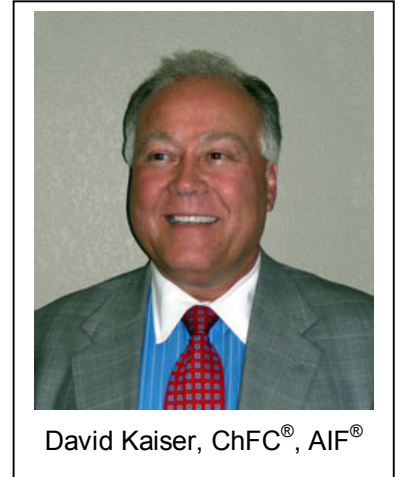




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David Kaiser, ChFC®, AIF®

Portfolio Diversification Can Minimize Stock Market Risk

*Local Financial Advisor Urges Investors to
Unwind Highly Concentrated Stock Positions*

DENVER, CO (March 18, 2008) – Most Americans who invest in stocks know that market volatility and stock price fluctuation are normal and to be expected. But according to financial professional David Kaiser, they also need to understand that maintaining a diversified portfolio is important. “The old adage ‘don’t put all your eggs in one basket’ is still good advice,” Kaiser says. “Anyone in doubt should ask an Enron employee.”

Most concentrated stock positions result from equity compensation given to corporate executives that can be in the form of restricted stock, stock appreciation rights and restricted stock units, to name a few. An employee’s concentration in a stock can also add up due employee stock purchase plans or because the company offers its stock as an investment option in their 401(k) plan (the company might even do their 401(k) match by providing company stock).

The problem is that investors can become attached to stocks, specifically their employer’s stocks, and feel that they are being disloyal to the company if they sell some of their shares. “It might be

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that they worked for a large corporation such as IBM or Exxon Mobil and acquired a major portion of their wealth in the form of stock options,” explains Kaiser. “Or maybe they just fell in love with their employer’s stock and bought a ton of shares over the years through the Employee Stock Purchase Plan. If, in her will, Aunt Bertha left a large block of Caterpillar stock – something she worked hard for and acquired over 30 years – there could also be a different type of emotional attachment.”

Still, Kaiser says it may be necessary to sell some shares to maintain a healthy and properly diversified portfolio. Market losses can be exacerbated when a portfolio holds too much of a particular stock or is skewed heavily into any one market sector. The issue of concentrated positions is compounded if an investor is planning to retire within the next 10 years. “They just don’t have time to recover from large share value loss,” says Kaiser.

To strategically unwind a concentrated portfolio, Kaiser offers the following tips:

Use Share Selection

Share Selection involves liquidating a large portion of a concentrated stock position now and taking advantage of the low 15 percent long-term capital gains rate. “Savvy investors will sell the shares with the highest cost basis, thus minimizing overall capital gain,” says Kaiser.

Roll Out into a Taxable Account

Taxpayers may benefit from an important break on income tax when they take a lump-sum distribution from a 401(k) plan. A lump-sum distribution means the entire balance of the account is withdrawn within a single calendar year following a triggering event – you leave your employer, suffer a disability, reach age 59½ or die. (Note that if you leave your employer before you turn 55 and you take a lump-sum distribution rather than rolling the funds into another qualified account, you may be subject to a penalty.)

If the distribution meets the definition of a lump-sum, you may be able to avoid income tax on the net unrealized appreciation (NUA) of the stock of your employer if that stock is placed into a taxable brokerage account and the remaining 401(k) assets are rolled into an IRA. The strategy involves an employee taking a lump-sum distribution of company stock from their retirement plan (upon

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separation from service) and then paying ordinary income taxes on the stock's basis. But the difference between the basis and the fair market value—the net unrealized appreciation—is taxed at long-term capital gains rates only when the stock is sold, regardless of the holding period. This can be a better option than rolling the stock into an IRA where all of its value will eventually be taxed as ordinary income.

“This special consideration for employer stock held in 401(k) plans only applies to lump-sum distributions, but it could save significant income tax,” Kaiser says.

Consider a Gifting Strategy

Another good strategy to consider is gifting the stock to children/grandchildren or a favorite charity. Under current laws, an individual can gift up to \$12,000 per year, to anyone they choose, without incurring gift taxes. A charitable gift should qualify as a tax deduction. Transferring highly appreciated stocks to a Charitable Remainder Trusts (CRT) allows an investor to receive both a charitable deduction and an annual income stream from the trust.

While in general it is wise to think long-term and give your investments time to perform, that message is sometimes taken to the extreme, warns Kaiser. “Regardless of how it happened, any individual holding that makes up more than 25% of your overall investment holdings is considered a concentrated position. And that position needs to be rectified in order to maintain portfolio health.”

Because individual situations will vary, investors should contact their tax advisor about their specific situation.

About David Kaiser, ChFC[®], AIF[®]

David Kaiser is a financial advisor with Securities America Advisors who specializes in comprehensive financial planning, retirement income strategies and wealth management. He has over 14 years of experience in the financial services industry. David has earned the Chartered Financial Consultant (ChFC[®]) designation from the American College of Bryn Mawr, for which advisors must

have at least three years of experience in the financial industry. In addition, they are required to complete course work and pass an examination covering the fundamentals of financial planning, including income tax, insurance, investment and estate planning.

David has also received formal training in investment fiduciary responsibility and earned the Accredited Investment Fiduciary[®] (AIF[®]) professional designation, awarded by the Center for Fiduciary Studies.

Kaiser is committed to educating the community about the principles of financial management. Listeners in Colorado have come to rely on him to deliver what they believe to be sound, accurate financial advice as a co-host of a daily radio talk program on AM1060.

To learn more about David Kaiser and Pinnacor Financial Group, visit www.pinnacorfinancial.sarep.com.

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