ClientTell
Blackburn, Childers, and Steagall, PLC
Certified Public Accountants and Consultants
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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

BCS Financial celebrates 10 Year Anniversary

How time flies…it seems like yesterday when we held out our shingle for business on May 1, 1998. Those of you who have started new businesses know the anxiety, anticipation and excitement that comes with new ventures. Our firm has been tremendously blessed over the years. We have had the opportunity to serve our clients in many different capacities. We consider it an honor and privilege to work with our clients. The most important motto we have is: "Always do the right thing for the client." And the feedback we have received over the years has been very positive.

As you can expect, we started with $0 of assets under management. Today we manage over $80 million. We have personal, retirement (IRA, Roth IRA, 401k, Simple IRA, Defined Benefit, SEP IRA), trust, education (529, Education IRA, Custodial) and estate types of accounts. We do not work on commission. Since day one we have remained a "fee-only" firm and will continue to do so. We have not and will not sell any products. Should clients need legal, insurance or other services we can provide quality references for them. We do not get any "kick-back" fees for these referrals. Our clients pay our fees as we are not compensated by anyone or any company. We want to be completely independent, transparent and have full-disclosure at all times.

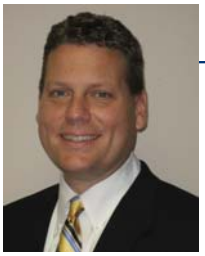
Our partnership with **Blackburn, Childers and Steagall** has been the backbone of our success and will continue to be into the future. BCS now has three locations in the Tri-Cities and that has opened up numerous opportunities for us to provide wealth management services to the greater region. The combination of expert tax and estate planning with financial planning and asset management gives us the capability to handle most situations that our clients and their families will encounter. It has been a great asset to have more than one set of eyes working on solutions for clients.

Since our inception we have partnered with **Charles Schwab and Company** as the custodian for client assets. Schwab's depth, accessibility and cutting edge technology have enabled us to provide the highest client service in regards to account information and activity. Schwab continues to remain the leader in independent brokerage firms.

As noted earlier, BCS Financial has been successful and blessed because of our clients allowing us to work with them in their personal and professional lives. We consider it a great opportunity to be of service and provide solutions to help clients meet their goals and objectives. Again, we say thank you and look forward to the next ten years of exciting growth and opportunity.

Michael L. Alread, CFP®
Managing Partner
BCS Financial, LLC

BCS Financial, LLC
WEALTH MANAGEMENT SERVICES



Viewpoint

By Tommy Greer

How Full Is Your Leadership Bucket?

Recently I attended a two day Leadership Summit presented by the Willow Creek Association. "Vision Leaks" was a term Bill Hybels used as a visual aid to describe a challenge all organizations face. Organizations can cast great vision to "fill up" everyone's vision bucket but due to everything else in a person's life the vision leaks out of the bucket. To keep the organization's vision in the fore front we must constantly refill the bucket to achieve the organization's end goal.

In listening to this I thought the very same concept could be applied to all of us individually and corporately when it comes to leadership. This is especially important since we are all influencers (leaders) in some capacity; whether it is in our business, in a department, a committee or more importantly in a family environment.

- Have you ever noticed how when you have read a leadership book or attended training it seems to make perfect sense and you're fired up for leadership and then……life happens?
- Have you ever noticed how there are 8 million leadership books out there and most of them say the same thing just in a different way?
- Have you ever noticed that leadership is just like any other skill, that if it is not constantly studied and practiced it diminishes greatly?

All of the above are because to truly have <u>great</u> leadership we must constantly "refill our leadership buckets"; just like vision, "Leadership Leaks".

So I would ask you what are you or your company currently doing to continually replenish your leadership bucket?

Listed below are some of the things we do at BCS corporately to refill our buckets:

- Annually conduct a 2 day retreat for the entire firm focused on leadership and team building skills.
- Currently 15 individuals from supervisor to Partner level have began a twelve month Leadership Development class with instructor Tom Hornsby. this group meets once a month for a full day to strengthen and build leadership skills.
- Have a leadership book club (voluntary) different times during the year, lead by a Partner(s).
- Participate in various conferences, regional chamber leadership classes and in the past have participated in our association's (PKF) leadership seminars.
- Offer opportunities for individuals to fill different leadership responsibilities within their work setting.

Individually, at a minimum you can do the following:

- Read, Read, Read (if you don't like to read, all of these books are available in audio formats also.)
- Apply, Apply, Apply (it doesn't do any good to read about it if you then don't apply it to your life.)
- Ask someone to mentor you. I believe we all recognize the differences between great leadership and bad leadership when we see it. Find someone whose leadership skills you admire and ask them to meet with you on a regular basis.
- Never stop growing! It doesn't matter how beautiful that plant is today, if you quit giving it sunlight and water it is going to die. Ditto your leadership skills.

Many times people don't fail to lead others, they fail to lead themselves. You have to be able to lead yourself, before you can lead others, so let's keep filling those Leadership Buckets!

Housing Assistance Tax Act of 2008

By Andy Hatfield

The downward spiral in home sales and home values has many Americans worried. Home sales have hit a 10-year low, gas prices are still high, and credit, which helps the economy, is drying up. While the news is troubling, there is a bright spot. Congress has passed a sweeping housing bill (the *Housing and Economic Recovery Act of 2008*). The new law includes more than $15 billion in tax incentives that are fully offset by far-reaching revenue raisers. This bill is quite lengthy and contains a lot of provisions that I consider not applicable to most of us East Tennesseans. So I have decided to focus on two incentives and one revenue raiser (or tax offset) that you might find interesting and applicable.

First-time homebuyer tax credit (Tax Incentive)

The first-time homebuyer tax credit, has been getting a lot of attention in the news, but be careful. The tax credit, while generous, is essentially an interest-free loan from the government. Taxpayers who take the credit, which equals 10 percent of the purchase price (up to $7,500 for single individuals and married couples filing jointly; $3,750 for married individuals filing separate returns) must *repay* the credit. They will have 15 years to repay the credit in equal amounts. If a taxpayer sells his or her home before the end of the 15-year period, he or she will likely have to immediately repay any outstanding balance.

Important income thresholds also apply. The credit begins to phase out for taxpayers with AGI in excess of $75,000 ($150,000 in the case of a married filing joint return).

Additionally, the credit is temporary and applies to homes purchased on or after April 9, 2008 and before July 1, 2009. The credit must be claimed on a 2008 or 2009 tax return. There are also complex rules about who can take it, when they can claim it and so on.

Property deduction for non-itemizers (Tax Incentive)

Significantly less complicated is a new standard property deduction for taxpayers who do not itemize deductions.
Before the new law, only itemizers could deduct state and local property taxes. The housing act gives non-itemizers a limited deduction for state and local property taxes by increasing the amount of their standard deduction by the lesser of the amount of property taxes they paid or $500 ($1,000 for a married couple filing jointly). If you have paid off your mortgage and no longer itemize, you might benefit from this new deduction. As now written this is a one-year incentive, available only for taxes paid in 2008.

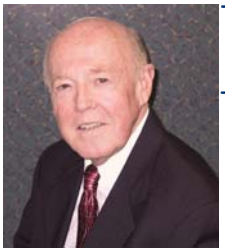
Changes to the home sale exclusion (Revenue Raiser)

The home sale exclusion is one of the most popular tax breaks in the Tax Code. A married couple filing jointly can generally exclude up to $500,000 in gain (single individuals up to $250,000).

Before the new law, if a second home becomes a principal residence, after two years the owner could sell it and exclude up to $250,000 in gain from their income or up to $500,000 for couples filing jointly. The housing act closes what some call a “loop hole.”

The new law pro-rates the exclusion between the time that a home is used as a principal residence and the total length of ownership, which includes any “non-qualifying” use as a rental or vacation property. As good news to those who have already owned property for a while and have seen it appreciate, non-qualifying use before the January 1, 2009 effective date of the provision is not used in the calculation; neither are periods after a qualified use of the property or temporary absences of less than two years.

As with all tax bills, this one has many cautions and complications. Please let us know how we can be of help.



PFP Spot light

By Jim Wilson

SAFETY FIRST THROUGH LIFE CYCLE INVESTING

In a recent issue of the *American Association of Individual Investors Journal* and the *Journal of Financial Planning*, Paula Hogan (a CFP and CFA) lays out a convincing case supporting the use of Life Cycle Investing concepts in planning for asset preservation.

In life cycle investing a person's total wealth is defined as the sum of their current financial wealth and the present value of their human capital – that is what their labor will earn during their lifetime. Most people want to avoid a rollercoaster experience in investing. The life cycle investing theory provides an opportunity to do this. Please read on.

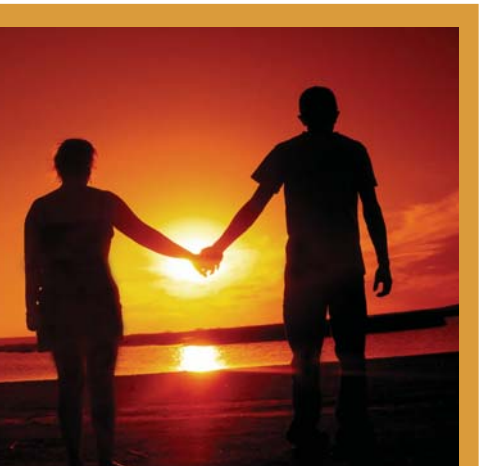
Life cycle investing theory was developed in the 1970s. This is not to be confused with what are currently marketed by mutual fund companies as target date funds. These are two entirely different concepts.

Life cycle investing also incorporates the element of human capital. As stated above, human capital is the present value of future earned income. Your job and earning potential have a large bearing or should have a large bearing on your investment strategy.

Another tenet of the life cycle investing theory is that in general people like to smooth consumption across their lifetimes and they especially want to avoid big downturns in their standards of living. Using this approach, financial planning consists of transferring consumption across time and across contingencies throughout the life cycle of the individual. There are at least two cycles to be considered – the cycle of accumulation and the cycle of withdrawal. In order to smooth out the cycle of accumulation, we use such things as disability insurance, health insurance and life insurance. While on the other end, the cycle of withdrawal, we may use some form of an annuity product that is an immediate annuity that secures a portion of our income so that we know we will not out live our resources. I was told by a friend of mine recently that a very famous professor recently retired from his financial professorship at a major university and took one-half of his TIAA-CREF retirement fund and invested in an immediate fixed annuity so that he would never have to worry about his funds expiring before he did.

Human capital and the resiliency of that capital enter into the risks that we take during the accumulation phase of our savings. If we have the ability to greatly increase our income, we can assume more risk and a larger equity portfolio than we could if we have an income that is not resilient. In fact, it may be actually fraught with downward circumstances reducing income and enhancing the amount available for savings and to make up losses in portfolios. All of this impacts savings for retirement and how you invest those savings. Conventional wisdom allows that if there is a large period of time to retirement a heavier weight can be given to equity investments. Life cycle investing focuses on human capital and financial capital indicating that conventional wisdom may not hold.

Thus we have a different view of risk. Fixed income vehicles and even specialized annuity products (not the products currently marketed) may play a larger role in your asset allocation than previously considered. In the life cycle investing theory, your personal wealth would be anchored by these safe investments rather than by equity investments. This is an entirely different concept than the notion that stocks should be the mainstay of an individual's portfolio. Of course, this does not take into account any inheritances or other windfalls that would provide additional funds that could be invested with more risk. In this context we are talking about a mainstay of an individual's investment portfolio that will be used for retirement years.



A couple of examples as to how this would work would be a younger worker who has a job with little opportunity to ramp up income in the face of investment losses. While the worker has good human capital, there should be an acknowledgment that a larger amount of financial capital needs to be invested in safer investments than the older paradigms would suggest.

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At the opposite end of the spectrum is an older person age 60+ who has limited human capital – maybe even down to zero – and has a need to invest in safe financial investments. Referring back to the idea that consumption should be leveled out, this is the same process that should be taking place when a person has limited human capital and must rely upon financial capital for their livelihood. This idea of smoothing consumption is most important. To do this we use various safe investments and also insurance such as medical insurance, long-term healthcare insurance, disability income insurance, etc.

A key implication of life cycle investing is that there are safe investments and further that safe investments are appropriate as the base layer of personal wealth. The factor of human capital enters into the use of investments during the accumulation phase of life. Part of this factor of human capital is the resiliency of the capital, i.e. the ability to earn more money when economic conditions have turned sour. As the life cycle theory of investing comes into our daily life, you can expect to see an increased focus on safety first in investments as well as increased attention to coordinating investment policies with human capital.

Summing up LCI we can see that the concept has the following components:

1. **Human capital**
2. **Present wealth**
3. **Risk aversion**
4. **Other life style factors**
5. **Smoothing the rate of consumption on the accumulation side and the withdrawal side.**
6. **To achieve No. 5 may require the use of various insurance products.**

Financial planners using this new concept will have to adopt different paradigms of risk management and investment strategies. An analysis of a human capital will achieve a much more prominent spot in the financial planner's portfolio. In addition we will have to be on the lookout for new products produced by the life insurance industry and in particular using different types of annuity products to achieve this smoothing out, particularly in the withdrawal cycle. We will also want to be talking with our clients more about how they can preserve and prolong their human capital so that their investment capital does not take too much of a hit during the withdrawal period. More attention has to be paid to these concepts because of the shift from defined benefit to defined contribution pension plans. If you consider what role reductions in Social Security may play in later retirement for baby boomers, increasing cost for health care especially for retired people, the impact of inflation along with the increasing longevity of the population and last but not least a low savings rate of the American population.

Thus as financial planners when we are given an assignment for either an investment strategy in the accumulation phase or an investment strategy in the withdrawal stage, we should be employing these various concepts that are set forth in life cycle investing.

WILSON PHARMACY

Growing Strong For 70 Plus Years

Then...Main Street Location

Who would have thought the little corner drugstore and soda fountain that Guy Wilson, Sr. started in 1936 would become one of the leading healthcare providers in Tennessee?

From humble beginnings on Main Street in downtown Johnson City, Wilson Pharmacy now has 4 divisions and 100 plus employees, serving 4 states and thousands of customers.

"Everything we do is based on serving the customer better than anyone else." states Guy Wilson, Jr., second generation leader of this large and growing local company. "My father was committed to helping people, whether it was explaining to them how to take their prescription, or serving up a really great soda fountain treat. From the time I started as a Soda Jerk, to becoming a Registered Pharmacist, to leading the company, I never forgot my father's concern for giving our customers the best values and caring service anywhere."

Wilson Pharmacy Retail Division is still the backbone of this multi-faceted business. The Wilson Pharmacies in Johnson City, Kingsport and Boones Creek specialize in hard-to-find medications and often receive customer referrals from other pharmacies. They have a commitment to servicing patients with special needs, and are known as the pharmacy that can best handle complicated cases. They believe most people are looking for fair prices, fast turnaround, and personalized consulting from caring, qualified pharmacists. A pharmacist is always available for consultation on each and every prescription filled.

Johnson City 525 N. State of Franklin

Wilson Pharmacy might very well have maintained its status through the years as simply the leading local drugstore; however, Guy Wilson, Jr. has acted on numerous opportunities to expand and diversify the business. This diversity has allowed the company to maintain its growth and independence and utilize its resources more effectively

The business expanded beyond the traditional retail pharmacy services in the 1970's when Dr. Wilson identified an opportunity to service nursing homes. From this opportunity came the **Pharmacy Network Services, Inc.** Division of Wilson Pharmacy, which now provides medication services to more than 40 institutional and long-term care facilities. PNS focuses on reducing the number of medications used by the elderly population, where duplication of therapy and medication interactions are common. The PNS division utilizes packaging technology that is proven to be the safest and most effective means of reducing medication errors.

Kingsport 1657 East Stone Drive

The Infusion Division was started during the 1980's, and provides home Intravenous and Enteral feeding products and services to residents within an 80-mile radius of Wilson Pharmacy's corporate office in Johnson City.

Clinical Management Concepts, Inc. is a Wilson Pharmacy company that helps self-insured and other employers manage their employee drug benefit costs, quality of life, and improves employee productivity. CMC programs apply extensive experience in clinical oversight of medication utilization, health and safety assessments and wellness education and are controlled through a proprietary software program developed by Wilson.

Continued from page 6

Today, the soda fountain is gone, but modern technology is combined with old time service, enabling Wilson Pharmacy to fill thousands of prescriptions every day. Their combination of service and value has enabled them to grow into a diversified, multi-million dollar corporation that is established in the pharmacy industry as a forerunner for use of technology in the provision of healthcare.

Boones Creek 2685 Boones Creek Road

Guy & Debra Wilson

Guy Wilson feels that if the company continues its philosophy of blending clinical skills, business management skills, and information technology, Wilson Pharmacy will continue to prosper and will provide long-term employment opportunities for its employees and their families.

The Wilson family believes in giving back to our community. The Wilsons have been leaders in promoting the Tri-Cities area through the Chamber of Commerce, ETSU, and a number of other civic organizations. The Wilson leadership team is encouraged to participate in community activities. Wilson's team has given hundreds of hours and thousands of dollars to help in the effort to establish a College of Pharmacy at ETSU. Wilson Pharmacy is also involved in several University Pharmacy Residency programs. Wilson management works with the colleges to employ pharmacy residents and ensure the pharmacy staffing needs of our community.

Special thanks to Robin Crumley, Executive Assistant with Wilson Pharmacy for submitting this article for our use.

My Chat with Rachel Squibb

Rachel Campbell Squibb joined Blackburn, Childers & Steagall in February 1999 as an intern while attending college. After graduating Magna Cum Laude from East Tennessee State University in May 2001, she started full time with BCS's audit department. Rachel passed the uniform CPA exam in May of 2003.

During her time at BCS, she has provided auditing and accounting services to a wide variety of clients including governmental and manufacturing. Rachel also graduated from the Johnson City Chamber of Commerce's Leadership 2015 program in 2006. During the 2005-2007 years she served as Co-Accounting Chairman for the Washington County Relay for Life. Rachel is currently participating in the BCS Leadership Class with Tom Hornsby.

Rachel lives in Limestone with her husband, Wesley, and their son, Weston where they farm tobacco and cattle. They are members of Jonesborough United Methodist Church. Rachel loves to spend time with her family. They enjoy camping and vacationing at the beach.

By MeLissa Crockett

Attention: Local Governmental Entities

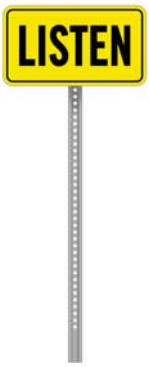
By Rachel Squibb

In an effort to more accurately reflect the financial effects of postemployment benefits other than pensions, the Governmental Accounting Standards Board (GASB) has issued the following two standards: Statement no. 45, Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement no. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Other postemployment benefits (OPEB) generally include health insurance, dental, vision, prescription, life insurance, or other benefits that are provided to eligible retirees. Before the implementation of the aforementioned standards, governments typically accounted for OPEB liabilities with a "pay as you go" approach in which the cost of benefits is not reported until after the employee retires. However, this approach is not comprehensive – only revealing a limited amount of data and failing to account for costs and obligations incurred as governments receive employee services each year for which they have promised future benefit payments in exchange.

With implementation of the new standards, many governments will report, for the first time, annual OPEB cost and their unfunded actuarial accrued liabilities for past service costs. This will foster improved accountability and a better foundation for informed policy decisions about the level and types of benefits provided and potential methods of financing those benefits. One major issue that needs to be addressed in implementing GASB 45 is the requirement of actuarial valuations to determine the annual required contribution (ARC). The ARC includes the normal cost for the year and an amount to amortize the total unfunded actuarial accrued liability over a period of up to 30 years. An actuarial valuation is required at least every two years for all OPEB plans that have a total membership of 200 or more and at least every three years for plans that have fewer than 200 members. A simplified alternative measurement method of obtaining actuarial valuations is available for OPEB plans that have fewer than 100 members.

If you have any questions about the OPEB standards concerning your government, we will be pleased to discuss them in further detail, to perform any additional study of this matter, or assist you in implementation.



Employer Revenue in the first fiscal year ending after June 15, 1999, is greater than:	GASB 45 effective date for plan sponsors' fiscal years beginning after:	GASB 43 effective date for plans or trust funds fiscal years beginning after:
$100 million	December 15, 2006	December 15, 2005
$10 Million, but less than $100 Million	December 15, 2007	December 15, 2006
$0 but less than $10 million	December 15, 2008	December 15, 2007

Here is the implementation schedule based on revenues, for each statement.

<u>Keys for Governments to Have a Successful OPEB Implementation</u>

- Gather data on demographics and participants at or as close as possible to the valuation date. If spouses and other beneficiaries are involved in the plan, a full count of participants is needed.
- Document and locate all plan information including contributions, vesting, insured status, eligibility, deductibles, types of coverage, co-pays and spousal / dependent benefits.
- Don't forget about non-health OPEB, including dental, vision, life insurance and other benefits.
- Engage an actuary, preferably a health care actuary or one who has access to that expertise.
- Talk to your auditor early about information such as trend rates and returns for a "reasonableness" check.
- Engage the government's bond disclosure counsel to assure proper and timely reporting to bondholders and other interested parties.

<u>References:</u>

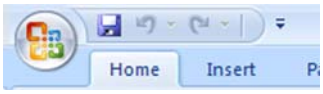
"GASB Statement 45 on OPEB Accounting by Governments A Few Basic Questions and Answers." GASB 19 Aug 2008 <http://www.gasb.org/gasb43_45/index.html>.

Eric S. Berman and Donald L. Rahn. "Successfully Navigating OPEB." Journal of Accountancy August 2008: 54.

The Office 2007 Quick Access Toolbar

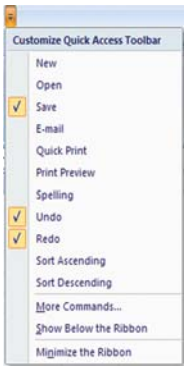
By Don Wallingford

Being more productive is the name of the game when talking about Microsoft Office 2007. In an effort to complete tasks more easily and efficiently, Microsoft developed the more graphical "Ribbon" interface which replaces the traditional "File, Edit" menus. The idea behind this is that the new interface would make it easier for people to access the wide range of features in applications such as Word, Excel and Access. Unfortunately, not every single feature is visible and that is where having custom toolbars come into play. If you have used Office since the early 90s up to Office 2003 you have the ability to create a custom task bar that allows you to complete small yet repetitive tasks quickly and easily. Within Office 2007 you still have the ability to create a custom toolbar to aid you, and I'll take you through the steps to add buttons to the "Quick Access Toolbar" in Office 2007.



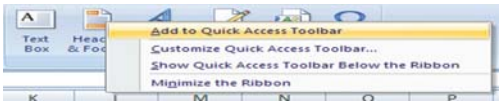
First, let's look at where the quick access toolbar is located. If you have either Word or Excel 2007 take a look at the top left of the window. You should see the "Office Button" and then the save button we are familiar with.

Immediately, we are able to add a couple basic task buttons to make things a little easier. To add these basic tasks just click the little arrow at the right end of the quick access toolbar.



Once you click the arrow a small menu will appear giving you the option to select a command to add to the quick access toolbar. Any option with a check next to it is already present in the toolbar. You also have an option to add even more commands. With the same menu open you just click on "More Commands…" and a new window will appear to allow you to add more advanced tasks to the quick access toolbar.

Another way to add tasks is to right click a task on the "Ribbon" interface and select "Add to Quick Access Toolbar". Once you do that you should have another task button added to the quick access toolbar.



This is a quick overview on how to add tasks to the quick access toolbar in Office 2007. There are several other ways you can add tasks, but the ones we covered are the quickest and most common. Feel free to play with the quick access toolbar and menu options to try to find the setup that works best for you.

Personal Lines

Melissa Steagall Jones and **Jacqueline Ayers** were part of a local group of leaders that attended the 2008 U.S. Chamber of Commerce ACCESS Small Business Summit in Washington, DC featuring President George W. Bush as a key note speaker. During the Summit, the group met with various members of Tennessee delegation including Congressman David Davis, Senator Bob Corker, and the Office of Senator Lamar Alexander to discuss the economic needs and concerns of our area.

David Hackney of our Firm's Tax Department has passed the CPA Exam. David joined the BCS family in 2004. He graduated from East Tennessee State University in 2000, double majoring with Bachelor of Business Administration degrees in accountancy and finance with a concentration in banking.

Jonathan R. Phillippe of Blackburn, Childers & Steagall's IT Department was married to Brooke M. Wilmoth on Saturday, May 28, 2008 at the Mafair United Methodist Church in Kingsport, Tennessee. Jonathan and Brooke reside in Gray.

Personal Lines
(Continued from Page 9)

Welcome Mike Broyles to our BCS Family! Mike has over 30 years of accounting experience that he brings to the Tax Dept. He graduated from ETSU with a Bachelor's and Master's Degree in Accounting and passed the CPA exam in 1989. Mike enjoys spending time with his son Evan as well as playing golf and tennis. They attend Cassidy United Methodist Church.

Welcome Lindsey Rollins to our BCS family. Lindsey is the new Administrative Assistant in our Greeneville office. She has an Associate's Degree in Business from Walters State Community College. Lindsey is a Sunday School teacher at Mt. Hebron UMC Greeneville and enjoys gardening and decorating.

Welcome Patrick Cross to BCS. Patrick is an intern in our Audit Dept. He completed his Bachelor's Degree in accounting at East Tennessee State University in December 2007 and is currently enrolled in the graduate program working on his Master of Accountancy.

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