



Financial Times

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A FINANCIAL PEP TALK

(’cause you might need one right now)

Remember Eeyore? You know, the pessimistic, depressed, grey donkey from the “Winnie the Pooh” stories? *(If you do, you’re probably trying to impersonate Eeyore’s voice from the Disney cartoons, aren’t you?)* From Eeyore’s perspective things were always heading for disaster. Even when things were looking up, Eeyore was sure that it was only setting the stage for something worse.

As you read the financial headlines, there are moments where you might wonder if everyone writing or speaking about financial topics had suddenly become Eeyores. All the bad news means only more bad news: rising oil prices, dropping stock market values, defaulting mortgages, declining earnings, downsizing companies and outsourcing jobs. As Eeyore might say, “Oh my, it’s all bad news.”

When the bad news starts to cascade, it seems the conditioned response is to adopt a bunker mentality – pull back, pull out and hole up. Cut your losses, cut your expenses, cut up your credit cards.

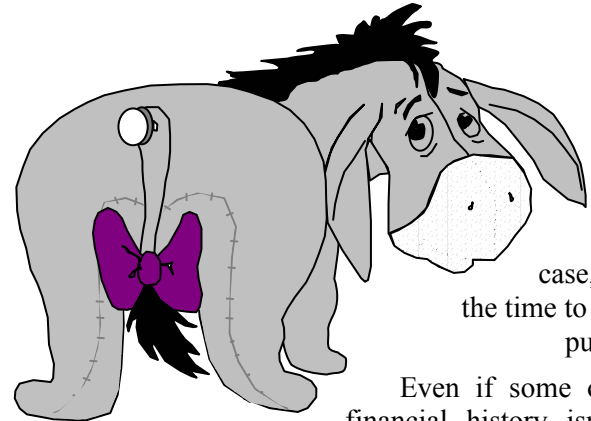
But maybe now is not the time to cut and run. Read this excerpt from “Killing Sacred Cows” by Garrett Gunderson:

I’m constantly amazed at how much financial advice I hear boils down to cutting expenses.

Now, am I saying that cutting expenses is inherently bad, or that it is not useful in the proper context? No. But to enjoy better results, instead of asking “How can I cut my expenses” we should ask “How can I be the most productive in this moment?”

How can I be most productive in this moment? Isn’t that a good question on which to base your financial decisions?

Much of the macro-level economic fallout is the result of poor decisions by institutions and large groups of individuals. But if you’ve been making good financial decisions, it’s possible you are well-positioned to take on some outstanding opportunities – at very favorable prices.



If that’s the case, now is the time to act, not pull back.

Even if some of your financial history isn’t that great, are your problems going to be solved simply by tightening your belt? Put it this way – what’s going to pay off that home-equity loan faster – an extra \$100 each month, or a \$1,000 increase in monthly income? As Gunderson says, “we should produce more than we consume, and the best way to do that is usually to focus more on **increasing our production** as opposed to focusing on decreasing our consumption.”

How can I be most productive in this moment? When you first process that question, you may think of it primarily in terms of generating more income through your work, business, or investment opportunities that you already know about. But answering the question doesn’t have to be a solo project. Now might be the ideal time to ask the financial professionals that serve you for their insights as well.

An old Hebrew proverb says there is wisdom in a multitude of counselors. So it seems logical that having two or three other people helping you become more productive can only work to your benefit.

The economic bad news you hear and read shouldn’t be dismissed; some things are not going well, some companies are in trouble, and some people are struggling. But while economic bad news may give you information to adjust the specifics of your financial circumstances, it shouldn’t change your outlook.

Whatever the situation, the best response is: How can I be most productive in this moment?

“PRODUCTIVITY TRUMPS ACCOUNTING”

Life Insurance Notes

Life insurance isn't the sexiest financial topic, but as an aspect of risk management, it remains a foundational component in every financial plan. And, in its own way, the life insurance industry has some interesting developments. What follows are three life insurance items worth noting.

Note #1: If you are serious about life insurance, get expert assistance

The purchase of life insurance is rarely a "once-in-a-lifetime" thing. Surveys about customer preferences and behaviors may vary in their specifics (what type of policy was purchased, the amount, etc.) but one aspect of their findings seems constant: People who buy life insurance will buy several policies during their lifetime.

In the industry, a typical comment is that people buy seven life insurance policies during their lifetime. Some of the details of this statement are fuzzy (if you buy a policy on your child does it count as one of their seven policies, or one of yours?), but even if the number is three or four instead of seven, it still means that life insurance is not a "set-it-and-forget-it" financial decision.

However, even with seven policies during your lifetime, it's not like buying life insurance is something you do on a regular basis. Consequently, many people are less than informed when it comes to the status of their life insurance program. What's worse, there are indications that some "financial professionals" aren't much better informed than the typical policyholder.

Errol F. Moody, Jr., operates and maintains what he claims is "the largest and most comprehensive planning site on the Internet" (www.efmoody.com). For more than two decades, Moody's major interest has been "individual fee financial planning." It is Moody's contention that the best way to retain the services of a financial professional is by paying for their advice as opposed to buying their products. *Except when it comes to life insurance.*

Moody observes that many fee-based planners don't seem to know much about insurance. Besides personal experience, he quotes a 1999 *Journal of Financial Planning* article which stated:

"...many planners were not looking at, or least not emphasizing enough, the entire area of risk management – not just life insurance, but also disability, health, long-term care and liability coverage."

Moody follows with some commentary of his own. (As you read this, keep in mind that for the past 22 years, Moody has been a professor at the University of California at Berkeley and Irvine, taught classes for Professional Designation in Financial Planning, and

from 1995-2004 he was an Insurance instructor for various licenses and continuing education programs.)

"Insurance is, in my mind, one of the most difficult of all planning areas. While it is easy to get information about mutual funds and other investments from the likes of Morningstar or Value Line, it is almost nigh on to impossible to obtain objective and intensive analysis of a life insurance product. Therefore, since the analysis is hard, and since very few planners have the capability to do such analysis, they simply have decided to effectively eliminate planning for that area in total. Therefore, while somebody may have limited the conflict of interest in regards to commission, they simply have paid an hourly or flat fee for an incompetent, unknowledgeable adviser who has effectively breached its fiduciary obligation to a client."

Thus, Moody concludes the only effective way to buy life insurance is from a knowledgeable agent. Moody acknowledges that "while it is unquestionably true that commissions can taint the planning process, it is not a universal fact." The real issue is the financial professional's knowledge of insurance, their ability to accurately transmit that information to the consumer, and then deliver the appropriate products. Because of the variety and complexity of insurance contracts, you need to work with someone who is immersed in the business. And the most likely "expert" is an insurance agent, commissioned or not.

"The problem is that no matter what you think of insurance, past problems, future difficulties, etc., risk management still is a mandatory element of financial planning." - Errol Moody

Note #2: Guess who's buying life insurance? People over 70

Here's something actuaries might not have anticipated: increasing numbers of people over 70 are buying more life insurance.

According to its PR material, Towers Perrin is "a global professional services firm that helps organizations improve performance through effective people, risk and financial management." One of the reports that Towers Perrin produced in 2005 was the *Tillinghast Older Age Mortality Study* (TOAMS), which uncovered interesting trends in the use of life insurance among older individuals. In February 2008, Tower Perrin released *TOAMS 2*, and the updated data was, in a word, "overwhelming."

Quoted in a February 12, 2008 *Business Wire* release, Mike Taht, a principal at Towers Perrin noted "an overwhelming increase in sales activity at the very high



issue ages.” Specifically, Taht reported that “...for some companies, sales at issue ages over 70 represent 30% of all universal life premiums sold – a statistic unheard of five years ago.” Other research from *TOAMS 2* found that 2007 life insurance sales were up 4.3% over 2006 for ages 60 and older, while sales among the 45 to 59 age group declined. The *TOAMS 2* suggested that this significant increase in older individuals owning life insurance could compel insurers to adjust their prices, underwriting practices and mortality assumptions.

Why are older people buying more life insurance?

Some possible answers:

Greater longevity = lower prices. Many life insurers have repriced their products (or developed new ones) based on longer life expectancies. This has resulted in more affordable premiums at higher ages.

Reality turns out to be different than theory. Remember the conventional financial wisdom that says most people don’t need life insurance in their old age? It turns out people either want or need life insurance in their “golden years,” for a variety of reasons. Their retirement resources (pensions, investments, etc.) may not be as great as anticipated. Rising health care costs, especially those from a final illness, may put surviving family members at financial risk. There may be a desire for certainty and guarantees in inheritance bequests or the settling of other financial issues – and life insurance is particularly well-suited to meet these objectives.

The emergence of life settlements as an alternative final transaction. Through life settlements, policy owners have a secondary market for their life insurance policies – they don’t have to be held until death for there to be a payoff from the insurance benefit. Although some forms of life settlement have come under ethical and legal scrutiny, there are plenty of legitimate and creative ways for policy owners to leverage the financial value of a life insurance policy before one’s death.

Note #3: A Presidential Campaign rescued by a life insurance policy?

In the fall of 2007, Senator John McCain’s presidential campaign was in serious financial trouble. Just months away from the start of presidential primaries, McCain was broke. Laying off staffers and abandoning his quest for the Republican Party nomination seemed inevitable. So the McCain campaign, like many other struggling enterprises, went looking for a loan. In November, the Fidelity & Trust Bank of Maryland lent McCain \$3 million.

According to a February 14, 2008 *Wall Street Journal* editorial, “there’s no doubt the November cash infusion helped Mr. McCain survive long enough to compete and win in New Hampshire (one of the early state primaries),



and ultimately to become the GOP’s presumptive nominee.”

It is not unusual for candidates for elected office to borrow to finance their campaigns. But what got the attention of the *Wall Street Journal* was the collateral McCain offered in exchange for the \$3 million. According to the Journal, it was McCain’s demonstrated ability as a fund-raiser that convinced the bank he was worth the money – regardless of whether he would eventually win the nomination. But in addition, The Journal noted that “Mr. McCain also put up a life insurance policy and other campaign assets.”

Although the article provided no further details, the essence of the transaction could be evaluated thusly: Fidelity & Trust was banking on McCain’s unique personal ability to raise money – and on the policy that insured his life.

An alternative to the debt snowball



With the turmoil in the stock market, the decline in interest rates on savings, and the resulting instability in the economy, some individuals are considering whether it might be prudent to clean up their personal finances by paying off debt, especially high interest credit card debt. For some, this is simply a matter of transferring money out of a savings account to pay off credit card balances. But for many others, paying down credit card debt involves reallocating monthly income: instead of saving or spending, more of your monthly income will be used for debt reduction. One of the popular strategies for managing this reallocation is sometimes referred to as the “debt snowball.”

The debt snowball is a systematic way to reduce or eliminate personal debt, typically on credit cards. In this strategy, you determine how much additional income you can commit to debt reduction, and allocate the entire amount to one account, while continuing to make minimum payments on the other accounts. For example, suppose you have three credit card accounts with the following balances and minimum monthly payments:

Credit card A: \$5,000 - \$150/mo. minimum payment
Credit card B: \$6,000 - \$120/mo. min. payment
Credit card C: \$3,500 - \$105/mo. min. payment

In total, these three accounts require \$375/mo. to pay the minimum amounts. After examining your budget, you determine you can allocate an *additional* \$225/mo. to paying off these balances. Using the debt snowball strategy, you would apply the entire \$225 to one account. (Which account you choose might depend on several factors, including the interest rate or minimum

payment, but most snowball articles recommend tackling the smallest balance first.) For this illustration, let's choose credit card C to receive the extra \$225, or a total monthly payment of \$330. (See Fig. 1.)

In approximately one year, credit card C is paid off. Now the "snowball" effect can begin. Since you no longer have to pay \$330/mo. to credit card C, that amount can be added to credit card A. With card A now receiving monthly payments of \$480 (the \$150mo. minimum plus the \$330 previously applied to card C), this account is paid off in eight months. All that's left is credit card B, and your full debt reduction payment of \$600/mo. can be applied to one account. Another six or seven months, card B's balance is zero – and now you have \$600/mo. to save or spend.

It sounds great, right? But is the debt snowball really the best strategy for debt reduction? Maybe, maybe not.

The appeal of the debt snowball is mostly psychological. By concentrating your debt reduction efforts on one account, you have the positive reinforcement of seeing significant progress in reducing one account. And hopefully, that success gives you momentum to stay the course until all accounts are paid. But from a big-picture perspective, \$600/mo. was used to pay off \$14,500 in credit card debt over 2½ years. Although there might be a slight difference in the outcome depending on the interest charged by the various accounts, this result would have been accomplished in the same time period if the extra \$225 had been divided equally (\$75 each) over the three accounts.

The real key to successfully paying off the credit cards is **consistency**, in making the \$600 monthly payment,

card balances. And really, those are the bigger issues that determine success or failure in clearing the debt.

Which is why it might be worth considering a counter-intuitive alternative to the debt snowball: what if you make only the minimum payments and focus on saving more money?

Using the example above, instead of allocating an extra \$225 each month to debt reduction, **deposit the money in a savings account for one year.** This doesn't immediately help debt reduction, but *saving first* does deliver some other immediate and long-term benefits.

First, the reason many people run up credit card debt is because they don't have cash available. Either they don't budget properly, or they haven't developed the self-discipline to save and pay cash instead of borrowing and paying interest. **One of the long-term keys to controlling debt is establishing the habit of saving.**

Second, if you're using a debt snowball strategy to pay off existing debt, what happens when one of those unexpected expenses comes up? Most likely, the solution means using the credit card again, adding more debt to the pile. But **if you have built up your savings, you may not have to dip into the credit card well.**

Third, having a savings account might give you the assurance that you can continue making minimum payments (and preserve your credit rating) even if your income takes a hit because of smaller bonuses, a layoff, illness, etc.

Finally, having established a better financial framework for the future, lump sums from the savings account can be applied to credit card balances on regular intervals, perhaps every six months or once a year. Similar to the debt snowball, this **minimum-payment-**

FIG. 1 CREDIT CARD C: PAYDOWN WITH MINIMUM PAYMENTS
18.00% Interest charged

MONTH	BEGINNING BALANCE	MONTHLY PAYMENT	INTEREST CHARGED	ENDING BALANCE	MONTH	BEGINNING BALANCE	MONTHLY PAYMENT	INTEREST CHARGED	ENDING BALANCE
1	\$3,500.00	\$105.00	\$50.93	\$3,445.93	24	\$2,027.80	\$105.00	\$28.84	\$1,951.64
2	\$3,445.93	\$105.00	\$50.11	\$3,391.04	25	\$1,951.64	\$105.00	\$27.70	\$1,874.34
3	\$3,391.04	\$105.00	\$49.29	\$3,335.33	26	\$1,874.34	\$105.00	\$26.54	\$1,795.88
4	\$3,335.33	\$105.00	\$48.45	\$3,278.78	27	\$1,795.88	\$105.00	\$25.36	\$1,716.25
5	\$3,278.78	\$105.00	\$47.61	\$3,221.39	28	\$1,716.25	\$105.00	\$24.17	\$1,635.41
6	\$3,221.39	\$105.00	\$46.75	\$3,163.14	29	\$1,635.41	\$105.00	\$22.96	\$1,553.37
7	\$3,163.14	\$105.00	\$45.87	\$3,104.01	30	\$1,553.37	\$105.00	\$21.73	\$1,470.10
8	\$3,104.01	\$105.00	\$44.99	\$3,043.99	31	\$1,470.10	\$105.00	\$20.48	\$1,385.57
9	\$3,043.99	\$105.00	\$44.08	\$2,983.08	32	\$1,385.57	\$105.00	\$19.21	\$1,299.78
10	\$2,983.08	\$105.00	\$43.17	\$2,921.25	33	\$1,299.78	\$105.00	\$17.92	\$1,212.70
11	\$2,921.25	\$105.00	\$42.24	\$2,858.49	34	\$1,212.70	\$105.00	\$16.62	\$1,124.32
12	\$2,858.49	\$105.00	\$41.30	\$2,794.80	35	\$1,124.32	\$105.00	\$15.29	\$1,034.61
13	\$2,794.80	\$105.00	\$40.35	\$2,730.14	36	\$1,034.61	\$105.00	\$13.94	\$ 943.55
14	\$2,730.14	\$105.00	\$39.38	\$2,664.52	37	\$ 943.55	\$105.00	\$12.58	\$ 851.13
15	\$2,664.52	\$105.00	\$38.39	\$2,597.91	38	\$ 851.13	\$105.00	\$11.19	\$ 757.32
16	\$2,597.91	\$105.00	\$37.39	\$2,530.31	39	\$ 757.32	\$105.00	\$ 9.78	\$ 662.11
17	\$2,530.31	\$105.00	\$36.38	\$2,461.69	40	\$ 662.11	\$105.00	\$ 8.36	\$ 565.46
18	\$2,461.69	\$105.00	\$35.35	\$2,392.04	41	\$ 565.46	\$105.00	\$ 6.91	\$ 467.37
19	\$2,392.04	\$105.00	\$34.31	\$2,321.34	42	\$ 467.37	\$105.00	\$ 5.44	\$ 367.81
20	\$2,321.34	\$105.00	\$33.25	\$2,249.59	43	\$ 367.81	\$105.00	\$ 3.94	\$ 266.75
21	\$2,249.59	\$105.00	\$32.17	\$2,176.76	44	\$ 266.75	\$105.00	\$ 2.43	\$ 164.17
22	\$2,176.76	\$105.00	\$31.08	\$2,102.83	45	\$ 164.17	\$105.00	\$ 0.89	\$ 60.06
23	\$2,102.83	\$105.00	\$29.97	\$2,027.80	46	\$ 60.06	\$ 60.06	\$ 0.00	\$ 0.00

and also in **not adding additional amounts** to the credit

and-save-the-difference approach pays off the credit

cards faster than simply making minimum payments.

At this point, some math-oriented skeptic is likely to point out that the interest that continues to accrue against the higher credit card balance is likely far greater than the interest earned in the savings account. This is true. But how much difference does it really make?

Consider credit card C, the one with the \$3,500 balance. Assume the annual interest charged is 18%.

At \$105/mo., it would take 46 months to pay off the account. (see Fig. 1). Adding \$225 each month to the \$105 would pay off the balance in 12 months (Fig. 2), with a final month payment of \$149.22.

FIG. 2 CREDIT CARD C: ADD \$225 TO MIN. MO. PMT
18.00% Interest charged

MONTH	BEGINNING BALANCE	MONTHLY PAYMENT	INTEREST CHARGED	ENDING BALANCE
1	\$3,500.00	\$330.00	\$47.55	\$3,217.55
2	\$3,217.55	\$330.00	\$43.31	\$2,930.86
3	\$2,930.86	\$330.00	\$39.01	\$2,639.88
4	\$2,639.88	\$330.00	\$34.65	\$2,344.52
5	\$2,344.52	\$330.00	\$30.22	\$2,044.74
6	\$2,044.74	\$330.00	\$25.72	\$1,740.46
7	\$1,740.46	\$330.00	\$21.16	\$1,431.62
8	\$1,431.62	\$330.00	\$16.52	\$1,118.14
9	\$1,118.14	\$330.00	\$11.82	\$ 799.97
10	\$ 799.97	\$330.00	\$ 7.05	\$ 477.02
11	\$ 477.02	\$330.00	\$ 2.21	\$ 149.22
12	\$ 149.22	\$149.22	\$ 0.00	\$ 0.00

If the \$225 was deposited each month in a savings account earning 2% (Fig. 3), the accumulation could be applied as a lump-sum payment of \$2,729.43 in the 12th month, with a final payment of \$65.43 in the 13th month to completely clear the credit card account.

FIG. 3 SAVINGS ACCOUNT 2.00% Interest Earned

MONTH	BEGINNING BALANCE	MONTHLY DEPOSIT	INTEREST ACCRUED	ENDING BALANCE
1		\$225.00	\$0.38	\$225.38
2	\$225.38	\$225.00	\$0.75	\$451.13
3	\$451.13	\$225.00	\$1.13	\$677.25
4	\$677.25	\$225.00	\$1.50	\$903.76
5	\$903.76	\$225.00	\$1.88	\$1,130.64
6	\$1,130.64	\$225.00	\$2.26	\$1,357.90
7	\$1,357.90	\$225.00	\$2.64	\$1,585.54
8	\$1,585.54	\$225.00	\$3.02	\$1,813.55
9	\$1,813.55	\$225.00	\$3.40	\$2,041.95
10	\$2,041.95	\$225.00	\$3.78	\$2,270.73
11	\$2,270.73	\$225.00	\$4.16	\$2,499.89
12	\$2,499.89	\$225.00	\$4.54	\$2,729.43

Thus, even though the difference between the interest charged by the credit card and interest earned in the savings account is 16%, the difference in payoff time is **only one month!**

Even better, with one account paid off, you can “snowball” your savings, now adding \$330 each month to your account, making it possible to pay off the next card sooner while also making it less likely that you will have to use a credit card in the future.

On paper, the debt snowball strategy helps you roll down your debt, but snowballing your saving might accomplish the same objective while delivering other important benefits.

The EA: A Key Resource on Your Financial Team

If you belong to the top tier of wage-earners in the United States, you may want to mix another professional credential into the financial alphabet soup of CPA, JD, CLU, IAR and RR. The designation is EA, which stands for Enrolled Agent.

An **Enrolled Agent (EA)** is a “federally-authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections, and appeals.” (from the National Association of Enrolled Agents web site, www.naea.org)

Only Enrolled Agents, attorneys, and CPAs may represent taxpayers before the IRS. Unlike attorneys or CPAs, EAs are licensed specifically by the government. EAs either pass a comprehensive examination which covers all aspects of the tax code, or qualify by having worked at the IRS for five years in a position which regularly interpreted and applied the tax code and its regulations (many ex-IRS personnel become EAs). EAs are also required to meet continuing education requirements to maintain their Enrolled Agent status.

Similar to CPAs or attorneys, EAs advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts, and any entities with tax-reporting requirements. But while attorneys and CPAs may or may not choose to specialize in taxes, an EA’s only specialty is taxation. In theory, this expertise in the continually changing field of taxation enables them to effectively represent taxpayers audited by the IRS.

Why would I want an Enrolled Agent?

A Feb. 5, 2008 *Wall Street Journal* article titled “High Earners Face Surge in Tax Audits” noted that in 2007 the IRS reported a 14% annual increase in audits of taxpayers making \$100,000 or more, a 29% increase in audits of people earning \$200,000 or more. For those making more than \$1 million, there was an 84% surge in audits; almost 1 in 10 returns for this group will be audited compared to 1 in 100 overall. According to the article, the IRS expects these percentages to increase because many high wage earners are “self-employed workers, such as consultants and small-business owners, whose taxes aren’t withheld from their pay and whose income isn’t reported separately to the government.” Income tax laws are often complex, but the bureaucracy that accompanies audits and collections may be worse. Without guidance, it’s possible to not only owe more taxes, but incur substantial interest and penalties.

A weblog from www.worksaveown.com contains an interview with an unnamed Enrolled Agent. The EA worked as a collections officer for the IRS for 38 years, and currently specializes in Offers in Compromise, negotiations to help reduce taxes owed or establish an installment agreement for paying off balances.

The interview provided a specific example of how an EA's knowledge might save the taxpayer money:

Suppose an audit determines the taxpayer owes an additional \$35,000 in taxes. Because of the fluctuating nature of his business, the taxpayer doesn't have \$35,000 on hand. What happens?

The IRS can require a "Collection Information Statement" from a taxpayer who owes money. From this assessment, IRS collection agents can make a determination of what, if any, assets they would like the taxpayer to sell or refinance in order to meet their tax obligation. One of the typical recommendations a collection agent might make is to liquidate an IRA account, if one exists.

Of course, the liquidation may result in *additional taxes for the current year, as well as a penalty for early withdrawal*. But the collection officer's focus isn't on this year's tax issues; it's on satisfying the collection. However...

If the taxpayer took a partial liquidation to reduce

the outstanding tax bill to less than \$25,000, he/she might be eligible for a streamlined installment agreement in which monthly payments are made over the next five years. This agreement can usually be completed by phone – without detailed financial information.

Wouldn't a collections agent help the taxpayer by explaining the above regulations and possible solution? In the experience of this particular EA, "no." Instead, he offered the fable below as illustration (see "The Tortoise and the Scorpion" below).

"The main function of the Internal Revenue Service is to collect revenue," said the EA. "You can't expect the IRS to help you, even if they are being nice to you. Their job is to get the money – it's what they do."

Speaking from 38 years of experience on the IRS side, as well as another four years as an Enrolled Agent, he said, "A taxpayer should never speak to the IRS without representation."

If your CPA or attorney is a tax specialist, you may not need the services of an Enrolled Agent. But if your income puts you in the high wage-earner classification, knowing an EA, or having access to one, might be a nice insurance policy – both financially and psychologically.



The Tortoise and the Scorpion

One day a scorpion was on the bank of the River Jordan, wanting to get across to the other side. But of course scorpions can't swim. Luckily it spotted a tortoise that was about to swim across the river.

'Please, tortoise,' said the scorpion, "I need to get across the river, but I can't swim - let me ride on your back."

"What sort of a fool do you take me for?" said the tortoise. "If I let you near me you'll sting me to death."

"Of course I won't," said the scorpion. "I'm trying to get across the river. What possible good would it do me to sting you? I'd drown!"

The tortoise thought it over, and could see the logic of the scorpion's argument. So he let the scorpion jump onto his back, and set off swimming across the Jordan. But half-way across the river, where the river was at its deepest, the tortoise felt the scorpion's sting stab deep into his flesh. As both animals began to drown, the scorpion apologized: "I'm a scorpion - I couldn't help myself. That's what I do."

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