withdrawals are still subject to ordinary income tax.

Moving your 401(k) into your new employer's plan

While your money will continue to grow tax deferred, and you may have the option to borrow from your new plan, your investment options will be limited to those in the new plan. There may also be limits to how often you can roll your 401(k) (enrollment periods) and there may be a waiting period before you are eligible to participate in your new employer's plan. Many plans allow for loans, usually only to current employees. Loans will need to be paid back with interest, usually through salary deferrals.

If you have 401(k) accounts with old employers and are confused about what to do, please contact our office and make an appointment so we can go over your options and help you decide what is best for your situation.



In 2007 Roffman Miller was the 16th largest corporate fundraiser of the Philadelphia walk. Let's make 2008 even bigger; if each of last year's participants brought a friend this year our contribution would grow in strides. It is the power of compounding.

Save the Date: Philadelphia – October 12, 2008

Q&A: Consider Making an Estate Check-Up a Multi-Generational Family Matter

Questionable estate planning has gotten some recent attention with the sudden death of actor Heath Ledger. The 27-year-old actor died suddenly this year with an older will that provided only for his parents and other immediate family – he never revised those documents to accommodate his young daughter or the child's mother.

Though Ledger's parents told the media that the daughter and mother would be fairly provided for, that's not the same thing as a solid estate plan that leaves nothing to chance. And if Ledger's death offers a lesson, estate planning should be done at the earliest point in your life that you start to gather assets and responsibility for others.

In estate matters, it's a good rule of thumb to review your plans every three years or whenever there's a material change in your family's lifestyle – a marriage, a divorce, a remarriage, the birth of children, the loss of an immediate family member or a major rise or fall in assets. Those are the biggies.

For individuals and couples with elderly parents and/or young kids starting out on their own, it might be smart to do a multi-generational estate checkup at the same time. Why? Because in families with significant assets or other pressing financial issues involving businesses or dependents, each generation's wishes for the dispersal of shared or personal assets should be documented legally and shared with all the relevant parties.

Q: What are some of the multigenerational issues in estate planning?

A: In some families, this may mean the future of a multigenerational family business, perhaps one of the most complex estate issues any family will face. In others, the assets may consist mainly of cash, property and other investments, but similar problems can occur when all the parties aren't on the same page about who will get what.

Q: What kind of problems can be prevented by multigenerational estate planning?

A: It's important to realize that estate planning isn't just about splitting up money – it's also about disaster planning. If a family hasn't planned for business succession, it's possible that other damaging secrets may emerge like problems in the business or significant debt the family might be liable for. Also, the sudden death or lengthy incapacitation of the head of a family may turn chaotic without proper health care or financial directives to manage the person's illness or the money and business issues that follow.

Multi-generational estate planning may not be the easiest thing in the world to accomplish given how families communicate – or don't communicate – about money. But such dialogue might be the smartest thing any family does together.

Q: How does an estate plan support a family legacy?

A: Proper discussion, documentation and review of a family's assets – with the participation of the right legal, tax and financial planning advisers – can keep more of those assets in the family and working to the family's wishes. In the case of a family business, generations of family members have built careers there or might otherwise be depending on that income to live. Yet a business might not even be at the heart of an issue – families may also have foundations or other charitable activities they've supported for years with a certain mission that those in charge don't want changed. More than a few families have imploded in ugly legal squabbles over these situations and more. The results can be lengthy legal battles with damaging tax consequences, a potentially unfair split of assets among relatives or simple mismanagement of those assets going forward.

Q: How can estate planning fail?

A: Bad estate planning can happen in the wealthiest of families. It's not unheard of in the richest of families for the matriarchs and patriarchs to die or become incapacitated without proper wills or directives for their heirs. Every adult family member – young or old -- should commit to the creation of such documents and as appropriate have them written in a way that doesn't shipwreck the family fortune or mission, no matter how big or small it is.

Q: What should be done about non-married family?

A: The Ledger situation is a good illustration of the potential for estate problems when couples are not legally married. That's why multi-generational planning should also address estate and child custody arrangements for unmarried heterosexual or gay couples who might or might not have done the appropriate legal planning necessary to secure the estates of their current or past partners and their heirs. At the very least, all family members should understand the need for such planning to avoid conflict later. As non-traditional families become more common, families need to be open to that discussion.

Company News:

Roffman Miller institutes web-based meetings

Client meetings are an important part of our business. While we still consider face-to-face meetings a key ingredient to building successful relationships, they are not always practicable for everyone involved. To help bridge the gap between the phone call and the in-person meeting, Roffman Miller has begun to use a web-based meeting tool, GoToMeeting.com.

GoToMeeting is a secure and effective way for Roffman Miller to make a presentation or review documents when time for travel (or the cost of gas!) is at a premium. Participants can all view the same presentation on any computer, regardless of location, while participating at the same time on a phone conference call. Don't worry – this is not meant to replace the way we've done things all along, but it does offer an alternative to those with a busy schedule.

Personnel News

Jim Morton retired from Roffman Miller in June.

Lori Blum recently celebrated her 5th wedding anniversary.

Congrats to the families of **Ryan Crooks** and **Tish Lee**; both are expecting children in 2008.

Energy

Some interesting facts:

A barrel of oil yields refined products in the following percentages:

- 47% of a barrel of oil goes towards gasoline for cars
- 23% to heating oil and diesel fuel
- 18% to petrochemical feedstock – the base for other chemicals and plastics (crayons, bubblegum, etc.)
- 10% to jet fuel
- 4% propane
- 3% asphalt

U.S. Crude Oil Production: 5.1million barrels/day (one barrel = 42 gallons)

U.S. Crude Oil Imports: 10.1million barrels/day

Top U.S. Crude Oil Supplier: CANADA (1.8million barrels/day)

World oil consumption is estimated to increase by about 1.3 million barrels/day in 2008 and 2009 (about 1.5% each year)

At current production levels, there are about 41 years worth of proven oil reserves worldwide (Source: BP)

There are approximately 60 years worth of proven natural gas reserves at current production rates (25% of it in Russia)

By comparison, there are about 130 years worth of proven coal reserves (28% of that in the U.S.) Coal was the fastest growing fuel in the world for the 5th consecutive year (Source: BP)

Worldwide hydroelectric power consumption is actually greater than worldwide nuclear energy consumption (6.3% vs 5.6%)

In 2007, the U.S. consumed over 142 billion gallons of gasoline

At \$4/gallon, that's \$568 billion dollars we poured into our gas tanks

or \$3.4 million in sales for the average gas station

or \$56 BILLION in state and federal gasoline taxes

Source: Department of Energy

Roffman Miller

ASSOCIATES, INC.

Wealth Management

Contact Information

Roffman Miller Associates, Inc.

1835 Market Street

Suite 500

Philadelphia, PA 19103

Tel: 215-981-1030 Toll-free: 800-995-1030 fax: 215-981-0146

www.roffmanmiller.com info@roffmanmiller.com
