
ELLENBECKER INVESTMENT GROUP, INC.

1st Quarter 2004

News & Notes

I would like to wish everyone a happy, healthy and prosperous New Year.

In January of 2001, I quoted a Chinese proverb; "May you live in interesting times." With the financial industry dodging so many bullets recently, even the most loyal investor might not be blamed for raising an eyebrow. Just when it seemed like things were leveling off we find ourselves in the midst of another battle.

We were just recovering from the revelation that many corporations practiced creative accounting, when New York Attorney General Eliot Spitzer's office announced in early September that he had obtained evidence of unlawful fund arbitrage and late trading by an investment company. The news would have faded quickly had they not involved other firms in their investigation. The industry has gone through and survived many ugly allegations that identified illegal practices in relationship to limited partnerships, inappropriate leveraging of corporate bonds, saving and loan crises and the collusion between corporations and their auditors. Each one of these scandals resulted in the creation of new regulations and laws that governed each industry.

Where do we go from here? Despite my concerns I continue to believe that the policies in place at most investment companies protect the interests of their shareholders. I recently attended a conference where Brian Tracy, a motivational speaker said, "When God sends us a gift he usually wraps it in a problem." The problem until now is that there has been limited governance for an industry that grew faster than regulators could project. The gift is that investment companies can be a brilliant device for investors to achieve economies of scale and are often superb building blocks for a diversified portfolio. Just like a closet gets messier before it gets organized, I believe it is too early to generalize across the entire fund industry. I don't want to throw out the baby with the bath water. I am confident that the industry and regulators will establish the necessary structures that will regain shareholders and advisors confidence.

Each year as we approach the holiday season I find myself sitting down with my clients who for the most part are

empty nesters whose children launched their independent lives during the last fifteen years. These clients frequently tell me that they are worried and anxious about not having prepared their children to cope with adult financial decisions. They are often worried about gifting to their adult children and even more worried about their grandchildren. They have great concern for how the next generation will handle the wealth they will receive. Their children are hard working, young families facing the rising expenses of raising a family and sifting through the complex world of financial services. Some had bought their first homes some had not. A few had some experience with investing while others were more investment savvy. And since mom and dad rarely discussed their finances openly most of them were uncomfortable divulging their own personal financial information.

I grew up in a family just like that. My parents kept their finances very private and it took a long time for my mother and father to feel comfortable sharing their personal financial situation. Today my mom and dad would be considered family stewards. When raising us their primary life motivation was to protect us in every way possible, including financially. Today, they are still very forward thinking and are as concerned about the education of their grandchildren and great-grandchildren as they were in helping us with down payments on our first homes.

I have noticed that the concerns I have for my children and grandchildren are the same concerns my parents and clients share. So my challenge...how can I as a financial advisor assist my clients in developing a strategy to pass on their financial values and wealth?

I have enclosed a list of resources and basic investment strategies for you to share with your family. May these ideas inspire your children and defuse your fear about their futures.

As a friend said to me, "May peace and prosperity be the first to lift the latch of your door in the coming year."

Karen

New Website

We are excited to announce our new and improved web site, www.ellenbecker.com. We invite you to visit us online.

Things to look for:

- ❑ **Education & Community-** community involvement (includes pictures).
- ❑ **Seminar & Keynotes-** featuring available speakers and topics.
- ❑ **“Money Sense”-** includes information on schedule (upcoming shows) and instructions on how to listen live from your personal computer.
- ❑ **Event Archives-** includes past client events and pictures.
- ❑ **Karen's Notes-** available to print or read online (client emails, newsletters, flyers and other information from Karen).
- ❑ **Recommended Books-** a list of books recommended by Karen.
- ❑ **Weekly Inspiration-** an inspiration to lift your spirit for the week .
- ❑ **Health Tip-** a weekly Health tip brought to you by Wisconsin Athletic Club.
- ❑ **Client Calendar-** a calendar including any change in our office hours, all upcoming client events, upcoming seminars and other financial and tax tips. (click on the event for more information).
- ❑ **Market Update-** connect instantly to view the current market standings
- ❑ **Plus much, much more!**

Note: If there is additional information you would like to see on our website please email jennifer@ellenbecker.com.

Staff News:

The new voice you hear when you call our office is Carolyn Krech. Carolyn started with us part time on November 17th. Carolyn is majoring in business and will be returning to the University of Minnesota as a sophomore second semester. In her free time, Carolyn enjoys sailing and reading.

Client Feature: Special Interest

Bill and Kathy Steele are longtime Wisconsin residents residing in Brookfield for the last seventeen years. They have two sons at the University of Wisconsin-Madison. Jack will graduate this May in Mechanical Engineering, and Joe is a sophomore, undecided as to his major. Bill and Kathy have been involved in various volunteer activities over the years at their church and at their sons' schools in Brookfield. They have found through volunteering that they received much more than they give. Both they and their sons have attended numerous workcamps in different areas of the country providing home repair services to the needy in the various communities they visited. Their younger son Joe has also attended Global Youth Missions in St. Lucia and Belize. Last year, Kathy traveled to Guatemala on a medical mission and plans to attend again this year. Trying to find the formula for balance in their lives between work, family and leisure activities has been a longtime goal and an ongoing project.

Kathy works as a Registered Nurse at *Small Stones*, a Health Resource Center affiliated with Froedtert & Medical College of Wisconsin. Her role as a nurse educator is “outside the box.” She provides people with reliable health information by answering questions, using the on-site library and Internet resources, performing screenings and referring individuals to other appropriate sources of information. She wears three different hats; nurse, librarian, and retailer. It is always a challenging job, but one that provides great satisfaction by delivering a much needed service to people in the community. Kathy invites anyone who is looking for health information to stop in at *Small Stones* (www.smallstones.com) and to use the vast number of resources available.

Bill works in commercial real estate for Polacheck Property Management Corp. He is involved in the management and operation of downtown Milwaukee properties. Before working for Polacheck, Bill worked for fourteen years as an asset manager for Bank One and as President of Bank One Building Management Corp. He enjoys day-to-day problem solving and working with many types of people that make his job both interesting and challenging.

Bill and Kathy have been clients of Ellenbecker Investments for well over two years during which time they established financial goals for themselves and have put into place long-term investment strategies that will allow them to realize their goals in the not too distant future.

Client Feature: Season of Giving

On April 9, 2003, the lives of Don and Jean Popp changed forever. A drunken driver sped through a red light at 90 miles per hour and struck a car in which their only son, Michael, was a passenger. Michael, a pilot for Skyway Airlines, along with two other pilots was killed, as was a passenger from the other vehicle. Two others were very seriously injured.

Michael was a graduate of Oconomowoc High School and Embry-Riddle Aeronautical University. He is survived by his parents, Don and Jean Popp and his sister, Lisa, who is currently serving in the United States Army.



Michael Popp
Born to Eternal Life
April 9, 2003

Michael always wanted to be a pilot. It was the only job where the sun would shine in your office every day Michael told his parents. Michael piloted a Cessna 1900 on regional flights throughout the Midwest and Canada.

The drunk driver was convicted of four counts of homicide by intoxicated use of a motor vehicle and two counts of causing great bodily harm by intoxicated use of a motor vehicle. Jean Popp, testifying at the Defendant's sentencing hearing, said that Michael's life "is like a contrail left in the sky after a jet has passed, a sign of what once was there. The flight plan has been cancelled, the engines shut down. Thank you, Captain Popp, the flight was smooth, but, oh so short." Milwaukee County Circuit Court Judge, Michael Brennan, sentenced the defendant to consecutive prison terms totaling 66 years.

The Popp, along with the other victims' families, found some measure of justice at the defendant's sentencing, but still have a long road ahead trying to

find peace. Since the accident, the Popp have re-dedicated their lives to giving back to their community. Although the Popp always included charitable giving in their lives, their philanthropy has now taken on a more personal meaning. Jean Popp is now an active advocate for Embry-Riddle Aeronautical University and is raising money for scholarships. "I cannot think of a more fitting or lasting tribute to a loved one that had the passion for flight than to give the gift of flight to an aspiring young pilot," Jean explains. Michael's spirit and love of life will live on through these scholarships. It is the hope of the Popp family that the new fund will become a lasting tribute to Michael and his achievements and over the years touch the lives of many grateful young men and women.

Anyone interested in contributing in Michael's name can send a donation directly to Embry-Riddle Aeronautical University, Director of Financial Aid, at 3700 Willow Creek Road, Prescott, Arizona 86301. If you would like additional information, please feel free to contact Linda Koch at Ellenbecker Investment Group, Inc. at (262) 938-9060.



**The trust and
confidence you have
placed in us is the
greatest gift.**

A Special Thanks

Thank you for referring your family and friends to us. We remain committed to you and will continue to work hard every day to inspire your trust.

From the Operations Department:

Tax season is here once again. If you need your cost basis information please contact our office as soon as possible. This will allow us to get your information to you in a timely fashion so you can have your taxes prepared.

Review of Financial and Estate Plans

Written by: Attorney Robert M. Koch
Koch, Koch & Clark

In the past few years we have seen substantial changes in the tax code that impact our personal finances. 2003 was no exception. The Jobs and Growth Tax Relief Reconciliation Act of 2003 provides many planning opportunities that may call for an amendment of your financial plan. Similarly, changes built in to the prior tax law changes and changes in your personal life may dictate changes in an estate plan.

Tax Law Changes

The tax on Qualified dividend income was reduced to 5% for those in the lower income tax brackets (10% and 15%) and to 15% for those in higher income tax brackets. Qualified dividends are those paid on common stock and some preferred stock subject to holding period and hedging requirements. The holding period for common stock for an individual investor or mutual fund is 60 days within a 120-day period that includes the stock's ex-dividend date. Generally the new rates will not apply to "dividends" paid by bond funds and money funds or REITs, as this is really interest or distributions from a real estate investment, respectively.

Capital gains tax rates also changed. For sales on or after May 6, 2003, the rates were reduced to 5% for those in the lower tax brackets and 15% for those in the higher brackets.

The exemption for estate taxes also increases in 2004 to \$1.5 million. The exemption amount will continue to increase until the estate tax is eliminated in 2010. Unfortunately, under the current law, the sunset provision returns us to a \$1.0 million exemption in 2011. Nevertheless, a review of one's estate plan, in light of the new exemption, may be necessary.



Changes in Personal Life

Changes in one's personal life may also require amendment to a financial and/or estate plan. Has your marital status changed? Has a trustee, guardian or beneficiary passed away or become disabled? Have new beneficiaries been born? Has there been a significant change in your net worth? Has there been a change in your health? Has the makeup of your assets changed? If you have a revocable trust, is it funded? These and other questions should be asked to determine whether changes are needed to your estate plan.

Conclusion

Over the past year I have unfortunately seen many clients who did not have the proper documentation in place to cover an unexpected death or an unexpected incapacity. These cases resulted in a great deal of unnecessary expense, heartache and aggravation. Many other cases shouldn't have been so unexpected. Don't put off having a properly designed and drafted estate and financial plan completed. I suggest that you make it a family priority to take care of creating or amending your estate and financial plan and resolve to do so within the first 60 days of 2004. Your family's financial health may depend upon it.

ABOUT THE AUTHOR: ROBERT M. KOCH is an attorney located in Waukesha County whose main areas of practice are estate planning, trust and estate administration, and real estate law. Mr. Koch speaks before civic groups on estate and business planning, trust and estate administration, real estate and related topics. He has been a frequent guest on WISN radio's "Money Sense" and has written several articles on topics concerning estate and financial planning. He received his B.A. degree, with honors, from the University of Arizona and his law degree from the University of Wisconsin. He is a member of the State Bar of Wisconsin and a member of the Bar Association's Real Property, Probate and Trust Law section. His office is located at 740 N. Pilgrim Parkway, Suite 200, Elm Grove, Wisconsin 53122. He can be reached at 262-782-1389 or by email at rmk@kkclegal.com.

