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Dear Clients:

We are sending out this "Special Edition" newsletter to pass along some of the results of the recent survey you received from us. We truly appreciate the responses and your willingness to be honest with your feedback.

As we enter our third year as a firm and our first with our new company name, we will continue to strive to provide you with the best Wealth Management advice possible. Please don't hesitate to let us know, throughout the year, what we can do better or what we did well.

Thank you all very much. We look forward to talking to you soon.

Axial Financial Group

In this issue:

Axial Financial Group

Centered on You.

SPECIAL EDITION - SURVEY RESULTS

This past November we hired an independent consulting company to conduct a Client Audit as a way to help us provide the highest level of service and to identify ways to better meet your needs. Each of our clients was either mailed or emailed the audit/survey, which took about 5-10 minutes to complete. While we were pleased to receive over one hundred responses, we had hoped we would hear back from many more of you. Our first goal will be to focus on areas of the survey that we deemed had scores that were lower than the expectations we have set for ourselves as a company. As well, we will be directly contacting individual clients who took the time to make specific comments, recommendations or give feedback.

Overall, the survey results showed scores that indicate the large majority of Axial Financial Group clients are quite satisfied with our firm as a whole. However, until we reach the point as a company where 100% of our clients are happy 100% of the time, we will continuously look for ways to improve all aspects of our business and the services we provide. We do not want to fall victim to justifying certain "lower" survey scores or dismissing individual comments or criticism. Rather, we want to take a proactive approach and make changes and adjustments that will coincide with our clients needs, requests and our business model.

One area of concentration will be to make our clients aware of the full range of services we provide. We want to be able to assist you in meeting all of your financial goals, not simply the management of your investments. We will communicate these services (such as Estate planning, taxes, and insurance) during meetings, on our website, quarterly newsletter and in our soon to be completed company brochure.

We also plan to offer more educational opportunities to our clients. We will organize seminars and conference calls and continue to regularly update the content of our website and quarterly newsletters.

Another crucial part of the survey focused on "importance". This is to gauge how important a specific topic is to our clients. If we are spending too much time on something of little importance or not enough time on something quite important to our clients - we want to know about it and adjust accordingly.

Investment performance is obviously important to our clients, but the desire to have a detailed financial plan also rated very highly. While we create hundreds of new and updated financial plans annually, we will continue to look for ways to enhance the plans to provide the most detailed and useful information. Communication also was decidedly important to our clients. We take pride in our service model and our regular contact and communication with our clients, but know that this is an area we must continue to give the highest priority.

Lastly, many clients who responded to the survey took time to write comments. Here are a few things they said: "I am enthusiastic"; "provide documents by email rather than regular mail and consolidate mailings"; improve quality and frequency of communication"; "very satisfied"; "tax impact of my investments is very important"; "compared to prior advisor, I feel I am getting value and am valued".

We thank you for your participation in this survey and look forward to doing it again in the near future.

All about Net Unrealized Appreciation

A distribution from your employer's qualified retirement plan (for example, a 401(k), profit-sharing plan, or ESOP) is generally subject to ordinary income tax at the time you receive the distribution (special rules apply to Roth 401(k) plans and distributions of your own after-tax contributions). One way to defer paying taxes on your distribution is to make a tax-free rollover to an IRA or to another employer's plan.

But if your distribution includes employer stock (or other securities) you may have another option--you may be able to defer paying tax on the portion of your stock distribution that represents net unrealized appreciation (NUA) until you sell the stock. What's more, when you sell the stock, the NUA will be taxed at the long-term capital gains rate--typically much lower than the ordinary income tax rates. This strategy can, in some cases, result in significant tax savings.

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What is net unrealized appreciation?

A distribution of employer stock consists of two parts: (1) the cost basis (that is, the value of the stock when it was contributed to, or purchased by, your plan) and (2) any increase in value until the date the stock is distributed to you. That increase in value is referred to as the net unrealized appreciation.

For example, assume you retire and receive a distribution of employer stock worth $500,000 from your 401(k) plan, and that the cost basis in the stock is $50,000. The $450,000 gain is NUA.

How does the taxation of NUA work?

If your distribution qualifies as a lump-sum distribution, then you can choose to pay ordinary income tax at the time you receive your distribution only on the cost basis in the employer securities ($50,000 in the above example). You won't pay tax on the NUA until you sell the securities at a later date, at which time the NUA is taxed as long-term capital gain, no matter how long you've held the securities outside of the plan (even if only for a single day). Any appreciation at the time of sale in excess of your NUA is taxed as either short-term or long-term capital gain, depending on how long you've held the stock outside the plan.

Using the example above, if you elect NUA tax treatment, you would pay ordinary income tax on $50,000, the cost basis, when you receive your distribution. Let's say you sell the stock after five years, when it's worth $750,000. At that time you would pay long-term capital gains tax on your NUA ($450,000). You would also pay long-term capital gains tax on the additional appreciation ($250,000), since you held the stock for more than one year. (Note that since you've already paid tax on the $50,000 cost basis, you won't pay tax on that amount again when you sell the stock.)

If your distribution includes cash in addition to the stock, you can either roll the cash over to an IRA or take it as a taxable distribution.

What is a lump-sum distribution?

This special NUA tax treatment applies only if you receive the employer stock as part of a lump-sum distribution. To qualify as a lump-sum distribution, your distribution must satisfy both of the following requirements:

- You must receive a distribution of your entire balance, within a single tax year, from all of your employer's qualified plans of the same type (pension, profit-sharing, or stock bonus plans)
- Your distribution must be made after you reach age 59½, or it must be paid as a result of your separation from service (if you're an employee) or after you've become permanently and totally disabled (if you're self-employed)

When is NUA treatment the best choice?

In general, this NUA strategy makes the most sense for individuals who have a large amount of NUA and a relatively small cost basis. However, whether it's right for you depends on many variables, including your age, estate planning goals, and anticipated tax rates. In some cases, rolling your distribution over to an IRA may be the better choice. And if you were born before 1936, other special tax rules might apply to your lump-sum distribution, making a taxable distribution your best option. Finally, keep in mind that if your beneficiary receives a lump-sum distribution after your death, that distribution may also be eligible for NUA tax treatment.

If you're expecting a distribution of employer securities from an employer plan, make sure you speak with a financial professional before you take any action. He or she can explore the different options with you to help ensure you make the most tax-effective decision.

Income in Retirement

You've worked hard your whole life, anticipating the day you could finally retire and enjoy your golden years. Well, that day has arrived. There's still work to be done, however--you'll need to carefully manage your assets so that your retirement savings will last as long as you need them to.

Review your portfolio regularly

It's commonly said that retirees should value the safety of their principal above all else. For this reason, some people shift their investment portfolio to fixed-income investments, such as bonds and money market accounts, as they approach retirement. The problem with this approach is that if returns don't keep up with inflation, an investment portfolio may not enjoy the growth needed to fund today's longer retirements.

So while there are good reasons to invest more conservatively as you grow older, consider maintaining at least a portion of your portfolio in growth investments.

Choosing a sustainable withdrawal rate

A key factor in determining whether your assets will last for your entire lifetime is the rate at which you withdraw funds. The more you withdraw, the greater the likelihood you'll exhaust your resources too soon. On the other hand, if you withdraw too little, you may not enjoy your retirement as much as you could. It's vital that you estimate an appropriate withdrawal rate for your circumstances, and determine whether you should adjust your lifestyle and/or estate plan.

An appropriate withdrawal rate depends on many factors, including the value of your current assets, your expected rate of return, your life expectancy, your risk tolerance, inflation, your expenses, and whether you want some assets left over for your heirs.

Studies have tackled this issue, resulting in the creation of tables and calculators that can provide you with a range of rates that have some probability of success. A financial planning professional can help you with this.

Which assets to draw from first?

Most retirees have assets in accounts that are taxable (e.g., CDs, mutual funds), tax deferred (e.g., traditional IRAs), and tax free (e.g., Roth IRAs). Given a choice, which type of account should you withdraw from first? The answer is--it depends.

For retirees who don't care about leaving an estate to beneficiaries, the answer is simple in theory: withdraw money from taxable accounts first, then tax-deferred accounts, and lastly, tax-free accounts. By using your tax-favored accounts last, and avoiding taxes as long as possible, you'll keep more of your retirement dollars working for you.

In practice, however, your choices, to some extent, may be directed by tax rules. Retirement accounts, with the exception of Roth IRAs, have minimum annual withdrawal requirements. In general, your first withdrawal must be made by April 1 of the year following the year you turn age 70½, with subsequent distributions due each December 31. Failure to do so can result in a 50% excise tax imposed on the amount by which the required minimum distribution exceeds the distribution you actually take.

For retirees who intend to leave assets to beneficiaries, the analysis is more complicated. You need to coordinate your retirement planning with your estate plan. For example, if you have appreciated or rapidly appreciating assets, it may be more advantageous for you to withdraw from tax-deferred and tax-free accounts first. This is because these accounts will not receive a step-up in basis at your death, as many of your other assets will.

However, this may not always be the best strategy. For example, if you intend to leave your entire estate to your spouse, it may make sense to withdraw from taxable accounts first. This is because spouses are given preferential tax treatment with regard to retirement plans. A surviving spouse can roll over retirement plan funds to his or her own IRA or retirement plan, or, in some cases, may continue the deceased spouse's plan as his or her own. The funds in the plan continue to grow tax deferred, and distributions need not begin until the spouse's own required beginning date.

By planning carefully, investing wisely, and spending thoughtfully, you can increase the likelihood that your retirement will be a financially secure one.

While there are good reasons to invest more conservatively as you grow older, consider maintaining at least a portion of your portfolio in growth investments.

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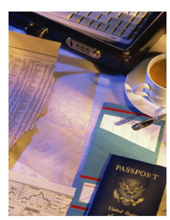
Ask the Experts

I'm planning a cruise to the Caribbean this winter. Do I need a passport?

Not yet. New passport rules requiring passports for all land and sea travel between the United States and Mexico, Canada, the Caribbean, and Bermuda were originally scheduled to take effect in January of 2008. But a massive backlog of passport applications (caused by another requirement that all travelers flying to these destinations have a passport by the fall of 2007) prompted the federal government to delay implementation of the new rules until sometime between the summer of 2008 and June of 2009. The precise implementation date will be announced later, with at least 60 days notice given.

In the meantime, beginning January 31, 2008, Americans traveling by land or sea to Mexico, Canada, the Caribbean, or Bermuda will need to show a government-issued photo ID, such as a license, and a birth certificate or other proof of citizenship.

And if you're planning to travel by land or sea to any of these destinations later this year or in 2009, consider applying for a passport as soon as possible. The State Department reports that the current wait time is 4 to 6 weeks, but recommends allowing 10 weeks during busier times like the summer travel season (during peak application periods in 2007, waiting times reached 16 weeks). The State Department estimates that 23 million passport applications will be filed in 2008, and 30 million in 2009. So don't delay.



For more details, visit the State Department's website at http://travel.state.gov and click on the link "Passports for U.S. Citizens," or call the National Passport Information Center toll free at 1-877-487-2778.