



P e r s p e c t i v e s

Letter from the President

Dear Valued Client:

We are pleased to report that during the first quarter of the year an increasing number of individuals and businesses have chosen us as their retirement service provider. One reason for this, we believe, is our commitment to bringing the latest technology to the retirement planning process. One example of this is 24 hour client access to retirement account information that is now available through our website www.trustlynk.com. Many clients have already signed up for this service. If you are interested, complete information is available on the website.

In addition, during the second quarter of the year, we will have available an electronic mutual fund trading platform that will enable our clients to trade mutual funds by phone and over the internet resulting in same day execution of their orders. This also allows us to update all mutual fund information daily to provide you with more timely information on your investments.

On a daily basis, we are adding articles of interest to our website about the retirement planning process. You may access these articles through our Resource Center. It is a wonderful source of information on all aspects of retirement planning and we encourage you to take advantage of it.

Also, as of April 1st, we have implemented a new unified fee schedule that should provide savings for you, particularly with respect to transaction fees.

Lastly, another idea that you may wish to consider is our IRA consolidation plan. This allows you, at no cost, to transfer IRAs that you may have at other institutions to your TASC IRA and continue to trade stock, bonds, and mutual funds with your stock broker or on-line and receive a consolidated statement of account and assets quarterly instead of having to cope with two or more statements from different sources.

As we have previously stated, our goal is to be the premier retirement and estate planning resource for ideas and information that may be found anywhere. We believe that we are making good progress toward this goal and welcome any suggestions or comments that you may have regarding either our services or our staff.

Thank you for your continued confidence and we look forward to a long and mutually beneficial relationship.

Sincerely,

James R. Wagner

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Trust Administration Services Corporation (TASC) is a subsidiary of First Regional Bank.

The information contained herein is for general information purposes and should not be construed as legal and/or tax advice. We encourage everyone to seek competent advice from their financial, tax or legal advisor before implementing any investment, tax or estate strategy.

www.trustlynk.com

In our continuing effort to improve our website, client account access is now available on-line. If you have not signed up for this new service, please visit the TASC On-Line section of our website to download your registration form.

You can also access a wealth of helpful information on topics such as IRAs, retirement and estate planning, employee benefits, just to name a few.

We also offer **free investment information** from our Research Center you will have access to a variety of free services, such as:

Stock Quotes, Market News,
Market Reports, Current News,
Mutual Fund Performance

Our forms, such as Investment Authorizations, Transfer Forms, Distribution Requests, etc., can also be downloaded directly from the website.

Stock Trading

Did you know you can open a brokerage account within your TASC self-directed retirement account if you decide you would like to purchase some stocks?

Since many clients choose to invest in marketable securities as well as unique assets, they often end up with retirement accounts at two or more Custodians. By opening a brokerage account within your TASC account, you can consolidate your retirement accounts under one Custodian yet still maintain the freedom to trade marketable securities, such as stocks, bonds and mutual funds as well as investing in unique assets. We will work with the broker dealer or on-line trading service that you choose.

To open a brokerage account within your TASC account, simply send us written instructions to do so along with a regular retail application from the brokerage company you have selected. (Note: some brokerage firms have a specific application for third party custodial accounts.) We will even complete the application and open the account for you.

Social Security Earnings

The United States Senate recently voted 100-0 to eliminate the retirement earnings test on Social Security benefits for some recipients who earn more than \$17,000 annually. The United States House of Representatives passed a similar version on March 1 by a 422-0 vote.

President Bill Clinton is expected to sign it into law as he strongly supports the measure.

The retirement earnings test has been a part of the Social Security program since the 1930s when there were 5 workers for every beneficiary. Demographics are changing the dynamics of both the workforce and the Social Security program. Today, there are three workers for every beneficiary and by 2030 there will be 2 workers per beneficiary.

The legislation, which is retroactive to January 1, 2000, would affect about 800,000 Social Security beneficiaries aged 65-69. For every \$3 above \$17,000 that they earn, they currently are docked \$1 in benefits. The repeal would cause Social Security to pay about \$22.7 billion more in benefits over the next 10 years than under current law. However, the increased costs are expected to be offset eventually by more tax revenues from a larger number of senior citizens that will be encouraged to work. The earnings limit was enacted during the Depression of the 1930s in an effort to open up scarce jobs for younger workers, which is the opposite of the current environment where firms are scrambling to find enough experienced employees.

The Social Security Administration will send notices to all beneficiaries potentially affected by the earnings test shortly after the bill is signed. The notices will tell beneficiaries about the legislation and how SSA will implement the new law. If the President signs the bill by mid-April, SSA will be able to make retroactive payments to beneficiaries by early May 2000 and change monthly benefit payments to reflect the new law by June 2000.



Fee Schedule

As part of our ongoing efforts to be the leading retirement plan service provider, we have recently made some enhancements to our fee schedule. Accounts established after October 1999 are based on the new schedule.

As of April 1, 2000, the new schedule will become effective for all accounts. You can obtain a copy of the new fee schedule from the forms on-line section of our website at www.trustlynk.com.

Mailing Address

To avoid lost mail or a delay in delivery, please ensure your financial planners, servicing agents and others have our proper mailing address as follows:

P.O. Box 85410
San Diego, CA 92186-5410



Small and Home-Based Businesses

Tax-deferred plans are very important for small and home-based businesses, however, employers and employees often find it difficult to decide which retirement plans are best for them. From IRAs to SEPs and Pension Plans, retirement plans depend on you and your company's needs.

Picking the right retirement plan isn't easy. If you work for yourself or you need to save for retirement on your own, we can help with the burden of determining which is the right plan. We will prepare a complimentary retirement plan proposal customized to fit your needs.

If you're a small business owner, for instance, the decision on what type of retirement plan and how much to contribute is up to you. After all, there is no employee benefits manager to hand you that nice, descriptive brochure for the company plan and no simple form to sign that will make someone else automatically deduct retirement contributions from your monthly paycheck.

Even if all you qualify for is a \$2,000 Individual Retirement Account contribution, your search is worthwhile because of the twin benefits of tax-deduction and tax-deferral. Social Security's future is not promising, with the possibility of huge tax increases to pay for benefits. So the sooner you take responsibility for retirement into your own hands, the better off you will be. The biggest obstacle you have to overcome is that instead of someone else devising a strategy for dealing with the Internal Revenue Service, filing endless tax forms, and making the appropriate tax contributions, you have to set up the plan and come up with the money yourself.

Keogh plans

The traditional retirement plan for self-employed persons (or a partnership of self-employed persons) is the Keogh plan.

Keogh plans can be time-consuming to set

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“Stretch” IRA

If you're leaving extra retirement cash to your heirs, you might want to grant them some tax breaks as well. It's called a "stretch IRA," and it does just that -- it stretches out the time that money can stay in an IRA.

“Stretch” IRAs are not a new product, but an unfamiliar, imaginative term. In fact, it's more of a strategy for required minimum distributions (RMD) than anything else. RMD rules state that once a participant reaches the age of 70½, funds must be withdrawn each year. RMD calculations are based on the participant's birthdate, the beneficiary's birthdate, the previous year's ending value of the IRA account and application of the life expectancy method elected. Based on these ingredients, a factor will be determined from an IRS life expectancy table. This factor is divided into the previous year end value of the IRA to determine the required minimum distribution.

This planning involving three generations. You (and your spouse, if you are married) are the first generation; your children, or other heirs, are the second generation; and their beneficiaries are the third generation. The “stretch” of the IRA would occur in the second and third generations.



Upon the death of a participant who has begun RMDs, the beneficiary is required to continue or accelerate withdrawals. The “stretch” IRAs address the availability for beneficiaries to extend the life of an IRA with new younger beneficiaries and certain life expectancy method elections. In order to offer “stretch” IRAs, custodians must allow all legal options with respect to RMD life expectancy methods. Some custodians, to simplify operations, design their document to restrict IRA participants to single life recalculation as an RMD life expectancy method. The consequences of these restrictions can be dreadful for non-spouse beneficiaries. Because single life recalculation involves calculating life expectancy based only upon the participant, when the participant dies, he or she has no remaining life expectancy. Therefore, the non-spouse beneficiary must withdraw all assets from the IRA by the end of the following year.

With financial planning in mind, our document was designed to offer all life expectancy methods. With this flexibility written in our document, beneficiaries may extend the life of the IRA through the elapsed time and modified recalculation methods. This availability is key in many instances for younger beneficiaries who would not want the tax liability in one lump sum.

While these issues are a very important part in future planning of an IRA, remember each case is different and only part of an overall financial strategy. With this in mind, solutions for these issues are best addressed with the assistance of an experienced financial advisor. If you would like more information on this topics, please visit the Resource Center of our website.





TRUST ADMINISTRATION SERVICES CORPORATION

5950 La Place Court, Suite 160
Carlsbad, CA 92008

Phone: 800-455-9472
Fax: 760-603-0887
Email: tasc@trustlynk.com

Investment Certificates

Often times when you make an investment within your retirement account, a certificate evidencing that investment is issued by the investment company. Sometimes, these certificates are erroneously sent to you rather than to TASC for safekeeping. If this happens, it is imperative that you immediately forward the certificate to TASC. Since the investment is made through your retirement account, all certificates must be properly titled in the name of the retirement account and held by TASC as custodian to avoid possible adverse tax consequences such as an early distribution penalty.



When sending a certificate we suggest using at least registered return receipt mail to ensure proof of proper delivery.

Your Retirement Specialist

Email us at:

Jim Wagner – jwagner@trustlynk.com
Paul Maxwell – pmaxwell@trustlynk.com
Lori Spry – lspry@trustlynk.com

Customer Service:

Last Name A – K:
Debra Lewis – dlewis@trustlynk.com

Last Name L – Z:

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up, and require annual filings to the IRS and

the Department of Labor. This is a major reason why only 42% of the nation's businesses with less than 100 employees offer retirement plans to their workers, and why only 11% of businesses with fewer than 25 employees do so. To encourage small businesses to help their employees save for retirement, two new plans, the SEP-IRA and the SIMPLE-IRA, have been designed to streamline the administrative process by eliminating IRS and Labor Department filings.

The SEP-IRA

The Simplified Employee Pension IRA is an excellent choice for employers that don't want to be required to put money in each year.

THE SIMPLE-IRA

The other new plan, just introduced in 1997, is Savings Incentive Match Plan for Employees, or the SIMPLE-IRA. Its name is well chosen.

You and any of your employees can contribute up to \$6,000 a year or 100% of your income, whichever is less. As the employer, you match up to 3% of a participating employee's income, or put in 2% of your company's payroll for every eligible employee, whether contributing or not. The SIMPLE-IRA and the SIMPLE-401(k) are basically the same.

The traditional IRA

What if you're working for someone else and there is no plan? Or maybe there is a program, but with your modest income not much is being socked away. The IRA is probably the answer.

Even non-working spouses can now put in \$2,000. If you contribute to an IRA, you automatically get the benefit of tax-deferral. The earnings on your investment are not taxed until you take the money out at retirement. What people find confusing is whether the contributions are tax-deductible.

Whatever you do for your own retirement planning, do something. Even if you work for a company, start trying to earn some outside income to put into one of these retirement plans on your own. After all, retirement plans are some of the best tax shelters anywhere and the person who benefits is you.

Promissory Note Holders

In order for TASC to properly reflect the payment history of promissory notes held in your retirement accounts, payments should include your TASC account number and the name of the note to which the payment should be applied. In addition, each payment should reference the breakdown of the principal and interest.

Please ensure your payees have this information and provide it with each payment so that we properly post your payments.