

## *Advisory News Brief*

*Part of Roof Advisory Group's ongoing series of updates designed to keep investors informed about news, events, and miscellaneous items of interest impacting the overall financial marketplace. Note that an upcoming Investment Update will address the firm's views on the current economic and investment climate.*

### **More Needed by the Internal Revenue Service**

While this statement may hardly be considered newsworthy by most investors, in this rare instance the 'more' refers to information and not taxes. A small paragraph recently added by the IRS to the instructions for filing 2005 tax returns has caused a stir among taxpayers and tax preparers alike. The new instructions state that any realized capital gains and losses must be clearly detailed in the taxpayer's return on a security-by-security, transaction-by-transaction basis.

While such detail was always officially required by the IRS, previously many filers merely calculated net gains/losses and then attached an annual transaction summary supplied by their brokerage firm or bank; a procedure now specifically prohibited. Several recent articles have raised concerns that not only are many brokerage firms and banks poorly prepared to provide the information needed by these new requirements but also that accountants and other tax preparers will potentially have to charge their clients significantly more for the additional time required to create this detailed annual summary.

This information has always been directly available to investment management clientele of Roof Advisory Group and our clients' professional advisors. Our ongoing effort to optimize the tax efficiency and net return of each client's portfolio necessitates the continual compilation and retention of investment tax lots, along with the ready availability of the summary detail required by current IRS standards. If you or your accountant are not already receiving this information for your taxable portfolios and would like to, simply contact our office.

### **Lessons Learned?**

As the January 30, 2006 start date for the trial of former top Enron executives Jeffrey Skilling and Kenneth Lay draws near, a thorough media recounting of the misdeeds and lasting impact of recent corporate scoundrels appears inevitable.

For example, former HealthSouth Corp. Chief Executive Richard Scrushy is again in the headlines but this time for 'buying' favorable press coverage during the trial in which he was eventually acquitted. In our opinion, this allegation is hardly shocking given the scale of financial shenanigans that occurred under his watch but apparently is newsworthy nonetheless.

Also receiving recent attention is the impending break-up of Tyco International Ltd. into three separate business entities; a move not warmly received by current investors. This has a tinge of irony in that former Tyco CEO Dennis Kozlowski's renowned personal spending extravagance was certainly fueled by gray-area revenue created by serial corporate acquisitions and consolidations.

Add to this rogue's gallery review some recent stories featuring former WorldCom Chief Executive Bernard Ebbers, as well as former Adelphia Communications Corp. CEO John Rigas, and you're soon taking a not-so-pleasant trip down memory lane.

While criminal prosecutions, greater disclosure, and regulatory changes have resulted from this highly visible smorgasbord of corporate scandal, what lasting lessons have investors learned from being misled and paying with their portfolios? Perhaps not as many as one would hope based on some recent commentary.

To wit, *Newsweek's* oft-quoted Wall Street editor Allen Sloan lamented during a recent interview that despite these abuses, regulations have not been implemented to prevent employee participants in corporate retirement plans from voluntarily over-concentrating their nest egg dollars in company stock.

While Mr. Sloan's comments are usually entertaining and often insightful, this time he is completely off the mark. Current Department of Labor regulations already specify clear parameters to assure adequate and diversified investment choices for all participant-directed retirement plans. Likewise, retirement plan materials and employee investment information regularly espouse the value and protection offered by portfolio diversification. Anyone who voluntarily invests all of their retirement money in a single stock chooses to ignore this advice, as well as the images of distraught former Enron employees lured into making such bad financial decisions by either ignorance or greed. Congress cannot legislate common sense.

### **Financial Resolutions**

Every New Year begins with a flurry of media articles extolling viewers, listeners, or readers to start *this* year off right by reviewing their overall financial situation and creating an investment strategy and financial plan designed to fit their specific needs and objectives. While the beginning of 2006 is no different, an ever-increasingly number of articles have stressed the notable value of utilizing an independent, fee-only firm for such an endeavor.

Case in point; on January 6, 2006 the highly acclaimed National Public Radio talk show, *Morning Edition* featured Steve Inskeep talking with Jonathan Clements, financial columnist for *The Wall Street Journal*, about why and how to choose a financial planner in the new year. Go to the [www.npr.org](http://www.npr.org) homepage and click the "Business" column followed by clicking the "Your Money" section and listen to '**Tips on Choosing a Financial Planner**' directly.

In essence, their advice was to look beyond the big companies geared toward selling financial products, such as commissioned mutual funds or annuities, and focus instead on small, independent firms consisting of experienced professionals that have true expertise in their field and charge clients on an hourly or project basis. We couldn't have done a better job ourselves in composing an endorsement of the business approach that sets Roof Advisory Group apart from the crowd!

### **The Roof Advisory Group Advantage**

Roof Advisory Group clientele don't worry about conflicts of interest that compromise objectivity. We have always been an independent, fee-only investment management, advisory, and financial planning firm. The firm receives no compensation in the form of commissions, loads, 12b-1 fees, soft dollars or has any other revenue sharing arrangements whatsoever. Our full compensation is completely disclosed and comes from the service we provide. This assures our clientele that their best interests are, and will always remain, our top priority.

*Call us with any questions. Our industry expertise, years of experience and professional integrity continue to make Roof Advisory Group the firm of choice...*

***When You're Serious About Managing Your Money<sup>SM</sup>***

