THE
FRAGASSO GROUP, INC.
A REGISTERED INVESTMENT ADVISOR SINCE 1972 | WE GUIDE...YOU DECIDE®

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First Quarter 2007

What Will Be Different in 2008?

You are reading this in January 2007. What will be different and better for you one year from now? What will cause that improvement? Motivational speaker, Joel Weldon, suggests the integral, empowering thought that, "If it is to be, it is up to me." Weldon is suggesting that we cannot control the movements of stock markets, interest rates, armies or population shifts. But we can control how we act in the world and, most importantly, indicates that we can have some degree of control of outcomes as a result.

In the area of our financial goals, we can have significant impact by taking control of our spending, learning more of what investment principles work and which are ineffectual and by directing our financial resources and attention toward the realization of those goals. Specifically, we can resolve to do the following with a high degree of probability of success as a result.

• **Educate yourself** on proper financial planning and management strategies and tactics. Some things usually work well and some do not. Understand the principles that have found their way into the textbooks because they tend to be effective in helping us reach our goals. Come to our adult financial education classes provided through the Community College of Allegheny County. Bring your family and friends to make it even more enjoyable and productive. You can view the range of courses available and the dates and locations at www.fragassogroup.com or by calling Joy Holden at 412-227-3234.

Bob Fragasso, CFP®
President

• **Complete a Life Goals data form** to obtain the necessary schedules for retirement planning, education funding, survivorship needs, estate planning, long term care needs and resources and for unique goal attainment. Find out now if you are on track to realize your goals and what steps you might take to help make the attainment of those goals more certain. You can find that Life Goals data form at our web site or by asking Joy Holden to mail one to you.

• **Call us.** Our financial consultants can help you think and talk through your goals and the proper methods to approach realizing them. Our personnel are salaried and our firm has no proprietary products, so the advice we give to our clients is unbiased. Our 99.58% client retention rate indicates satisfaction with our advice and guidance.

So, in January 2008, what will be your status? We hope to help you make it a happy one. Start by calling us now.

When Texas Hold'em Meets Wall Street

"Ain't only three things to gamblin': knowing the 60/40 end of a proposition, money management and knowing yourself"

Poker Champion Puggy Pearson (1929-2006)

Walter ("Puggy") Pearson, arguably the father of poker tournaments in such vogue today, passed away last spring. What might the sad news of Mr. Pearson's passing have in common with investing in the New Year and beyond?

Andrei Voicu. CFP®
Managing Director,
Portfolio Management
and Financial Planning

There is great wisdom in Mr. Pearson's approach to making decisions when faced with limited information. His simple message best captures the essence of an otherwise complex process that directly applies to our own uncertain world of investing.

As we enter the New Year we believe it is important to review the three principal foundation blocks of making investment decisions. An increased understanding of the investment work we perform on our clients' behalf builds the necessary confidence to navigate through good and difficult economic times alike. Maintaining the right perspective reduces the risk of losing money through rushed, uninformed decisions based on emotions such as "fear and greed".

First things first, we do not advocate any form of gambling, whether practiced in a casino or in the markets. While occasional winnings may keep gamblers entertained enough to stay in the game, the unsustainable cannot be sustained.

In the long run, the only party that gains monetarily from gambling is the "House". The "House" always knows to stack the odds in its favor. The "House" does not gamble: playing the odds is not gambling, ignoring them is.

Pearson lacked the formal education which allows money managers to tackle the inherent complexity of the investment world. His poker success was built on "street" smarts and good old-fashioned common sense. Mr. Pearson approached the game in a logical and disciplined fashion. He left behind far more than just a legacy of inexpensive cable channel programming fillers in the form of poker shows.

Legendary investors from Warren Buffett to Bill Gross, from Bill Miller to John Templeton often attribute their own career success to disciplined processes similar to the ones embraced by successful professional poker players.

There is no "House" in the game of poker or investing. Odds may improve commensurably with skill. Lack of skill and overconfidence, on the other hand, are sure to spell much trouble. Warren Buffett once wrote: 'If you've been in the game 30 minutes and you don't know who the patsy is, you're the patsy!'"

The good news is investing is much more forgiving than the game of poker. For as long as the drive to accomplish more in life remains in our nature, business enterprises will continue to grow and evolve. Investing may therefore be as rewarding in the future as it has been in the past.

Unlike poker, investing is not a zero sum game so the probability of earning money is inherently higher. Even mediocre investors could earn some money over time. Mediocre poker players do not live to be mediocre poker players for long.

Let us examine the three building blocks essential to success when faced with an uncertain future that both "street and book smarts" agree on:

"Knowing the 60/40 end of a proposition" – correctly recognizing when odds are stacked in your favor

Successful investing may seem boring most of the time. Markets are generally efficient and prices accurately discount future fortunes or misfortunes. Under such circumstances odds are 50/50 at best. Under such conditions, investors should diversify as

broadly as possible while staying close to market indexes. Similarly, when dealt an average or below average hand, smart poker players simply fold and wait for a better hand.

Markets are, at times, driven by emotions. Extreme optimism over a new discovery or technology may drive some prices to unsustainably high levels. Extreme pessimism over a financial/political crisis, or supply/demand disruption may drive some prices to unsustainably low levels.

These are the times to act: If prices seem unsustainably high (i.e. tech stock in the late Nineties, commodity prices as of recent times) investors should consider protecting some assets from those areas of the market.

If prices seem unsustainably low (i.e. Asian stocks after financial system meltdown, reinsurance stocks after a hurricane), they should shift more assets to those areas of the market.

Sticking with over-hyped and overpriced investments at the expense of under-priced alternatives turns the 60/40 rule on its head and stacks the odds against you. Investing is not about feeling good through buying investments that have already gone up. Any poker player consistently playing such hands would run out of money fast.

Investors should consistently play every 60/40 hand, even if it does not mean winning every round or outperforming the market every quarter and every year. After all, there is always a 40% chance of things going wrong. However, consistently playing every 60/40 hand means the chances of coming ahead of a static strategy improves in the long run with every correctly identified 60/40 opportunity.

Money Management – knowing how much money to commit when odds are stacked in your favor

No analysis, no matter how thoughtful and thorough, could cover all possible contingencies. Investment decisions are always made with less than perfect information. 100/0 odds do not exist in the real world.

In the absence of 100/0 odds investors should never be "all in". Skillful poker players are never "all in". Even 99-1 odds could result in the lone 1% materializing and bankrupting the investor. The loss of life savings piled in stocks like Worldcom and Enron should serve as constant reminders of the perils of overly concentrated bets.

The more 60/40 opportunities that are independent of each other that an investor can correctly identify, the more aggressive the bets should be, as the probability for success increases. The less opportunities that are detected the more conservative bets should be. Skilled poker players, aggressively play statistically winning hands.

Knowing yourself – being aware of our personal natural reactions under conditions of stress is the key to avoiding emotional, irrational decisions.

Markets have no memory, therefore thinking in terms of how much we have gained or how much we have lost is of no help*. The biggest psychological stumbling blocks to making rational decisions are our human hope to win combined with our human hatred of losing.

Some investors turn cautious to a fault when facing losses while some investors may be dangerously impulsive when showing some gains. Recognizing one's impulses allows investors to correct them and focus on the real odds.

When faced with conditions of stress triggered by hope, fear or greed, people can make very bad judgements. The cost of emotions can easily trump the cost of investment management fees, inflation and taxes combined. Irrationally driving prices too high or too low generally creates opportunities for investors who cold-bloodedly evaluate the probabilities lying ahead.

Playing the odds is not gambling. Ignoring the odds is. We strive to apply the best judgement in making investment decisions on behalf of our clients and we treat clients' investments with the utmost care just as we would treat our own.

*(unless taxable gains are a consideration)

Meet the Fragasso Team:

Daniel Tatomir

In each of our quarterly newsletters, we will feature a profile of one of the members of the Fragasso team. In this edition we want to introduce you to Daniel Tatomir, Financial Analyst in the Portfolio Management Department.

Dan will celebrate seven years with the Fragasso Group in December. In his position of Analyst Dan assists Andrei Voicu, Managing Director, Portfolio Management with security research, specifically in the mutual fund research and selection process. Another one of his responsibilities is batch trading to help ensure that your portfolios are in line with their asset allocation model and up to date with our current recommended securities.

Dan grew up in Bethel Park and was graduated from the University of Pittsburgh where he majored in Business and Economics.

Wanting to remain close to the city, Dan and his wife Shannon moved to Mt. Lebanon. They have three young children Liam, Aidan and Maura.

Dan and his family enjoy outdoor activities, especially on weekend trips to the Laurel Highlands. Additionally, Dan likes fly-fishing and cycling and participates in those activities when his busy schedule permits.

During the winter months Dan continues to cheer on the Pitt Panther football team and tries to attend as many games as possible. He is also excited for the upcoming basketball season where the Panthers will be one of the top-rated teams in the country.

The Pension Protection Act of 2006 Important Tax Changes Coming Our Way

The Pension Protection Act of 2006 was signed on August 17, 2006 invoking extensive changes to ERISA regulations. To comply with the ERISA law, trustees of company retirement plans must stay current with the changes that are being implemented. Additionally, employees should be educated regarding these regulation changes so that they can utilize the benefits to their advantage.

The information that follows is important not only to fiduciaries of company retirement plans but also to employees.

Auto Enrollment- With this option, participation for any new employee is automatic and the individual must "opt-out" of the plan to stop contributions. Currently the employee decides whether or not to enroll at the start of his/her employment. This change takes effect January 2008.

Default Investment Options- The Act provides fiduciaries with ERISA 404(c) relief if they provide default investment options, which means the fiduciary is not held liable for any losses. There will be strict guidelines on what the default options must be and these guidelines will be provided by the Department of Labor within 6 months of August 17, 2006. The Act also specifies that fiduciaries must give suitable notice to employees who fail to provide their investment decisions.

Investment advice-The fiduciary's advisors will be able to give investment advice as stipulated by the Act. The list of requirements is extensive and it is important that the fiduciary understands these requirements. This investment advice benefits employees by helping them choose the investment mix that is right for their situation.

529 plans- The Act makes permanent that distributions made from 529 plans earmarked for higher education are excluded from gross income. Pennsylvania went one step further and contributions made after January 1, 2006 will be deducted from a family's gross income when calculating taxable income.

Other changes to the Act include:

- A new type of retirement plan, a defined benefit/401k plan, will be available for companies with 500 or less employees.
- Expanded hardship withdrawals are available for non-spouse beneficiaries.
- Death benefits can be rolled directly into an inherited IRA. Details will be finalized by the first quarter 2007.
- Employers will have to allow employees to diversify the company stock in the retirement plan.
- Individuals who are on active duty or public safety employees can make withdrawals from their retirement plan without paying the 10% early withdrawal penalty.
- Direct rollovers can be deposited from a qualified plan directly into a Roth IRA if adjusted gross income is below $100,000.00.
- There will be accelerated vesting on employer contributions.
- Statements must be provided at least quarterly.
- Rollovers may be possible for after-tax contributions to another retirement plan.
- Permanent tax credits become available for lower to middle income families who contribute to their retirement plans.

Also included in the Act is the extension of benefits originally provided through EGTRRA (The Economic Growth and Tax Relief Reconciliation Act) in 2001. They were to expire in 2010 but now become permanent. These benefits include:

Brian Robinette
Vice President
Group Fringe Benefit Plans

- Roth 401k contributions
- Increased contribution limits to defined contribution plans
- Savers credits
- Catch up contributions for people over 50
- Increased employer deduction limits
- Pension plan credit on start up costs
- Expanded rollover options
- Portability of distributions for qualified plans
- Higher maximum compensation limits.

We at the Fragasso Group are here to assist fiduciaries as well as individuals to implement the changes as effectively as possible.

For the third year in a row, The Fragasso Group was recognized by the Pittsburgh Business Times as being one of the "Best Places to Work in Western Pennsylvania.

Retirement Resolutions

It is that time of year to begin planning and making necessary changes with all of your retirement accounts.

IRA/Roth IRA

Whether you qualify to contribute to a Roth IRA or a Traditional IRA, it is now time to make your 2006 contribution. Have you made your 2006 IRA contribution? Don't procrastinate and wait until April 15th to make this important investment. If you are 49 years old or younger, you may contribute up to $4,000 and for those 50 and over, the limit is $5,000. IRA contribution limits in 2007 will remain the same as 2006.

One of the best ways to assure that you fully fund your IRA each year is to set up a systematic investment from your checking account every month. For example, individuals 49 and younger can establish a $333.33 monthly contribution and individuals age 50 and over can systematically invest $416.67. Pay yourself first every month by investing in your IRA. If you can not afford to contribute the full amount you can establish an amount that fits into your budget. Please remember that you should first maximize your qualified retirement plans at work.

401(k) or other qualified retirement plans

Are you keeping up with the contribution limits in your 401(k) or other qualified retirement plan? The contribution limit for 401(k) and 403(b) plans for 2006 is $15, 000 for those age 49 and younger and $20,000, with catch up contributions, for individuals age 50 and above. 2007 contribution limits will be indexed for inflation. Now is the time to determine if you can increase your qualified retirement plan contribution. Your retirement security may depend on it.

If your company offers matching contributions, then you should contribute to maximize your company's match. This will be one of the best investments you will ever make. For example, a common match is 50 cents for every dollar you contribute, up to a certain percentage of income established by the company. You will earn 50% on your investment in this example and you do not have to pay ordinary income tax on the amount contributed until withdrawn. However, there is generally a vesting schedule on the match based on years of service. The idea is to accumulate wealth with time in the market on a tax deferred compounded rate of return. If you are unable to maximize your qualified plan, it is important to start or increase your contribution as soon as you can.

Christine Robinette
CDFA, MSW
Vice President of Investments

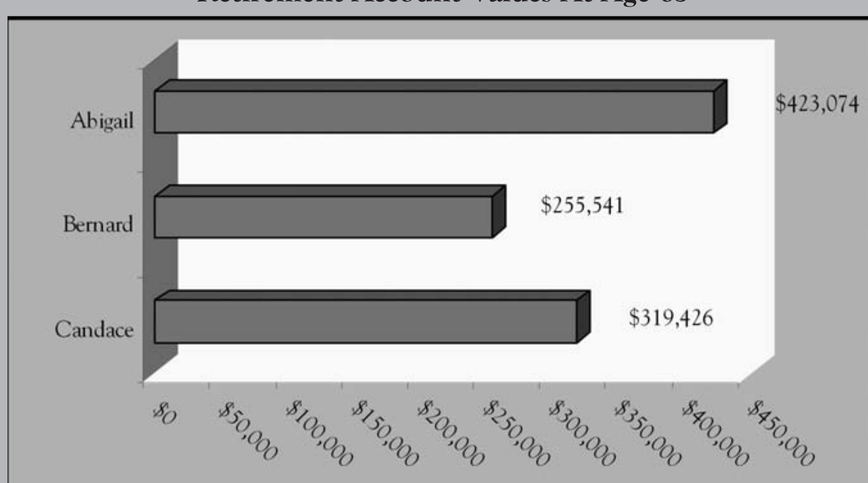
The chart below illustrates the impact of delay and also the impact of the amount contributed. Contact your Fragasso Group financial consultant for assistance with this topic.

The Cost of Delay

Three workers contribute to their company retirement plans

- Abigail starts at 40 and contributes $400/month.
- Bernard starts at 45 and contributes $400/month.
- Candace starts at 45, but contributes $500/month.

Retirement Account Values At Age 65



*Assumes a hypothetical 9% return. This is for illustrative purposes only and is not representative of any particular investment.

Thinking About Long-Term Care Insurance

There is much talk these days about long-term care insurance. It has become a featured product of many insurance companies, and more recently some investment companies as well. With other seemingly more pressing needs in our lives, it is easy to overlook or disregard altogether anything that doesn't have an immediate impact on our financial situation. When people talk about something like long-term care insurance, we tend to tune out because we're too busy worrying about our everyday lives, educating our children, saving for retirement, or a myriad of other financial goals. Before you write off long-term care insurance as unnecessary or excessive, there are some important points to consider.

Learn about the cost of having to be cared for by others on a long-term basis, whether it's in your home or in a skilled care, rehabilitation, or nursing home facility. Nationally, the average cost for a yearly stay in a long-term care facility is around $74,000, depending on the region. The average stay for a person in one of these facilities right now is four years. The current rate of inflation of these costs is between 5% and 7% per year. The cost is already significant. Think about where it's going with the rising costs of health care. If it seems like a lot of money, consider the fact that you are more likely to need this type of care after you are retired, meaning that you no longer have earned wages, but are relying on a pension, or retirement and personal assets you have saved throughout your life. Regardless of whose survey numbers you're viewing (some have higher or lower averages for costs and inflation) what's important is the fact that this type of care is a very costly endeavor, and will only become more costly each year.

Gregg Daily
Vice President of Investments

One of the misperceptions is that there is some sort of government support structure in place to pay for this type of care. There is good news and bad news with regard to that. The good news is that Medicaid (federal money for public health needs, administered by the states) does ultimately cover nursing home expenses. The bad news is that this only happens after you have spent down most of your personally owned assets. In other words, you have to spend your money first before the government "safety net" applies. This could potentially undo all of the hard work you have done to save for retirement. There could effectively be very little left for a surviving spouse or any other dependents in your life, and virtually no estate left to pass along to your heirs. More bad news is that Medicaid usually only pays for nursing home care, so you normally have to go to a facility if Medicaid is paying the bill. Another point to consider is that when relying on Medicaid, you are subject to the availability of any facility that accepts Medicaid patients. Many of the nicer facilities prefer self-paying (whether through long-term care insurance or their own assets) occupants, as Medicaid tends not to reimburse the facilities for the full amount of the cost. This means you go where there is an opening for people relying on Medicaid. When you consider the loss of personal savings and assets, and the effect it can have on a family, along with the loss of control over exactly where you may go for your long-term care needs, it becomes more apparent that just letting the chips fall where they may is probably not the best strategy.

These are the issues that long-term care insurance addresses. There are several goals that the long-term care contracts attempt to achieve. One is the preservation of your own assets. This means being able to keep, and preserve for your own and your family's use, the money you have saved and planned to use throughout your retirement years. This means not having all of your hard-earned savings eaten away by the costs of long-term care. When you realize the significance of this, you can see that depending on the terms you choose with a long-term care insurance contract, you are actually insuring your estate against a catastrophic loss due to the expense of the care. The same way that life insurance is meant to replace the lost income that your spouse or dependents would experience if you were gone, long-term care is meant to replace the money you would drain from your household, potentially hurting the people who are closest to you and who would be relying on that money to live on in the absence of other income.

Another area that long-term care addresses is control. Remember that if you are relying on Medicaid, there is a certain loss of control over the location, and possibly the conditions, in which you will be cared for. It is natural for people to want to have options available to them. Losing options, or the ability to have some control, are major concerns for people as they grow older, especially if they are in the vulnerable position of needing help in caring for themselves. Long-term care insurance can address that by helping to maintain the point of control. Like it or not, most long-term care facilities are businesses, and are run with costs and revenues in mind. With that knowledge, it makes sense to try to have as many choices open to you as possible. If you have a long-term care contract, you can elect to have benefits and options in the policy that can allow your benefit payment amounts to grow over time to help keep up with the inflation of expenses. There are provisions that can also allow you to have care given to you in your home instead of you having to go into a facility. That is a significant life choice that should not be overlooked.

If these issues seem worrisome, it's because they are. These are very important aspects of life that should be addressed as part of your retirement analysis. Here at the Fragasso Group, we are happy to help you determine if long-term care insurance should be a part of your overall financial picture.

Recognition and Awards

Robert Fragasso was chosen as one of the 100 Best Investment Advisors nationally by The Best of the U.S., Inc., a research, publishing and consulting firm that is "dedicated to the recognition of excellence in the U.S." This award joins Fragasso's previous selection as one the Top 100 Investment Advisors nationally by Barron's Magazine and one of the Top 10 Investment Advisors nationally by Registered Rep Magazine. Copies of the complete articles are available upon request.

Robert Fragasso was elected to Duquesne University's Century Club, which honors graduates on a three part criteria of professional achievement, humanitarian contributions and service to Duquesne University. 263 of Duquesne's 63,000 graduates have been selected for this honor over the years.

Robert Fragasso was elected to the La Roche College Board of Trustees for a three-year term beginning October 2006.

Admin Minute

Lisa Federici
Administrative Supervisor

REQUIRED MINIMUM DISTRIBUTIONS (RMD)

What is a Required Distribution?

A Required Minimum Distribution is a specific amount of money that needs to be distributed from a retirement plan. The amount of the distribution is determined using an IRS prescribed formula. If a required distribution is not taken by the deadline, the client could be subject to a penalty of 50% of the amount not distributed.

What is the Deadline for Taking the Distribution?

Generally, a retirement plan participant MUST start receiving distributions from their IRA by April 1st of the year following the year in which they reach age 70-1/2.

Example: If you turned 70-1/2 in 2006, you could have taken your RMD by December 31, 2006. If you didn't, you must take your first RMD by April 1, 2007. If you delayed your first distribution until April 1, 2007, you must take two distributions in 2007, one for 2006 and one for 2007.

Who Needs to Take A Distribution?

Anyone reaching the prescribed age and owning:

(1) Traditional, SEP and SIMPLE IRA participants who have obtained their Required Beginning Date;

(2) Beneficiaries who inherit an IRA;

(3) Qualified retirement participants and 403(b) participants that have terminated employment with the employer maintaining the plan.

How are You Paying for Your Child's College Education?

Kevin Daeschner
Vice President of Investments

Long gone are the days of not worrying about how to pay for your child's college expenses and of paying for college with out-of-pocket money. In 2006 the average annual, national costs of tuition, fees and room and board at a four-year university were $20,000 per year. The average inflation rate for a college education is 5.5%, meaning in 10 years that same education will cost almost $32,000 per year. There are few families that can afford another $20,000-$30,000 per year of out of pocket expenses and that assumes only one child is in college. Family budgets are stretched further than they have ever been. With rising property taxes, increased health care costs, saving for retirement and simply filling the car with fuel, people are finding less and less money at the end of every month.

There are several ways that you can help cover the cost of college. We are going to address some of those ways and discuss how and why they should be used.

- **Scholarships –** Scholarships are ideal because they are given without any financial consideration. They are awarded to the student for what they have accomplished and are awarded by the school for what that child can bring and add to that school. One drawback of scholarships is that they are not planable. You have no idea if your child will qualify for a scholarship until it is time to apply for college.

- **Loans and financial aid -** Financial Aid is one of the most common ways to cover a portion of a college expense. In this example the Financial Aid we are referring to is need-based aid. There will be an estimated $4 billion of Financial Aid available in 2007 and well over 50% of all college students receive some need-based aid. Need-based aid uses a rather simple formula in determining aid amount. It is based on the cost of the school and the family's ability to pay. The form to complete is the FAFSA form (Free Application for Federal Student Aid) and can be easily obtained on several websites including the College Board Website (www.college board.com). Need-based aid does not require pay back.

Loans are another way to pay for a child's secondary education. Any individual can apply for a loan, but there are special low cost loans available for college students. Low cost loans are typically derived from many of the same formulas that need-based aid is formulated upon but loans are not limited to need. Low cost loans have a lower interest rate associated with them. Just like with all loans, you are going to pay back more than what was borrowed.

- **Pay cash as you go -** As mentioned above, this is where cash is paid out of pocket to cover education expenses. A major drawback is lack of a sufficiently large cash flow for one or several children. Using cash means you cannot use that cash more productively. "Cash is king" as they say and parting with that much cash could be counterproductive and jeopardize other life goals.

- **Pre-fund –** Pre-funding involves saving for a child's secondary education expense in the years leading up to college. There are several vehicles that one can use to accomplish this goal. The major advantage to pre-funding is you will have assets saved and will be able to cover a portion of the college expense. Then you can use some of the other vehicles to fund the difference. Prefunding employs the time-tested investment tolls of time, compounded rates of return and tax savings to help fund costs. This is often the cheapest way to pay for college.

College is expensive but through proper planning there is a lot one can do to help minimize the expected costs.

FGI Happenings

Join us in congratulating **Deborah (Sales) Graver** on her marriage to Matthew. The couple wed on September 10, 2006.

It's a Girl!!!

Congratulations to **Polly Aites** and her family on welcoming their brand new baby girl, Elizabeth Rose on October 12 at 1:13 pm. Elizabeth weighed in at 6lbs and measured 19 inches.

The Fragasso Group Presents the RSVP Award for Community Service

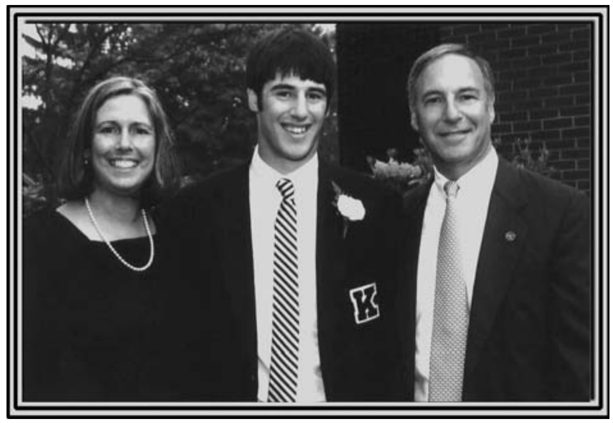
The Retired and Senior Volunteer Program of Allegheny County, a subsidiary of the Western PA Red Cross, presents several awards for exemplary volunteerism to seniors in our geographic area each year. The Fragasso Group has been proud to sponsor the award to the Outstanding Volunteer in Community Service for several years, as community service is an established part of our company's culture.

The award this year was given to Jack Goerl, age 75, of Ross Township who volunteers at the Carnegie Library for the Blind and Physically Disabled. His citation reads, "Every Wednesday, this retired telecommunications professional donates six hours of his time to repair audio equipment used by people who are unable to use standard reading materials due to visual and physical disabilities. According to his volunteer administrator, Jack leads his group toward creative problem solving, resulting in higher quality and quicker service for patrons. Always a team player, he has been receptive to new challenges, and likewise encourages his fellow workers. This technical experience and leadership role will become increasingly crucial as the library transitions to Digital Talking Books by 2008."

In presenting the award to Jack Goerl, Fragasso Group president, Bob Fragasso, commented on the need for the skills and experience of our retired population as the size of the younger work force shrinks in our area, and in the nation, while the demand for such skills and knowledge continues to increase. Fragasso commended the assembled senior volunteers for their continued contribution to their community.

Profiles in Progress:
Client Stories
Sid and Ellen Zonn

Sid and Ellen Zonn met in college and married immediately thereafter. It was circa 1970 at the University of Massachusetts when Sid, a history major, and Ellen, majoring in Public Speaking and Education, found each other. Sid had come from Hull, Massachusetts near Boston and Ellen from Lower Manhattan. They have been together through Sid's Air Force officer days, beginning in 1972, and including a year's tour in Southeast Asia during the Vietnam conflict. Three years of law school followed for Sid at the University of Miami while he remained in the Air Force Reserve as a Captain. Ellen worked and earned her Masters degree in Higher Education Administration at the University of Miami as well.



Ellen, son Geoff, and Sid Zonn

A job as an attorney for Pittsburgh's Berkman Ruslander law firm brought the couple here where Sid remained from 1978 to 1988 and then to a similar position with Buchanan Ingersoll. Sid practiced labor law for Buchanan from 1988 until 2001 when he brought the national labor law firm, Littler Mendelson, to Pittsburgh as the office's Managing Partner. Then, in June of 2006, Sid was appointed Vice President and General Counsel for Robert Morris University.

Ellen had begun as a recruiter and trainer for the Joseph Horne Department Store upon their arrival in Pittsburgh in 1978. She soon became Director of Career Services (coincidently) for Robert Morris College, as it was known then. She moved to the same position at the University of Pittsburgh's Katz Graduate School of Business.

Their son, Geoffrey, was born in 1987, and Ellen elected to spend two years at home with him before becoming Assistant Dean of Academic Advising at La Roche College. Ellen earned an Ed.D. in her field at the University of Pittsburgh in 1996 and rejoined Robert Morris University in the School of Communication and Information Systems as a faculty member teaching Business and Professional Communications.

The Zonn's Labradors Winston and Merlin

Sid and Ellen have both actively parented Geoff through his schooling and athletics. Geoff is a talented baseball player, who lettered in baseball, football and basketball at the Kiski School. Geoff is currently a freshman at Lynchburg College in Virginia where he is a pitcher on the varsity baseball team. He aspires to play professional baseball before entering his desired, long-term career as a coach and athletic trainer.

When Ellen, the professional career advisor, was asked to furnish advice to young people like her son Geoff, she replied. "Find something that you like doing. All else follows. While change is scary, it is also good." That's good advice to those of us wishing to follow our individual star while being fearful of possible consequences. Ellen referenced the $35 in cash they had left over after closing on their first home while starting a new job in a new city back in 1978. But they knew something good was awaiting them and continued to pursue their goals. Today, they enjoy attending Geoff's baseball games in various cities, traveling to other destinations and spending time in their vacation home in North Carolina's Outer Banks. They take their two other family members, Labrador Retrievers, Winston and Merlin, to the Outer Banks and everywhere else possible in their travels.

Ellen went on to advise on the selection of an investment advisor. "Find someone you're comfortable with and trust, and who does the right things." Ellen and Sid have been our clients since 1989, and we are very grateful for the trust they have placed in us.

Mark Your Calendars - Animal Friends Telethon

Pittsburgh's premier, no-kill animal shelter will host their second annual telethon, "Thinking Outside the Cage," on Saturday, March 24, 2007 on WTAE-TV, Channel 4. Sponsors include The Fragasso Group, Inc. and the telethon will feature the animal life saving work and people enhancing programs of Animal Friends. It will be telecast from the new Carol Gates Gluck Resource Center on Camp Horne Road in the North Hills. You can watch from home or visit during the broadcast. Either way, be sure to watch the fun and lovable animal and sometimes-lovable people antics. See www.animal-friends.org for more details as well as for adoption, donating and volunteering information.

Animal Friends new shelter located on Camp Horne Road

Privacy Policy

The Fragasso Group, Inc. is committed to maintaining the trust and confidence of our clients. We want you to understand how we protect your privacy when we collect and use information, and the measures we take to safeguard that information. To provide you with a high level of service, The Fragasso Group must maintain certain information. Keeping customer information secure and private is a priority in our office. We are including our privacy policy in this newsletter to help you understand how we may collect information, the type of information we may collect and how we keep that information secure. I hope you will take a moment to review this policy.

If you have any questions after reading this Privacy Policy, please contact The Fragasso Group, Inc. by writing to Koppers Building, Suite 300, 436 7th Avenue, Pittsburgh, PA 15219. As always, please feel free to contact your financial advisor at 412-227-3200.

What types of non-public personal information do we collect about you?

In the course of providing service to you, we collect non-public personal information about you from the following sources:

- Information from you on account applications and other standard forms (for example; name, address, social security number, assets, types and amounts of investments, transactions, and income);
- Information about your transactions, our affiliates or others including those companies that work closely with us to provide you with diverse financial products and services (for example; your account balance, payment history, parties to transactions, types and amounts of investments, transactions, and credit card usage);

How do we protect the confidentiality and security of your non-public personal information?

Keeping your information secure is one of our most important responsibilities. We restrict access to non-public personal information about you to those employees and agents who need to know that information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information.

Do we disclose to any non-affiliated third parties your non-public personal information?

We do not sell, share or disclose your non-public personal information to non-affiliated third party marketing companies.

We may disclose non-public personal information about you in connection with the transfer of your account to another financial institution at your request or the request of your representative.

We may also disclose non-public personal information about you under circumstances as permitted or required by law. These disclosures typically include information to process transactions on your behalf, to conduct our operations, to follow your instructions as you authorize, or to protect the security of our financial records.

What is our policy relating to former customers?

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice. We reserve the right to change this policy at any time and you will be notified if any changes that occur.

THE FRAGASSO GROUP, INC.
PERSONALIZED FINANCIAL PLANNING
& INVESTMENT MANAGEMENT

Koppers Building, Suite 300
436 Seventh Ave.
Pittsburgh, PA 15219

Spring 2007 Community College of Allegheny County Schedule for The Fragasso Group, Inc.

Regional Learning Alliance - Cranberry	Boyce Campus	North Campus
Mondays **Achieving Life's Goals: A Personal Financial Planning Workshop** February 26, March 5, 12 6:30 PM - 8:45PM Mondays **Can You Afford to Retire?** April 16, 23, 30 6:30PM - 8:45PM	Tuesdays **Can You Afford to Retire?** February 20, 27, March 6 6:30PM - 8:45PM	Thursdays **Financial Security During Retirement** February 15, 22, March 1 6:30PM - 8:45PM Thursdays **Can You Afford to Retire?** April 12, 19, 26 6:30PM - 8:45PM

Canon -McMillan High School	South Campus
Wednesdays **Financial Security During Retirement** February 28, March 7, 14 6:30 PM - 8:45PM Mondays **Financial Security for Women** March 5, 12, 19 6:30PM - 8:45PM	Wednesdays **Can You Afford to Retire?** March 7, 14, 21 6:30PM - 8:45PM Wednesdays **Financial Security During Retirement** April 11, 18, 25 6:30PM - 8:45PM