



# JFS INSIGHTS

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**JFS NEWS**

**JFS Clients: Please Remember** to advise JFS if you serve as an officer or director of a publicly traded company or if there is any change relative to your service as an officer or director of a publicly traded company. Unless JFS is advised to the contrary, we will assume that you do not serve in such a capacity.

**New Hire:** Welcome to Amanda Kusch who joined the Operations Department in March as a bookkeeper. She will also be assisting with reception desk coverage. Amanda worked for Huntington Bank in Warren, OH, prior to coming to JFS. She graduated from Slippery Rock University with a bachelor's degree in business administration with a major in accounting. She lives in Warren with her husband and daughter.

*Thank you to all of our clients for allowing JFS Wealth Advisors to serve your financial needs. We appreciate the opportunity.*



## Oil and the Economy

At the beginning of March, consumers saw a spike in gas prices when the current unrest in the Middle East escalated. In just 10 days, the price of a gallon of regular gasoline at the pump rose 30 cents. The price of crude moved from roughly \$80 a barrel at the beginning of the year to finishing March at \$106.

While the latest surge in energy prices is likely to cause some pain and slow the recovery from the recession, economists say the spike is unlikely to derail the rebound. One big reason is that consumers and businesses have learned lessons from the last oil shock in 2008. Many drivers, for example, have given up their gas-guzzling sport utility vehicles. Automakers, which are selling more fuel-efficient cars than five years ago, reported auto sales jumped 24.3% in March, the strongest result in months. In addition, Deutsche Bank

noted that by next year more than 130 different hybrid and electric vehicles will be on the market, up from just 12 in 2008.

As the crisis in the Middle East, particularly Libya, continues, the world waits to see the effect on oil supplies. Saudi Arabia is the world's largest exporter of oil and pledged early in March to dip into its excess reserves to make up for the lost exports from Libya.

Before the unrest in Libya, which produces 1.8 million barrels of oil per day, US financial markets essentially had been shrugging off the unrest. Interestingly, Libya is the fifth North African or Middle Eastern country to see massive political uprisings challenging autocratic rule since Tunisians overthrew their government in January.

As with any commodity, the

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Leadercast 2011 is a one-day leadership development event proudly sponsored by JFS Wealth Advisors.

On May 6, Leadercast will be simulcast live from Atlanta to hundreds of venues across the country. The JFS host location is First Assembly of God, 1455 N. Hermitage Rd., Hermitage.

The \$79 registration fee covers a full day of training, continental breakfast, catered lunch and snacks. JFS is not profiting from this event other than the benefits reaped by helping further develop the community's leaders.

Registration begins at 8 a.m., with the simulcast starting at 9 a.m. For a full agenda, visit [www.chickfileleadercast.com](http://www.chickfileleadercast.com).

Space is limited, so please reserve your seat by April 29 by calling 724-962-3200 or via our website at [www.jfswa.com](http://www.jfswa.com).

## Market Comments

The volatility we experienced for much of 2010 continued in the first quarter of 2011. Civil strife in many oil producing countries in the Middle East and the catastrophic earthquake and Tsunami in Japan left the world reeling. After the initial downward reactions, however, the markets seem to have taken it in stride. Indexes we use for benchmarking show the most recent quarter and 12 month returns as follows: S&P 500, 5.92% and 15.65%; Russell

2000, 7.93% and 25.78%; and MSCI-EAFE, 3.45% and 10.9%. For the quarter, the Barclays Capital Aggregate Bond index was up .43% while the 12 month return was 5.13%.

Volatility has been driven primarily by protests (and stronger actions) demanding changes in government leadership in Egypt, Bahrain, Tunisia, Yemen, Libya and other Middle East countries. The specter of continuously higher oil

prices and disruptions to shipments initially haunted the markets, but pledges by Saudi Arabia most recently to make up the Libyan shortfall from their reserves has had a somewhat calming effect – though prices continue to rise. The shock of earthquake, Tsunami, and nuclear power plant damage in Japan has affected the Japanese population most severely, but the rest of the world continues to be con-

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## Make the Most of an Inheritance

According to a study conducted by the Center for Retirement Research at Boston University, baby boomers are expected to receive an estimated \$8.4 trillion in inheritances and have already received \$2.4 trillion. The wealthiest 10% of households will receive nearly \$1.5 million with a median of \$335,000 per household. About two-thirds of all boomers will inherit something; the median transfer will be \$64,000 per person.

Not everyone will inherit large sums – or even anything at all. In fact, some boomers are now supporting or will end up supporting their own aging parents. But, if



you come into an inheritance, it's important to plan wisely on how to use

it. First, take a step back and analyze how it affects your current and future financial picture. Your strategy will partly depend upon the form of your inheritance.

If you inherit a lump sum of cash, you may want to pay off debts, particularly high-rate credit cards or car loans. After paying off the debt, consider re-allocating that payment to your retirement fund.

For added retirement savings, you may consider funding a Roth IRA. While these savings are taxed now, they are withdrawn tax free after age 59½.

If your emergency fund is not equal to at least six months of expenses, using part of the inheritance to shore it up is a great idea. This fund should be separate from regular savings or checking accounts and will allow you to cover unforeseen costs that may arise without setting you back financially.

Another consideration is paying for your children's or

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## Oil and the Economy, continued

forces of supply and demand are at play. Any disruption in the supply-demand chain, however temporary, can send prices sharply higher. Even anticipation of future supply disruption can cause prices to climb. The world produces and consumes about 80 million barrels of crude oil a day. At \$100 a barrel that amounts to \$8 billion or just short of \$3 trillion a year. World gross domestic product (GDP) is about \$60 trillion, so oil consumption is about 4% to 5% of world GDP.

A primary result of higher oil prices felt by the economy is the higher prices at the pump. Increased gas prices eat away at the consumer's disposable income, which could otherwise be spent on dining out, clothing or the latest electronic gadgets. Low and middle income families are typically hurt most by these higher prices because they spend a higher portion of their household budget on gasoline and heating bills.

The airline and trucking industries are most severely affected by fuel prices. However, much of the remainder of the US economy is far less dependent on oil than it once was. Oil consumption has dropped more than 5%

since 2005, while natural gas use has risen 10%. A glut of natural gas has become available because of new techniques in extracting this energy source, keeping prices low. Gas now surpasses oil as a source of heating fuel.

With the demand for political change in many large oil producers in the Middle East, it is probable that oil prices will remain high. Despite the vulnerability of the US to world oil disturbances, structural changes in the US economy suggest it would not be as badly hurt as it was by the oil embargo of the 1970s. The US economy has become much more energy efficient and is now about half as energy intensive as it was 30 years ago. Today, if the economic incentives to conserve and develop alternative fuels accelerate, energy independence could be achieved sooner. Reductions to US oil imports would reduce the trade deficit and decrease the influence of international politics on US policy. Higher oil prices now are painful, but could lead to long-term benefits, if handled correctly. §

## Social Security Suspends Statement Mailings

In light of the current budget situation, the Social Security Administration (SSA) has decided to suspend mailing annual benefit statements.

The annual statements, which contain a summary of an individual's earnings history and estimated retirement benefits at various ages, generally arrives about three months before a worker's birth month.

SSA hopes to resume mailing annual statements next fall, but only to Americans age 60 and older who are not currently receiving benefits. Currently, workers can get an estimate of their projected retirement benefits based on their actual work history at [www.ssa.gov/estimator](http://www.ssa.gov/estimator). The long-term plan is to make statements available online.

SSA estimates it will save \$30 million this year and \$60 million next year by this action. §

*"The highest use of capital is not to make more money, but to make money do more for the betterment of life."*

- Henry Ford

## Market Comments, continued

cerned over the nuclear fallout, the state of the supply chain, and the human toll in Japan.

Debt issues plague the European Union with continuing problems in Ireland, Greece, and the most recent downgrade of Portuguese debt. The result of the difficulties overall is an undervalued equity market place in the Eurozone, with equities there selling at a 20% discount to US stocks when measured by price earnings multiples.

In the US, positive signs include the addition of 230,000 jobs in March following 192,000 added in February and the reduction in the unemployment rate to 8.8%. There continues to be concern that many have dropped out of the actively seeking jobs category and may never be employed again, but there are also reports showing household employment increasing by 2.6 million since the end of the recession against only a 1.5 million increase on payrolls. This is due to a strong increase in self and non-business employment. Consumer spending was up 0.7% in February with about 0.4% going to pay higher food and energy costs and the rest to discretionary consumption. Real estate continues with mixed results while new auto sales were up 24% in March. The Commerce Department's final esti-

mate of 4<sup>th</sup> quarter 2010 GDP is 3.1%, reflecting increased consumer spending, exports, and business investment during the quarter.

Along with most market strategists, we look forward to continued market gains in 2011. The consensus puts the

markets are likely to improve, possibly more than the consensus of analysts predict, given the right set of circumstances - continued corporate earnings increases, steady job growth, and increasing consumer confidence in future months as the issues with the Middle East and Japan start to

Index returns for periods ending March 31, 2011

		3 Months	1 Year	3 Years	5 Years
<b>100% Stocks</b>		5.6%	16.3%	1.9%	2.6%
<b>100% Bonds</b>		0.4%	5.1%	5.3%	6.0%
Stocks	Bonds				
<b>75%</b>	<b>25%</b>	4.3%	13.5%	2.7%	3.4%
<b>60%</b>	<b>40%</b>	3.5%	11.8%	3.2%	4.0%
<b>50%</b>	<b>50%</b>	3.0%	10.7%	3.6%	4.3%
<b>40%</b>	<b>60%</b>	2.5%	9.6%	3.9%	4.6%
<b>25%</b>	<b>75%</b>	1.7%	7.9%	4.4%	5.2%

The table summarizes returns from stocks and bonds by various asset allocations. Stocks include 1/4 allocated each to large growth and value; 1/12 allocated to each small growth and value; and 1/3 allocated to foreign. Returns for 3 and 5 years are annualized. Past performance is not indicative of future results.

US market up about 11% for the year, but all agree that it is likely to be a volatile year. The continuing worry over oil price increases causes the most concern, but as global growth appears to be on an upswing, earnings are likely to edge higher. And, with equities worldwide still trading significantly below long term price earnings averages, we continue to believe the equity

be resolved.

As always, we encourage you to continue in your recommended asset allocation unless something significant has changed in your life. Please don't hesitate to call us with your concerns and to continue planning for your future. You continue to be our number one priority, and we remain committed to helping you meet your goals. §

## Make the Most of an Inheritance, continued

grandchildren's college educations, so they do not end up saddled with excessive student debt. Remember, doing this should not come at the price of your retirement savings goals.

Gifts to charity or to other family members is another possibility although you should wait until you have come up with a financial plan before gifting money to anyone. You should

also consult with a tax professional to fully understand the ramifications of your gift.

If you have inherited money and assets through a trust, you will receive distributions according to the terms of the trust. You will not have control over the assets outright, but a trustee will manage the trust. Make sure you understand the language of the trust

and how its income and principal will be distributed. Developing open communication with the trustee is also important.

For various reasons, people tend to look at inherited money differently and often desire to preserve it in a separate bucket from the rest of their assets. These assets,

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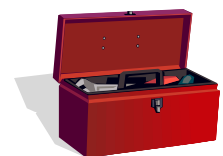
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The number of states imposing a percentage tax on gasoline sales, ensuring that revenue rises when the price of gas goes up. Illinois levies the highest gas tax at 9.25%, while certain counties in Virginia levy the lowest, 2%.

Source: The Tax Foundation

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*Please contact our office directly if there is any change in your financial condition or investment objectives.*



## TOOLBOX

### What are Price Controls?

Government mandated minimum or maximum prices that can be charged for specific goods. Governments sometimes implement price controls when prices on essential items are rising rapidly.

History has shown that price controls are, at best, effective only on a very short-term basis. Over the long-term, they can lead to shortages, rationing, and quality deterioration. Consider the price controls placed by the Nixon and Carter administrations on gasoline, which led to long lines at the pump and restrictions on how much gas could be purchased during the 1970s.

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*The mission of JFS Wealth Advisors is to foster lifetime relationships with individuals, families, and organizations, assisting them with meeting life's challenges and financial goals.*

## JFS Small Group Seminars

### September - Maximizing Retirement Income

Ron Wyatt will discuss different principles on making sure your retirement savings last through your lifetime.

### October - Medicare Planning

Just in time for open enrollment, we will provide insight into the complex world of Medicare coverage.

### November - Long-term Care Planning

Tom Lilly, president of Futurecare Associates, will present material to help you understand long-term care insurance and how it fits within your overall financial goal plan. Futurecare is an independent insurance brokerage firm with expertise in long-term care planning.

The September seminar will be offered at sites in both Hermitage and Pittsburgh. Advisors will extend invitations to clients that they feel will benefit most from the topic. If you have a specific interest in any of the topics, please let your advisor know so that we are sure to include you. In addition, you are welcome to bring a guest who would find the information helpful. We also welcome suggestions for future topics, so we can continue to provide meaningful seminars.



2011 is the 25th anniversary of JFS, and we're hosting a celebration on May 12 at 6 p.m. at Avalon Golf & Country Club at Buhl Park.

Our featured speaker will be Greg Valliere, Chief Political Strategist

of the Potomac Research Group. With over 30 years of experience covering Washington, he coordinates political and economic research. He focuses on how Congress and the White House shape fiscal policies and monitors the Fed's interest rate policies. Prior to joining Potomac Research, Mr. Valliere served as Chief Policy Strategist for Soleil Securities Corporation. He previously held key strategy roles at Charles Schwab's Washington Research Group and The Washington Forum. He is an exclusive contributor to CNBC, where he appears frequently on *Squawk Box*, *The Closing Bell* and *Kudlow & Company*.

To make reservations, email Stephanie Foltz, [sfoltz@jfswa.com](mailto:sfoltz@jfswa.com) or call 724-962-3200.

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## Make the Most of an Inheritance, continued

along with your personally earned ones, are there to serve and help you achieve your financial goals, as well as to take care of your financial priorities.

One important aspect to keep in mind: any future inheritance is not a sure thing. With boomers' parents living into their 90s and beyond, and facing unknown medical and long-term care costs, they might consume more of their assets than expected.

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