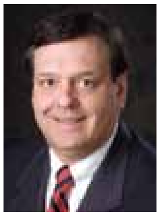
WINTER 2011

The AMBASSADOR

*Helping Faithful Stewards Dream More… Plan More… **Do More.***®

Planning A Course to Secure Your Future



Robert Kauffman, *President*

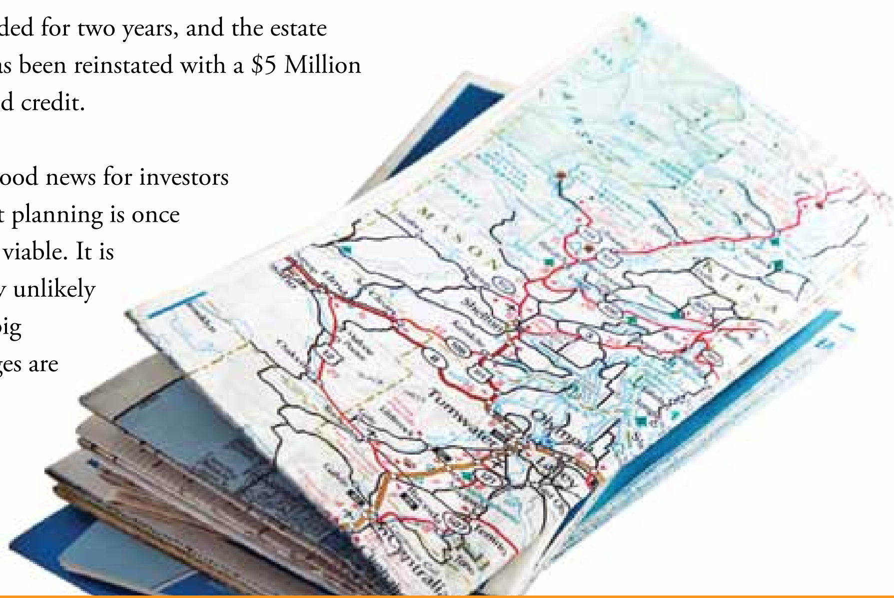
Americans love limited government. Thomas Paine once wrote that "government is best which governs least." So, when voters decided to limit the ruling party by empowering its opponents on November 2, it came as no surprise to many. The inevitable result will be a check and balance on new policies and the familiar "gridlock" that Americans are used to, or perhaps prefer in some instances.

This "gridlock" should certainly end the legislation of bigger government, although it is not very likely to be rolled back anytime soon. Executive orders, vetoes, filibusters, and, ultimately, a possible government shutdown will keep either side from changing much of what is already in place. The Bush tax cuts have been extended for two years, and the estate tax has been reinstated with a $5 Million unified credit.

The good news for investors is that planning is once again viable. It is highly unlikely that big changes are going to appear in our tax code. In fact, the most likely scenario now appears that spending reductions may occur, instead of widespread tax increases.

The good news for investors is that planning is once again viable.

Yes, the earth may finally be done moving under your feet. The markets are beginning to stabilize and the 'new' normal is starting to look more and more like the 'old' normal, as time passes. Soon, those investment statements will again be opened, read, and acknowledged by households everywhere (instead of just filed or thrown away). It will again be time to take an appraisal of where you are and see where your dreams and goals will lead.



Three years was long enough of trying just to survive, rather than actively planning your financial future.

It is time to sit down with your team at Ambassador Advisors, LLC. You have access to certified financial planners, advisors in philanthropy, estate planners, chartered life underwriters, and our experienced financial service team. Let's get your current situation defined and set out on your course to secure your future. Only with proper planning can you expect the desired outcome.

AMBASSADOR ADVISORS

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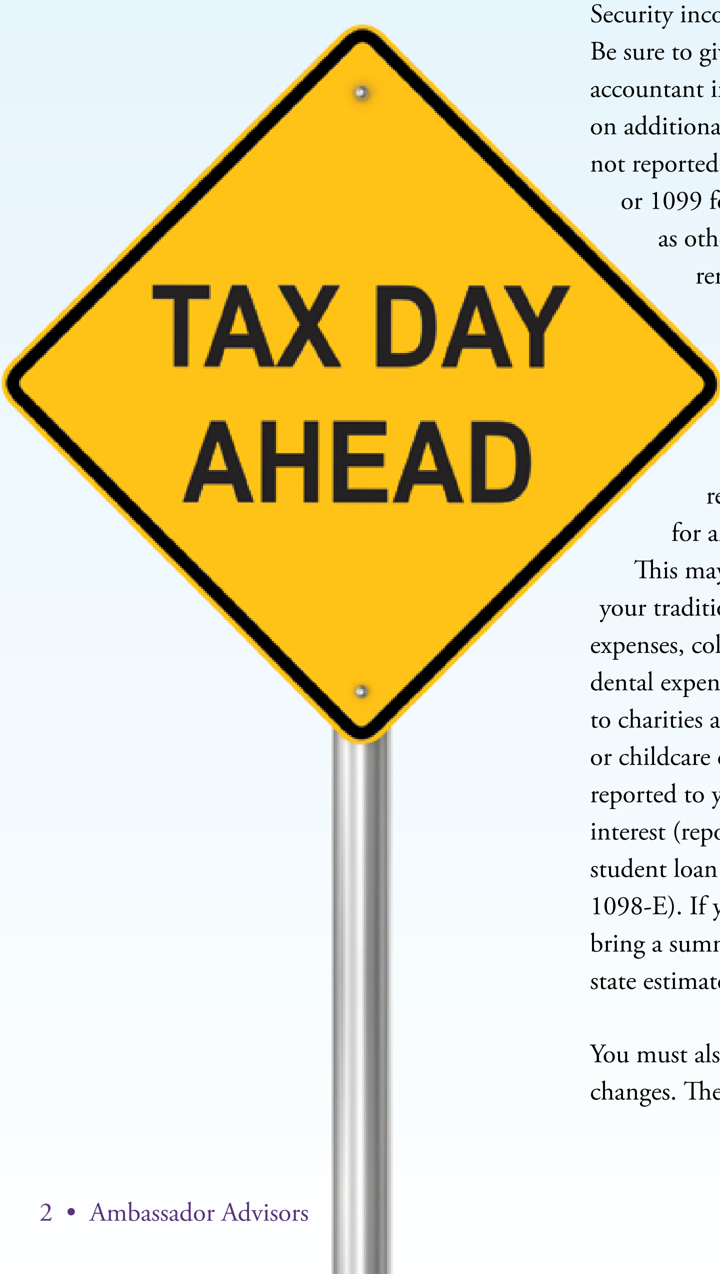
Navigating Through Tax Season

How to Be Prepared for April 18

Curt Stoltzfus, *VP Financial Strategies*

Tax time will be upon us before we know it. You can make the most of the meeting with your tax accountant by bringing all the documents needed to prepare your tax return. Basically, the information needed falls into two broad categories: ***income documents*** and ***expense documents***.



Income Documents

Your income documents may include W-2s from your employers; 1099-MISC forms for self-employment income; 1099-INT (interest) & 1099-DIV (dividends) forms; 1099-B forms showing brokerage trades in stocks, bonds, and mutual funds; K-1 forms for income from a partnership, small business, or trust; and 1099-SSA form showing Social Security income. Be sure to give your accountant information on additional income not reported on a W-2 or 1099 form, such as other self-employment income, rental income, or alimony.

You can make the most of the meeting with your tax accountant by bringing all the documents needed to prepare your tax return.

Expense Documents

On the expense side, bring canceled checks, receipts, or spreadsheets for any deductible expenses. This may include contributions to your traditional or SEP IRA, moving expenses, college expenses, medical and dental expenses, real estate taxes, gifts to charities and churches, and daycare or childcare costs. Some expenses are reported to you, such as mortgage interest (reported on form 1098), and student loan interest (reported on form 1098-E). If you paid estimated taxes, bring a summary of your federal and state estimated payments.

You must also prepare for upcoming tax changes. There are two changes that have already passed that you should be aware of.

First, effective January 1, 2011, except for prescribed medications or insulin, the cost of over-the-counter medicines cannot be reimbursed from flexible spending accounts (FSA), Health Reimbursement Accounts (HRA) and Archer Medical Savings Accounts (Archer MSA).

Second, businesses and nonprofit organizations may soon be required to issue 1099s for all sorts of business payments that they never had to worry about before. Currently, business are required to issue 1099s for commissions, fees, and other compensation paid to a single recipient when the total amount is $600 or more in a calendar year. Interest, rents, and royalties paid also require a 1099 to be issued. Beginning in 2012, payments to corporations must also be reported. This includes things like merchandise, raw materials, and equipment. Dealing with this new 1099 reporting is going to be difficult for many organizations, resulting in an avalanche of paperwork. Businesses will likely have to modify their accounting procedures to capture payee information that will be needed to comply with the new requirements. Fortunately, there is still plenty of time to plan for this new requirement, so use it wisely.

Calvary Fellowship Homes

Where compassion and understanding are not luxuries, but essentials of gracious living!

Calvary Fellowship Homes is a nonprofit Christian Continuing Care Retirement Community (CCRC). We are serving those who have served the Lord. Many of our residents have served full-time on the mission field or preaching and teaching the Word of God.

We are a family-oriented community located in beautiful Lancaster County, Pennsylvania, just north of the city. Situated on a quiet tree-lined 35 acres, the Calvary Homes community blends right in with the surrounding residential neighborhood. It is a perfect environment for those who desire independent, active and carefree retirement years, with housing at a reasonable cost, supplemented by the security of lifelong healthcare.

You can choose from an attractive range of accommodations for independent living, including cottages, garden apartments, and efficiency apartments. Additionally, we offer Personal Care for those who need a little more assistance or supervision, and Nursing Care for those who require round-the-clock, licensed skilled care.

Calvary Fellowship Homes
RETIREMENT COMMUNITY

"The friendliness and caring of staff and neighbors helped ease my transition to the Calvary Fellowship Homes community. I have no regrets!!" – a resident

All your needs have been thoughtfully considered in planning the services, amenities, and activities at Calvary Fellowship Homes. Practical services for day-to-day living, such as transportation to appointments or shopping, barber and beauty services, and a gift shop, are available.

Social interaction is encouraged through fellowship meals, trips to restaurants, game nights, musical programs, arts & crafts, and sight-seeing excursions. The spiritual dimension is emphasized with Sunday Services, Bible Studies, a Men's Fellowship Group, Hymn Sings, and Chaplain services.

And, of course, physical needs are met through physical, occupational, and speech therapy; exercise classes for all levels of ability; and pet therapy sessions. For more information about Calvary Homes call (717) 393-0711 and ask for Marlene Morris in Marketing, or send an email with your name, address, and phone number to: *mmorris@calvaryhomes.org*.

In last issues's article, "An Investigation into Intergenerational Wealth," we examined how the Seed of Opportunity can spring into life and become a Tree of Wealth. We saw the life cycle of a typical tree as it passes through different generations. As we discovered from our study, only 13 percent actually make it as far as the third generation. So much of the success of the Tree of Wealth has to do with the patriarchs and matriarchs that cast the vision. Equally important are the caregivers of the tree, the next generation, who are in charge of maintaining the tree's well-being. In this article we'll take a step back and discuss the essential elements that are necessary to give the seedling the ability to grow into a tree that bears high-quality fruit.

Elements and th

Bernie Bostwick, *EVP Business Development*

Imagine walking through a forest and coming upon a section that is gray and lifeless. The beauty of a green and flourishing wilderness has been replaced by darkness, death, and a sense of cold. Then, to your amazement, you see a sign of life. In the midst of this lifeless existence is a small shoot trying to take root and live. The question becomes: how can it survive while so many trees around it have died? For this seedling to live and grow into a healthy, vibrant, and strong tree that will last for many generations to come, four elements are required:

For this seedling to live, and grow into a healthy, vibrant, and strong tree that will last for many generations to come, four elements are required.

Air: One of the most basic and abundant elements for a seedling is air. For those growing a Tree of Wealth, the ability to be good stewards of their wealth and utilize tools designed to ensure adequate accumulation on a tax-efficient basis is the "air" of the plan. Everyone has the ability to expose his seedling to the components making up this plentiful element.

Sunlight: Another element that is rich in nature is exposure to the sun. Photosynthesis is the growth engine for the future, and limiting exposure inhibits a seedling's opportunity to truly grow. Working with qualified professionals allows your seedling to absorb the advice and strategies necessary to reach their full potential, as well as to ripen the fruit that should nourish the roots of the tree in the future.

e Tree of Wealth

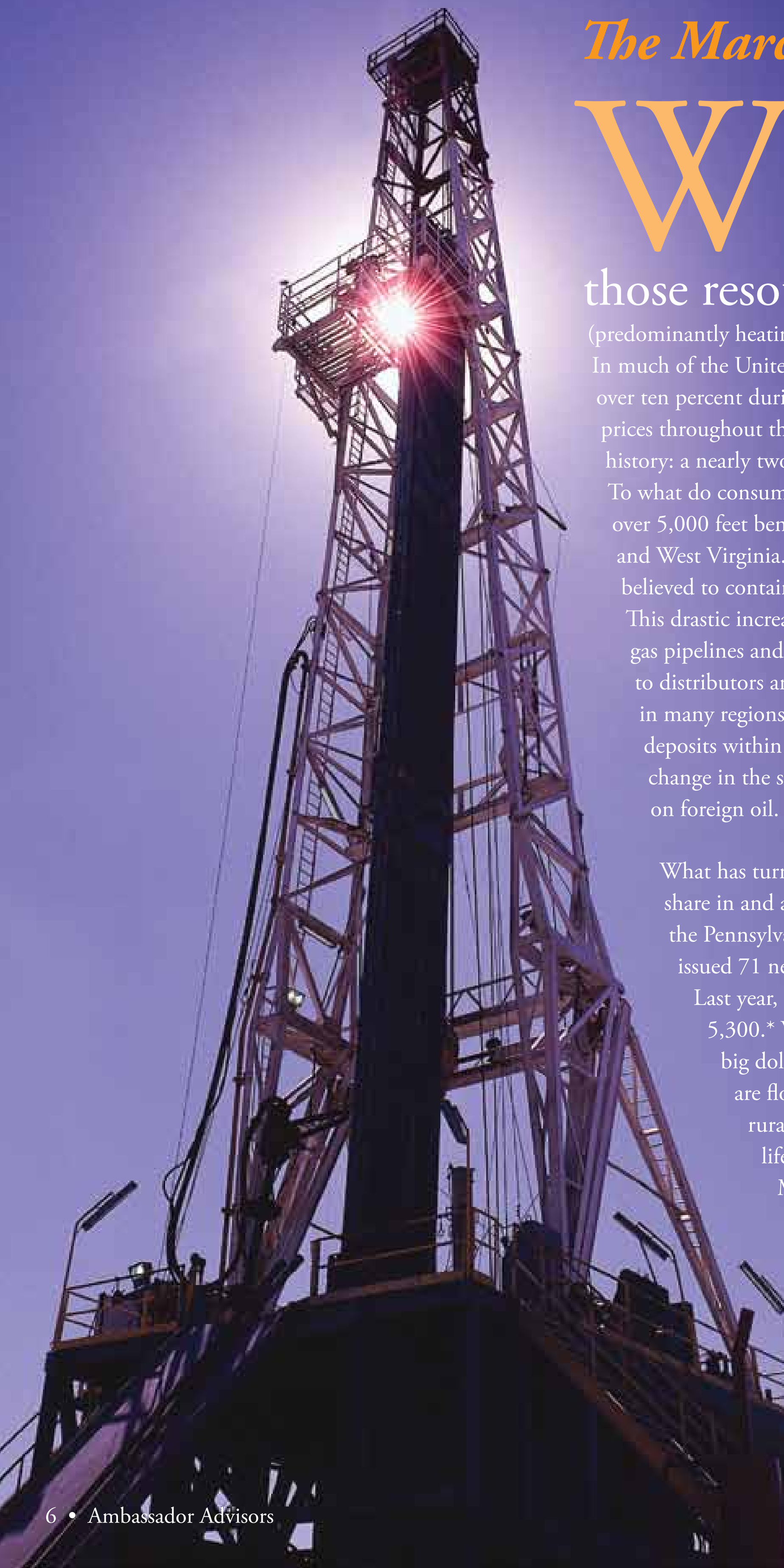
Water: The lifeblood for all plants and the key to replenishment and rejuvenation is fresh water. If new water is not continually circulated, stagnation in growth and potentially death will result. In intergenerational wealth planning, keeping one's planning current, updating strategies based upon the changes in the environment, and constantly reviewing goals and objectives are crucial to keeping the Tree of Wealth strong and vibrant in the face of adversity and change.

Soil: Although the first three elements are imperative to progress from a seedling to a tree, the soil that a Tree of Wealth finds itself in is the most important element for sustaining wealth across multiple generations. The soil is where the roots take hold, grow, and flourish. The roots under a Tree of Wealth are the generations of a family (not the branches, as often thought). The deeper and stronger the roots, the more likely the Tree of Wealth will survive adversity in the future. Generations of roots can only survive if the soil is nutrient rich. Communication is the key to producing soil adequate to sustain growth for multiple generations. Years of high-quality fruit (instilling of values, family history, characteristics, as well as material wealth) can be absorbed into the ground and help sustain and stabilize the roots of the tree. This element, however, is the most overlooked or ignored when families plan for their legacy. Engaging help to cultivate and maintain rich, fertile soil is imperative to any family hoping to leave a lasting legacy, and this is the basis for Ambassador's Family Legacy Retreat.

Our final article will discuss in more detail the importance of rich soil, as well as the choices we all face when predators or pestilence threaten our Tree of Wealth. Until then, continue to explore and invest in the elements of Air, Sunlight, Water, and Soil to grow and sustain your family's Tree of Wealth.

A New Basic

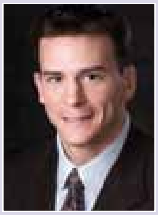
The Marcellus Shale Gas Boom



With Jack Frost gearing up for another year of nose-nipping, prices for those resources used to heat homes (predominantly heating oil and natural gas) are trending higher and higher. In much of the United States, rates for natural gas, specifically, rose well over ten percent during the last month of 2010. Despite this rise in average prices throughout the nation, portions of the Northeast are witnessing history: a nearly two-year decrease in natural gas costs from distributors. To what do consumers owe this rare deflationary effect? The answer lies over 5,000 feet beneath the surface of lands in New York, Pennsylvania, and West Virginia. The Marcellus Shale is a rock formation that is believed to contain one of the biggest natural gas deposits in the world. This drastic increase in supply, coupled with the improvement of old gas pipelines and near constant construction of new ones to ship gas to distributors and consumers, should continue to drive costs down in many regions. In fact, some suggest that the enormity of the gas deposits within the Shale could actually bring about a complete change in the several industries by affordably reducing dependence on foreign oil.

What has turned into a modern day "gold rush" to capture market share in and around the Shale continues to gain speed. In 2007, the Pennsylvania Department of Environmental Protection (DEP) issued 71 new permits for exploratory and production drilling. Last year, however, the number of new permits issued exceeded 5,300.* With all eyes on the opportunity existing in the Shale, big dollars from some of the biggest companies on earth are flowing into small economies and blessing countless rural families, many of which are accustomed to modest lifestyles. Whether you are a landowner affected by the Marcellus Shale gas boom or know someone who is, understanding the new reality that exists and some of the strategies designed to protect resources and reduce unwanted exposure is vital to ensuring long-term sustainability of wealth.

Creating a plan to optimize the potential of land sitting atop the Marcellus Shale can be a complex endeavor. That said, there are



Adrian Young, *EVP Financial Strategies*

some basic concepts and steps that should be considered by virtually anyone presented with this opportunity. One of the first steps in such a plan is negotiating a favorable lease with a gas company. Gas lease negotiation is a fairly specialized field, the intricacies of which could easily fill the pages of this newsletter four times over. Notwithstanding that fact, some of the key components to a favorable lease include a sizable upfront lease "bonus" payment, as this is a landowner's only guaranteed money. Some bonus payments, which are paid simply for the right to conduct operations on one's land, are exceeding $6000 per acre in northern Pennsylvania. After the lease payment, landowners may still reap benefits from actual gas drilling and production through a royalty. Most states mandate a statutory minimum for such royalties (twelve-plus percent), but many leases are exceeding 20 percent for any gas that is extracted from a property. Other important facets of a lease include the term of the lease, environmental quality and restoration clauses, depth clauses, storage clauses, and minimizing the ability for the company to include one's unused property in a production unit or pool. Obtaining experienced legal counsel for a lease negotiation is highly recommended.

The almost limitless potential is sure to result in a significant shift in not only the economic, but also the social, physical and cultural landscapes surrounding the Marcellus Shale.

While, or even before, a lease is negotiated, there are several other plan components that need to be considered. One of these components involves the act of severing the mineral interests from the surface rights on a plot of land. Like a David Copperfield act, a landowner can go into the local recorder of deeds office with one piece of property and, "poof," come out with two separate and distinct property interests on the same slice of earth. Upon completion of this phase, the landowner now has the flexibility to deed the surface interests, while maintaining any and all royalties that might later spring from the land. This action also provides for some advanced planning flexibility, as the mineral interests can be sold or gifted apart from a family homestead that is occupied by family members.

Once the interests are separated, the unique goals and objectives of each landowner begin to truly drive the planning options utilized. In virtually all circumstances, one of the next steps towards securing the most from the opportunity is creating a separate legal entity to hold the mineral interests. Whether one creates a Limited Liability Company (LLC) or takes the additional step to create a Family Limited Partnership (FLP), establishing a separate entity to control the mineral interests creates a degree of personal creditor protection. This step also builds a flexible platform from which to conceivably discount the value of the previously-mentioned gifts or sales of the mineral interest held within the entity.

One of the last basic steps that should be considered when planning for this opportunity is the appraisal of both the mineral interests and the entities created. A qualified appraisal of the mineral interests is important to ascertain values for gifting, sales and other techniques that might come under fire from the Internal Revenue Service (IRS). These values are also very important for Federal Estate Tax considerations. Getting the appraisal done before production, given the uncertainty surrounding gas yields and the ever-increasing production realized, is often a good decision. This will lock the value for purposes of most advanced estate planning techniques. With regard to the valuation of the entities, depending on how the controlling companies are structured, a landowner may be able to create a sizable discount in the "reportable" value of the company if she transfers any part of the company for estate or other planning purposes.

Although many of these preliminary steps may not seem "basic" in nature, they are all now essential pieces for those attempting to maximize the opportunity present in the Marcellus Shale. At this point, the potential in New York and Pennsylvania seems almost limitless. Such potential, coupled with the changes that often accompany natural resource booms, is sure to result in a significant shift in not only the economic, but also the social, physical and cultural landscapes surrounding the Marcellus Shale. Protection of all of these landscapes will be difficult as big business and the nation push for more and more production. Having one's financial and estate picture secure will go a long way toward allowing a landowner to focus on preserving those other—arguably more important—facets of life as we know it. ✸

*www.dep.state.pa.us/dep/deputate/minres/oilgas/RIG10.htm

Common

in Financial

As members of the Client Relations Team, we meet regularly with prospects and current clients to review their various planning strategies and programs. During the review process, we strive to understand the person's entire financial picture in order to give the best advice possible. In situations where we are not the only advisor for a client, there are several common mistakes we see during reviews.

Correcting common mistakes is the ultimate way to say "I love you" to our families and those who have been asked to help us when we can no longer help ourselves.

Improper Diversification.

Ecclesiastes 11:2 says, "Give your portions to seven, yes to eight for you do not know what disaster may come upon the land." While most investors intuitively understand that they should diversify, they do not know how to go about the process. We often see clients with Certificates of Deposit (CDs) in seven or eight different banks thinking they have achieved diversification, when in fact this is not diversification, but rather duplication. Other investors have taken this concept to mean that they should have money invested in multiple money management firms. In this scenario, they have not put their eggs in different baskets, but instead have simply partitioned the same basket for all of their eggs. Each of these money management firms may diversify the funds invested with that firm. However, the risk of duplication and more risks to the overall portfolio increases drastically.

Perhaps the most common diversified investment tool is the mutual fund. Mutual funds offer diversification by the very nature of the fact that the fund will often own over 100 different companies (if it is a stock mutual fund). Mutual funds offer professional money management for even the smallest (a few thousand dollars) investor. Owning a variety of mutual funds provides a lot of diversification, as long as they are investing in different asset classes. The question that must be answered is whether the investor has the time, talent, desire, and experience to invest what may be a lifetime of savings in a market that is constantly changing. This brings us to our next common mistake.

Not Knowing What We Don't Know.

Many people try to be their own investment advisor (at least part of the time). While some are able to do this, many are not able to do so, and they often get themselves into trouble. The investor who tries to invest on his own is often at more risk of losing great amounts of wealth due to lack of knowledge of markets, economics, and politics affecting investment performance. Profitable investing takes time, talent, and experience. Investing involves risks to reap rewards. Sometimes,

Mistakes ~~Misteaks~~ Planning

Client Relations Team: Dan Bailey, Ryan Middleton, and Lenny Marsch

when in difficult markets, the only reward is a return of principle. Will Rogers may have said it best: “I am not as concerned about the return on my money, as the return of my money.” Knowledgeable investors/advisors understands risk. They are often able to sidestep pitfalls, saving themselves or their clients from losing the gains earned by perhaps many years of investing. The knowledgeable investor continually adjusts his investments to stay current with the risks and opportunities in the market. These adjustments require a thorough knowledge of where the market is and an understanding of where it may be going. There is yet another mistake that we see as we meet with our clients.

Inadequate Counsel.

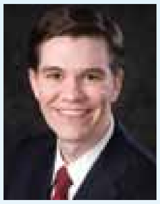
Proper financial planning covers many areas, including investing, insurance review (risk management), and estate/charitable strategy. In Proverbs 15:22, Solomon writes, “Plans fail for lack of counsel, but with many advisors they succeed.” It is not uncommon to meet with someone who has not covered all the bases. Some have put all of their monies in retirement investments, while others have purchased a single life insurance policy, and others have only drawn up a Last Will and Testament.

Retirement investing is very important, but there are other reasons to invest, such as replacing vehicles, helping children or grandchildren pay for their higher education, buying a home, or moving to a retirement community. When all available dollars are invested in one area and other needs come along, as they almost always do, the single-focused investment plan is disrupted, often with high fees and taxes to be paid. Having multiple investment vehicles, each with its own goal, reduces the risk of disrupting an investment for the wrong reason. A trained investment advisor will recommend that monies be invested to meet a wide variety of goals.

Another area of lopsided planning is in the area of insurance. Mistakes fall into three main categories. The first two are results of not having a well thought out plan. First, many will purchase one large life policy on a primary wage earner, based upon an arbitrary estimate (perhaps to cover debt), and then do nothing for the other spouse. Some, desiring to not only insure one’s family, but also to build wealth, may utilize too little insurance to protect their family. The professionals on our team will recognize gaps in the plan and be able to recommend strategies to fill those gaps. Another mistake, in an effort cover those missed bases, occurs when “do-it-yourselfers” try to purchase insurance off the Internet, thinking they can save money. What most people don’t realize is that the rates posted are for the best underwriting classification, and the person applying may not qualify for those rates. Another misconception is that rates are cheaper on the Internet, which is generally not true. Our team of counselors can not only design a balanced program to cover all the bases, but step in at claim time to make sure the insured receives the benefits due under the policy.

These common mistakes are relatively easy to identify and rectify, saving an individual—and their heirs—time and money. Correcting these mistakes is the ultimate way to say “I love you” to our families and those who have been asked to help us when we can no longer help ourselves. Begin reviewing your plans today with the goal of having them in place and up-to-date in the new year. It is a great winter project.

Rediscovering the Dividend



Drew Kavanaugh, *VP Wealth Management*

With the rollercoaster ride of stock market returns over the past decade, many investors and money managers are returning to a "back to basics" strategy that gives dividends a more prominent role in their investment portfolios. So, what is a dividend? A dividend is a portion of the company's earnings that is paid to the shareholders, usually every quarter. A dividend investment strategy provides for a number of benefits, including providing an important source of total return, helping understand the soundness of a company's financial strength, and offering an attractive risk/reward scenario versus government or corporate bonds.

Over the long run, from 1926 to 2009, 44 percent of the total return of the S&P500 was actually derived from the payment and reinvestment of dividends.* In fact, a study conducted by Professor Jeremy Siegel in his book, *The Future for Investors,* found that better returns have been directly correlated with higher dividend yields. So, companies that pay dividends have had more attractive long-term returns than companies that pay low or no dividends.

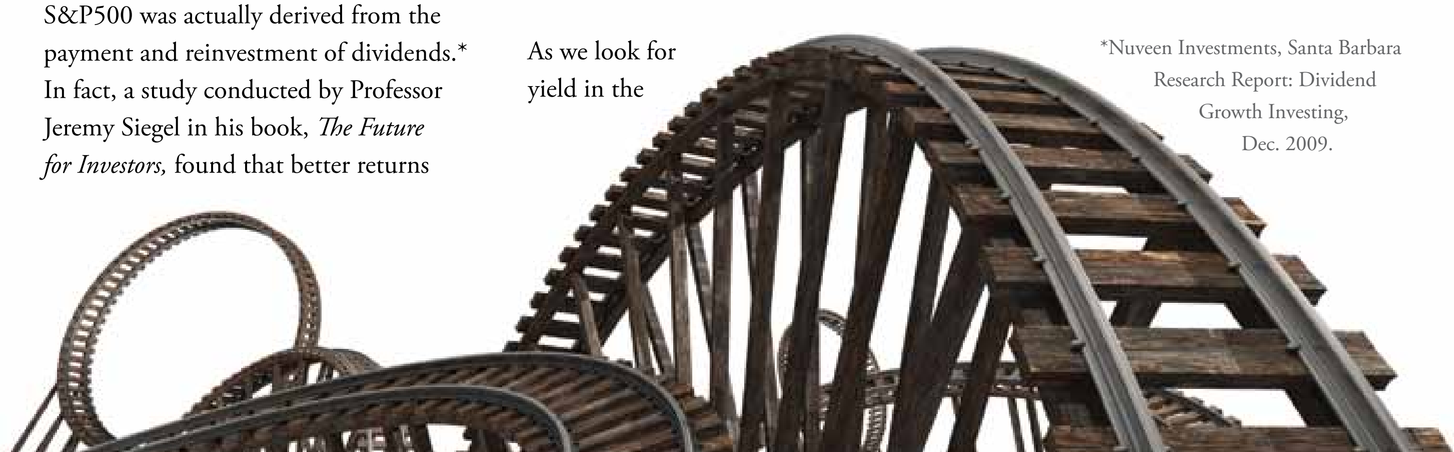
With the rollercoaster ride of stock market returns over the past decade, many investors are returning to a "back to basics" strategy.

Dividends provide investors not only with a return while they wait for stock appreciation, but also with a signal of a company's financial health. Dividends enhance earnings transparency; it is hard to pay something you don't have. Dividends exert financial discipline, because management historically has been reluctant to cut dividends once a policy has been established. And, finally, dividends show management confidence in the business by signaling that the company's earnings will be able to pay for the dividend going forward.

As we look for yield in the low-growth, low-interest rate environment we currently face, dividend-paying stocks offer an attractive risk/reward computation. Domestic corporate and government fixed income offer little yield and little opportunity for capital growth, especially in the face of higher interest rates in the future. However, the impact of interest rate changes on dividends and stock prices is indirect and may be less pronounced. In fact, the initial stages of a rising interest rate environment are usually equity positive, as they signal an expanding economy.

As the rollercoaster ride of returns looks likely to continue, "boring" dividend-paying equity investments included in a diversified portfolio may be all the rage for the foreseeable future. ✸

*Nuveen Investments, Santa Barbara Research Report: Dividend Growth Investing, Dec. 2009.



Mapping Out An Optimal Portfolio

New Asset Management Services

Working with so many clients representing so many walks of life, the team at Ambassador constantly comes into contact with outside 401(k), annuity, and investment plans that are rarely managed actively and often underperforming. Upon reviewing these outside investments, it is common to find significant redundancies and unnecessary exposures that affect the client's overall portfolio and financial well-being.

Ambassador Advisors is now offering a program designed to provide optimal portfolio structure and comprehensive investment advice for those interested in ensuring that each aspect of their plan is working in harmony. The comprehensive asset management plan provides periodic rebalancing and reallocation advice from the experts at Ambassador, as well as a consolidated statement for all client investments. For more information, give us a call at 717.560.8300. ✸

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www.ambassadoradvisors.com

Plotting a Secure Course for the Future

AMBASSADOR PENSION CONSULTANTS

Stay Ahead of the Curve

Introducing Ambassador Pension Consultants

With Social Security continuing on its course to oblivion and an ever-increasing number of workers in the United States saving far too little to provide even a minimalist's existence in retirement, the government has elevated the importance of creating regulation designed to protect savers. New regulations aimed at employers and retirement plan providers will increase not only the scrutiny on employer-sponsored retirement plans, but also the disclosure necessary for all those involved. Of course, understanding these added measures and their effects has generated a need for specialization. As such, Ambassador has created a dedicated team, ***Ambassador Pension Consultants***, designed to ensure our business clients stay ahead of the regulatory curve, and get the best plans available at the best pricing in the new environment.

If you'd like to learn more about the new regulations and have a complimentary ERISA audit and/or retirement plan review, call 717.723.9860.