BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

Spring 2004

Your Financial Plan Should Be Personal—Not Packaged

By: Elaine E. Bedel, CFP®

Entire communities are built where every house looks very much the same. The paint and trim may be different, but it is easy to tell they are all created from the same basic plan. "Cookie-cutter" homes may be less expensive, but they provide little flexibility for individual preferences and are less likely to appreciate in value than their custom counterparts.

In the financial planning industry, some firms use the cookie-cutter concept in creating their clients' financial plans. Unlike those firms, our services are tailored to reflect the unique needs of each client. We do not try to fit our clients into "packaged" or "computerized" financial plans or "model" investment portfolios. We listen to each client's questions, issues and concerns and develop a personal financial plan and detailed investment strategy based on his or her goals.

Financial planning

When it comes to financial planning, we include all the normal areas of client analysis: retirement planning, education funding, investment planning, debt management, income tax planning, insurance needs analysis and estate planning.

However, many of our clients need additional services: plans for exercising stock options or effectively utilizing other employee benefits, such as deferred compensation or succession plans for business owners.

A review of wills and trusts is just the beginning of estate planning needs for many of our families. Other issues are on-going management of assets for the benefit of heirs, asset protection from creditors and divorce and putting into place the appropriate trusts to provide for a special-needs child throughout his or her adult life. Because estate plans can become very complicated, we often meet with children and grandchildren to explain the plan and its special provisions designed to meet everyone's needs.

Charitable giving is another area where our expertise concerning charitable trusts, donor-advised funds and foundations can be helpful in allowing a family to meet their philanthropic goals. By weaving their charitable desires into the overall financial plan, we can assist the client to select the timing and a benefit amount that does not jeopardize the family's financial security.

Because we focus on the needs of the client, the financial plan can include an analysis and recommendations on any unique family issue. We thoroughly discuss the plan in a way that enables each client to visualize the impact our recommendations will have on his or her financial security.

Investment management service

Our investment management service is unique because the client's investment portfolio and financial plan work in sync. Investments are structured to meet the cash flow needs and to accomplish the long-term growth objectives required to meet the client's lifetime goals. Those goals may include providing college tuition, a down payment for a house or retirement living expenses.

At Bedel Financial Consulting, we begin by analyzing the client's current investments. After our analysis, the inappropriate or under-performing investments are sold, taking into consideration any income tax implications. Using the cash in the portfolio we invest in no-load mutual funds and individual securities that complement the remaining investments. Unlike some brokers or money managers, our clients' investment portfolios are not liquidated and reinvested based on a rigid model that requires portfolios to be a carbon copy of each other. And, because we manage each portfolio to meet each client's unique needs, we can adjust the investments quickly to reflect a client's life changes or sudden need for cash.

Personalized solutions for your unique family issues

Only a knowledgeable and experienced staff can provide financial planning and investment management services that create personalized solutions for your family's unique issues. Our staff looks forward to providing solutions tailored to fit your individual needs.

In This Issue

From Elaine
Just Do It…Get the Job Done Now!

Life presents us with a series of decisions to make on a daily basis. When we actively and consciously make choices we feel good about ourselves. Often, however, we allow our "choices" to be made for us because we do not take action.

You forget to buy 500 tickets, so you end up watching the race on TV after it is already run. You neglect pulling together all the information needed to get your taxes done until you have no choice but to file for an extension. You put off repairing an item until it finally gets beyond repair.

There is a window of time to complete certain tasks, and then it passes.

Financial planning is like that. You save for your child's college education or you pay for it from cash flow. You make your money work for you or you work a few years longer. You take time to organize your affairs and documents or your family faces a crisis at your death.

The message is: just do it…get it done now. We can help. Our feature article is meant to remind you of the areas of expertise within our firm and the many topics that can be addressed through our financial planning and investment management services. Many times a client or prospect will say, "I didn't know you could help me with that." It is difficult for us to communicate all we can do for you, because our services are designed to meet your unique needs. Bedel Financial Consulting, Inc. does not provide "pre-packaged" plans to our clients. If you are concerned about a financial issue, talk to us. We will help you, or, if it is out of our area of expertise, point you to someone who can help.

In a few months, the political campaigns will consume our airwaves and billboards. No doubt, the topic of business ethics will be part of the political conversation. Dawn E. Morley addresses "insider trading" in our Industry News article—how it is defined and the potential consequences—in light of the Martha Stewart/ImClone case. Whether you are considered an insider within your company or not, you may still have access to insider information. It is important that you understand the impact of your actions. If you do not, the next newsletter you receive may have a "federal" address!

Is it time for a new car? Find out about leasing versus buying new vehicles in Bill Wendling's Client Dream – Client Reality. If you would like to view your investment accounts 24/7, Shelly Willingham provides information on how to view your accounts online.

We try to provide information on topics that are useful and of interest to you in each issue. Is there a topic you would like more information on or a question you would like us to answer? Let us know. We value your input.

We also invite you to visit our web site at **BedelFinancial.com.** We are constantly updating the information and have provided links to other financial Web sites that you may find helpful. It is also a good way to introduce us to your family, friends and business associates who may appreciate our services.

And remember, whatever choices come your way today, make active decisions. Just do it and get it done now! You will be glad you did.

Sincerely,

Elaine

Elaine E. Bedel, CFP®

Industr
An Insightful Look

by: Dawn E. Morley, MBA

The topic of insider trading seems to be in the news all the time now, especially with the recent media coverage of the Martha Stewart/ImClone Systems case. If you think insider trading is the exclusive domain of heads of financial empires, like Stewart, think again.

Here are the definitions of "insider" and "insider trading" as defined in *Wall Street Words,* published by David L. Scott.

> Insider: A person who, because of his or her position within a firm, has access to proprietary information unavailable to the general public. Although the term obviously includes corporate officers, it also may extend to relatives of these officers or to employees of other firms having a special relationship with the firm in question.

> Insider trading: The illegal buying or selling of securities on the basis of information that is generally unavailable to the public. An example is the purchase by a director of shares of his or her firm's stock just before the release of surprisingly good earnings information.

Insider trading involves acting on insider information that is both material and nonpublic. "Material" means prudent investors would consider the information significant in their investment decisions and that it would have a substantial impact on the market price of the security. In the Stewart case, the material information disclosed by a corporate insider was that a cancer drug, Erbitux, would not receive approval by the Federal Drug Administration. "Nonpublic" means the information has not been disclosed to the marketplace. In the Stewart case, the public did not know the drug would not be approved.

The policing of insider trading is a priority for the Securities & Exchange Commission (SEC). The penalty can be criminal and/or financial. Criminal violations are punishable by a maximum jail term of 10 years and fines can be up to $1 million for individuals and $2.5 million for firms.

When corporations make significant announcements, the prices of securities can change abruptly. When that happens, the SEC reviews trades executed prior to the announcement. If the SEC believes someone acted on illegal insider information, that person may come under scrutiny and be charged with insider trading. If the person under suspicion tries to cover up the illegal act, he or she can be charged with obstruction of justice.

Stewart's broker informed her that insiders at ImClone were selling their stock. Since Stewart was the CEO of a public company and a former broker, she should have known this was insider information. After she contacted an insider at ImClone and inquired why the stock was being sold, she then sold her shares. When the SEC investigated the trade, Stewart was not truthful in her answers and was convicted of obstruction of justice rather than insider trading. However, ImClone insider, former CEO Samuel Waksal, was convicted of securities fraud due to insider trading. He was found guilty of tipping off relatives and Stewart that the FDA would not approve Erbitux.

If you are in doubt about whether a purchase or sale transaction could be considered insider trading, ask yourself two questions: 1.) Is the information I know material to my investment decision? 2.) Is the information known to the general public? If the answers are "yes" and "no," respectively, you had better be careful. The SEC may come knocking on your door. When in doubt, contact a lawyer who is schooled in securities law.

Contact Dawn E. Morley if you have questions or would like additional information regarding this topic.

Client Dream — Client Reality

Next Vehicle: Lease or Buy?

By: Bill Wendling, CFA, Portfolio Manager

Second to your house, a car is one of the larger purchases that you will make. You spend hours deciding on the make, model, options and the color scheme. Then comes the big decision…lease or buy?

The most suitable alternative for you will depend on your use of the vehicle and your personal preference. Here are a few thoughts that may help you decide which option is better for you.

- **Negotiate the price first.** Whether you buy or lease, negotiate the selling price before you commit to either option. Even after you have an agreed upon selling price, dealer incentives and rebates could lower the price even further.

- **Determine the length of time you expect to keep the vehicle.** Buying and maintaining a vehicle for five years or more is the most economical route. But if you like having a new set of wheels every few years and do not mind paying the extra cost for that convenience, leasing a vehicle may be a great option for you.

- **Estimate your annual mileage.** If you anticipate "piling on the miles," buying the vehicle outright is probably the better option. Leases have annual mileage limits, typically 12,000 or 15,000 miles. If you go over your limit, you have to pay a set amount for each additional mile. That can be costly. If you expect your mileage will exceed the limit and you still want to lease, ask if you can "purchase" miles in advance at a better rate.

- **Consider the size of down payment and monthly payments.** When you purchase a vehicle, you either pay cash or you make a down payment and borrow the balance over a three- to five-year period. Rule of thumb: the larger the down payment, the lower the monthly payment. If you decide to lease, the down payment requirements tend to be less than if you purchase the vehicle—possibly even zero. For this reason, you do not need the same up-front money to lease the vehicle. This allows many drivers to acquire a more expensive vehicle for relatively the same overall financial commitment as someone purchasing a vehicle. However, there is one big difference, at the end of the lease, the car must be returned.

- **Inquire about interest rates and other fees.** One of the special incentives provided by automakers today is very low borrowing rates. You will want to inquire about the interest rate used in the lease to determine your monthly payments. If it is higher, the leasing option will cost you more, even with the lower down payment. The lease will also include fees such as transport charges, storage surcharges, finder's fees and undercoating. Try to avoid other costly fees that may appear on your lease agreement, such as acquisition and disposition fees.

- **Pay attention to residual value.** When leasing, you need to pay attention to the "residual value." The residual value is the dollar amount agreed upon to represent the vehicle's value at the end of the lease. It is an important consideration. You want a high residual value. The smaller the difference between the selling price and the residual value, the lower your monthly lease payments will be.

- **Think twice about purchasing the vehicle at the end of the lease.** At the end of the lease, if you decide to purchase your leased vehicle for the agreed upon residual value (which you may have negotiated to be higher rather than lower to reduce the monthly payment), you have compounded your costs. Purchasing the car at the end of the lease will be more expensive than having purchased it outright.

- **Remember, a lease is a contract.** Just like any other contract, you are obligated for the term of the lease. You cannot decide to "turn-in" the vehicle to the dealer if you run into difficult financial times or change your mind. In fact, if you die, your estate is liable for the completion of the lease contract.

Generally speaking, you will pay more for your transportation if you lease rather than buy. However, personal preference based on your lifestyle may make leasing the more convenient option.

There is one caveat to note—if the vehicle is being leased by your business, the lease payments will be considered a deductible expense of the business. Because of this tax benefit, the option of leasing a business vehicle should be evaluated.

Contact Bill Wendling if you have questions or would like additional information regarding this topic.

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Your Questions

Accessing Online Account Information

By: Shelly Willingham, CFP®

Q: *How do I view my financial account information online?*

A: If your accounts are held at either Schwab or Fidelity, this is how you get started:

Establish your online identification. First you must contact Schwab (1-800-515-2157) or Fidelity (1-800-544-6666). You will be asked to verify your identity. Schwab will ask you to establish your login identification (ID) (typically your social security number) and a password. Fidelity will ask you to establish a personal identification number (PIN).

Log in to your account. If you have an account with Schwab, go online at **schwab.com** or **schwaballiance.com** and input your ID and password. After you review and elect two service agreements, you will then be able to view your online account information. If you have an account with Fidelity, go to **fidelity.com** and enter your PIN. You will then be able to view your online account information.

Keep your information confidential. Change your password periodically and be sure to log out after viewing your information.

Keep in mind that only accounts listed under your Social Security number can be accessed online. You will need to have those account numbers available before you place the call to your financial institution. Other account holders must call in to access their accounts.

Contact Shelly Willingham, CFP® if you have questions or would like additional information regarding this topic.

Corporate Calendar

Bedel Financial Consulting will be closed for business on the following days:

Year 2004

Memorial Day - May 31
Independence Day - July 4 (On Sunday) – will close on Monday, July 5
Labor Day - September 6
Thanksgiving - November 25
Day after Thanksgiving - November 26
Christmas Day - December 25 (On Saturday) - closed day before - Christmas Eve - December 24

Year 2005

New Year's Day - January 1 (On Saturday) - closed day before - New Year's Eve - December 31.

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