THE COMPASS ROSE

COHEN & BURNETT, P.C.   NAVIGATOR WEALTH MANAGEMENT, LLC

ESTATE AND FINANCIAL PLANNING UPDATE

Summer 2008 Volume 1

FOUNDING PARTNER

I. Mark Cohen JD, LLM & CFP™

Summer is upon us with its long warm days that beckon for outside activities. Wes and I are now training for another Seagull Century ride in October, this time with my daughter Rachel and Wes' son, David. On weekends we like to get out and ride at first light when it is still cool and quiet.

The Cohen family started the summer with a week in Cancun, Mexico, where we mostly chilled out by the water, recovering from a very busy spring. We had a wonderful time and all agreed that we would do something like this again although it will probably be in Hawaii next year.

Rachel probably needed that break the most, having just completed two solid weeks of International Bachaloriet (IB) final tests. She has now graduated from high school and is working as a day camp counselor. At the end of the summer she will start college at William and Mary where she plans to study education and psychology. She is thinking of becoming a special education teacher.

Michael just completed his first year at William and Mary and is thinking of majoring in Middle East Studies and Arabic. He is hoping to get a job eventually as an analyst at the State Department, CIA or a similar agency. This summer he is going on a two-week trip to Israel and then working at the same day camp as Rachel. Kathy and I are so pleased that they feel comfortable working at the same place and going to the same school.

Kathy and I, along with my brother and sister-in-law, just got ourselves tandem kayaks (two-seaters) that are meant for flat water. We are looking forward to exploring the many waterways found in our region. I plan to get some pictures up soon on our newly designed web site so you can enjoy them as well. ❖

Grand Opening Goes On Despite Black-Out

When unusual spot tornados and severe thunderstorms hit the D.C. Metro area on June 3, 2008 leaving most residences and businesses without power, no one at Cohen & Burnett and Navigator Wealth Management (NWM) ever imagined it would take over 72 hours for the power to be restored. Unfortunately, that was the case. However, besides the expected inconveniences of no air conditioning, phones, or computers, the staff had to make a big decision...should the long-scheduled June 5 Grand Opening party still go on despite the lack of electricity? As you can see from the photos, the show did go on!

Clockwise from Left: Partners, Mark Cohen (l) and Wes Burnett (r) toast to the opening of the new offices with Dave Signori (c); Dr. and Mrs. Allen Cohen smile with relief that the power finally came on; Cpt. McDonald (r) and CFO, Greg Armstrong enjoy each others' company; Barbara Burnett (l) and Elaine Slye (r) look radiant and relaxed despite the lack of light and air conditioning.

Eighty clients, family, friends, and staff came to the new offices throughout the late afternoon to enjoy scrumptious food and soothing classical guitar music in the glow of battery-operated camp lanterns and hot, humid temperatures.

In their welcome remarks, Mark Cohen and Wes Burnett told everyone the story of how Cohen & Burnett and NWM started and where they intend the firms to be by 2017. They acknowledged their appreciation for their clients and raised their glasses in a heart-felt toast to friendships.

When thanked for coming to the party despite the adverse conditions, one of their clients of four years summed it up best: "We wouldn't have it any other way. Mark and Wes are always there for us, and we're happy to be there for them on this happy occasion. We wish them continued success!" ❖

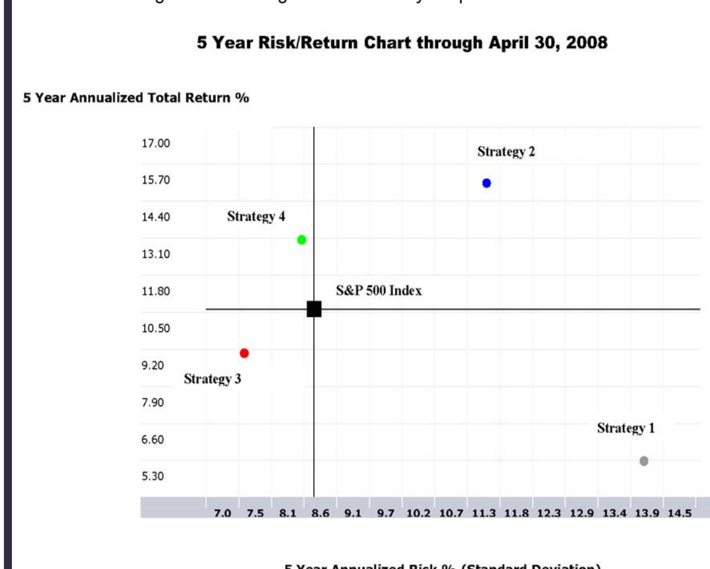
THE NORTHWEST QUADRANT

Larry Solomon, CFP®

The Northwest Quadrant is the holy grail of the asset management industry. It refers to the upper left hand corner of the chart that plots risk vs. return and the preferred destination of all money managers. The Northwest Quadrant is also the title of a new regular column in this newsletter, one where I will be sharing investment ideas and concepts, sharing real-world examples of investment strategies or answering frequently-asked questions each quarter.

Figure A below depicts a risk/return chart covering the 5 year period ending 4/30/08. At the crosshairs, we have plotted the benchmark, the S&P 500*. In this chart, Strategy 1 has achieved lower returns and higher risks the benchmark, they're in the southeast quadrant. We conclude that over this evaluation period, the manager failed to add value, and we would have been better off owning the index than investing in this strategy.

Strategy 2 fared somewhat better, achieving better returns than the index, but with greater risk, as well. The conclusions we can draw concerning this portfolio manager are less clear. They increased our wealth at a greater rate than the market, but exposed us to greater volatility in the process. The decision as to whether or not to hire Manager 2 hinges on our ability to accept higher risk to achieve better results. This is a common tradeoff among active managers that actually outperform the index.



Strategy 3 delivers less risk, but also substantially lowers returns against the S&P. It offers reduced downside risk but sacrifices the upside gains along the way. Such a strategy might be appropriate for investors with modest return goals and a lower tolerance for risk. We'd expect these kind of risk/return characteristics from an equity strategy that's never fully invested or holds cash for defensive purposes.

Over the past 5 years, Strategy 4 earned higher returns than the index with lower risk, a rare and commendable feat, and but one that may or may not be sustainable into the future. Furthermore, although it achieved superior returns to the benchmark, its risk level was only marginally lower, and they barely made it into the upper left corner of the chart.

Upon examining these four investment strategies, all of whom provided results that differed from the benchmark, we see that only one of has landed us above and to the left of the benchmark -in the Northwest Quadrant - our preferred destination. All four are highly rated funds with esteemed, tenured mangers and a loyal following among financial advisers. Managers often tout their ability to beat benchmarks and add value, but in the world of investing, Northwest is a difficult place to get to, and even harder one to stay in!

Please don't hesitate to send me your questions, or ideas for topics of future columns. ❖

Closing the Generation-Skipping Loophole: GSTT

Andrew Vanderhoof, J.D., LL.M.

One of the fundamental assumptions of the federal estate and gift tax structure is that gratuitous transfers (either by gift or by inheritance) be taxed at least once each generation. This objective would be frustrated if someone were to give their property directly to their grandchildren, thereby skipping a generation. By skipping a generation, they could avoid any tax that would be levied if they gave the same property to their children who, in turn, would later give it to those same grandchildren. Thus, the Federal government has created something called the "Generation-Skipping Transfer Tax" (GSTT) to make sure that this does not happen.

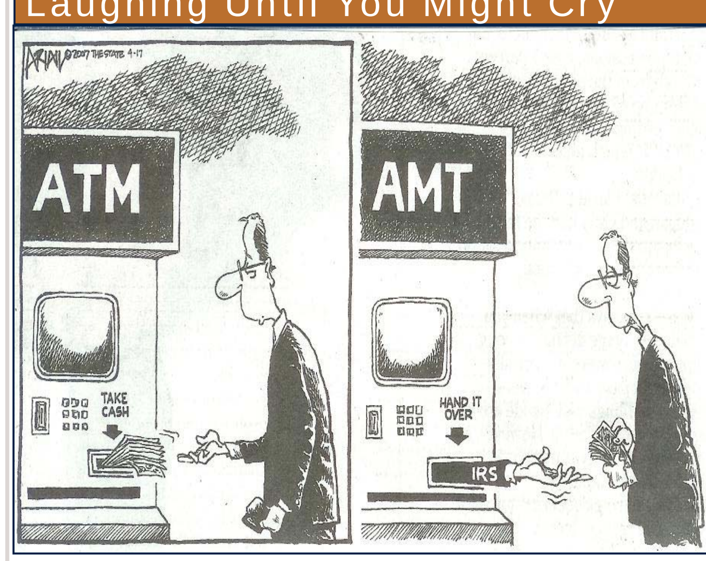
The current version of the generation-skipping tax no longer attempts to impose a tax equal to the estate or gift tax that was avoided. Instead, the generation-skipping tax is imposed at a flat rate equal to the highest marginal estate and gift bracket applicable at the time of the gift or bequest. That rate is currently 45%.

This means that the GST exemption amount will return to $1,000,000 per individual in 2011 unless Congress makes additional changes. The GSTT allows each transferor an exemption amount, i.e., an amount you can transfer tax free to your grandchildren. The available GSTT exemption amount is as follows: (1) $2 million for 2008; (2) $3.5 million for 2009; and (3) unlimited for 2010. Most experts believe the exemption amounts will change prior to 2010.

The IRS Code defines a generation-skipping transfer as an event that is either: (1) a "direct skip" (i.e., a direct transfer to or for a grandchild); (2) a "taxable distribution" from a trust (or similar arrangement) for the benefit of a grandchild; or (3) a "taxable termination" of a trust (or a similar arrangement) for the benefit of a grandchild. The GSTT exemption amount applies only after allocations of the exemption amount have been made. Similarly, for transfers by a decedent, the amount of the GSTT exemption is limited to the amount that applies for the year of the decedent's death.

Please feel free to contact us for a more detailed explanation of the GSTT and how it can impact your estate plans.❖

Laughing Until You Might Cry



*The S&P 500 index is an unmanaged grouping of 500 largest US Exchanges listed companies and is used to approximate general stock market performance. You cannot invest directly into the index. Past performance is not indicative of future results.

MANAGING PARTNER

Weston D. Burnett JD, LLM & CFP®

The last few months were a "Perfect Storm" with our move, the end of the tax season, rebranding, quarterly billing and an extremely busy personal life for me with several parents/parents-in-law with health challenges. Good planning and super people made it possible.

On the family side, we have numerous small family reunions to look forward to. Barb's clan gathers in Pensacola for her parents' 60th wedding anniversary for the July 4 weekend. My mother's family, (over 40 people), will gather at Sky Top in northeastern Pennsylvania later in July. Barb's father had a 15 day hospital stay in April, where all three children each succeeded in helping him to recover and return home. They knew it was a good sign when he started complaining about how visitors, like fish start to smell after three days. My mother had some challenges too and my siblings, relatives in the area, and I spent time with her as she transitioned from the hospital to a skilled nursing facility, and finally back to her apartment.

My wife, Barb, was in Denver in May for the National Math Counts competition as a member of the National Board of Directors. Secretly, her heart was with her Longfellow Math Team, and they finished first in Virginia in the State Competition and 9th in the National Competition.

Our children are doing exceedingly well. I was there in NYC when our son David was sworn into the Bar on May 19. He is devoted to his complex litigation work and to riding faster on a bike than I had ever dreamed he'd be. I hope to draft him off at the Century Seagull this October. Edward finished his four-years-all-at-sea naval career and left with David for two weeks in Egypt, after which he visited Morocco with another friend, and ended in Thailand and Cambodia -- around the world in 35 days. As I write this he is looking for the job of his dreams in the national security foreign affairs arena. Jennifer is excelling in her PhD. We met her lawyer boyfriend's family recently and had a fantastic time.

For myself, I did the triathlon on June 1 in Norfolk. I am still signed up for the Seagull Century 100 mile Bike Ride on October 4, 2008. I could not exhibit my stamp collection as some covers that were being refreshed did not come back to me in time. I was elected President of the Board of Directors of the 22,000 strong George Washington University Law School Alumni Association in April for a two -year term. That has been fun and challenging to date. I had the treat of putting my Navy summer whites back on as I was the guest speaker aboard the BARRY in the Washington Navy Yard for the retirement of a good friend, the Chief Judge of the Navy Marine Corps of Military Review. I talked about his career, many fun personal anecdotes and wrote a poem for him that I entitled Ode to Iron Mike (he looks like Arnold Schwarzenegger). He is due to become a federal administrative law judge. Finally, Barb and I celebrated our thirty-fifth wedding anniversary when she joined me on a week-long business trip to Cancun, Mexico. The highlight was that she got to swim with the dolphins, which has always been on her "bucket" list.. ❖

Alternative Investments:
Unique Avenues to Allocate Your Wealth

Weston D. Burnett JD, LLM & CFP®

Last quarter I spoke about REIT's. This quarter, I want to talk about equipment leasing.

ICON Capital Corp is the number one equipment leasing sponsor both in terms of equity raised and assets under management. They have offices in San Francisco, Boston, Toronto, Vancouver and London. ICON has the sole management responsibility for almost $2B in assets manages this equipment for over 30,000 investors. They now have ICON Leasing Fund Twelve. Each share costs $1,000 and the minimum investment is five shares or $5,000. There are certain minimum net worth requirements such as $225,000 net worth or $60,000 of net worth and $60,000 in annual income.

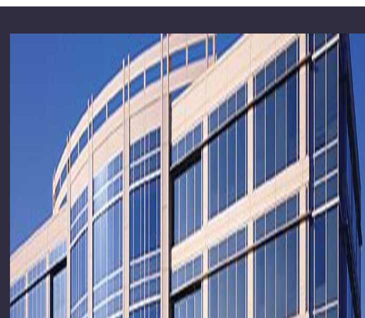
Why should you invest in this fund? Most investment professionals believe investment portfolios should be diversified beyond stocks and bonds. Equipment leasing provides a good choice for this hard-asset-investment objective, because investors are participating in equipment on lease with credit worthy lessees. Equipment leasing investments hedge a portfolio from higher interest rates and inflation. For example, the fund may benefit from higher interest rates because replacing equipment is too costly so existing equipment stays in place. The fund may benefit from inflation because leased equipment may be worth more at the time of the sale.

After you have purchased shares in an ICON Fund, the manager acquires a diversified portfolio of equipment leases for that fund. They diversify by equipment type, by industry and geographic region in which lessees operate, by lessee, and by lease maturity date. The goal is to assemble a diversified portfolio to provide stable, predictable cash flow without concentration in any one industry type of equipment or individual corporate user.

The Fund distributes the lease payments after expenses to the investors on a monthly basis. If successful, distributions typically begin at the start of the first full month after investing.

As with any investment, there are risks associated with equipment leasing programs. Some general risks are as follows: a substantial portion of the distributions may be return of capital; return of investment is not guaranteed; substantial fees will be paid to affiliates; leverage will be employed; and investments in the program are illiquid and subject to conflicts of interest.

If you are interested in learning more, feel free to contact us to discuss this further and to obtain a copy of the prospectus. ❖



Optimize Your Real Estate Potential Using a 1031 Exchange

First in a Three-Part Series About Potentially Increasing Cash Flow and Eliminating Property Management

I. Mark Cohen JD, LLM & CFP®

This is the first of a three-part series on 1031 Exchanges. We thought a client story would help illustrate how you can defer capital gains tax; allow for the exchange of apartments, rental houses, and raw land to commercial properties; release you from the headaches of property management; and provide potential to earn a higher return and maximize your investment dollars.

For background, a 1031 Exchange is a transaction in which a taxpayer is allowed to exchange one investment property for another thereby deferring the tax consequence of a sale.

The following story is about real clients, Ann and Larry Silver (not their real names) who have owned a rental property in Bethesda for many years. They recently came in for estate planning and we got to talking about concerns they have regarding their rental property in Bethesda.

They purchased the rental property for $100,000 over 35 years ago and now believe they can sell it for about $600,000. It has been depreciated to zero over the years, and is rented for $2,000 per month to good, stable tenants.

At one point they refinanced, took some money out for improvements, and currently have a $100,000 mortgage. Their expenses are about $15,400 per year, as follows:

Debt service	$6,000
Taxes & Insurance	$5,000
Repairs and Maintenance	$2,000
Tenant Vacancies (5%)	$1,200
Management (5%)	$1,200

Their net rental income is $8,600 per year, or $717 per month. Counting appreciation in their property and rental income, they calculate that their internal rate of return is approximately 8.6% per year on . Their current yield on their $500,000 of equity, however, is 1.72%.

Looking forward, they are concerned that they are getting tired of maintaining the rental and keeping it productive. Mr. Silver is not in the best of health and Mrs. Silver is concerned that should something happen to him, she wouldn't be able to rely on her children who live across the country, to help with it. In addition, they believe that they will not see another rapid rise in the value of their rental in the near future.

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In the next issue of *The Compass Rose* I will outline three options the Silvers considered in regard to their rental property, one of which is a 1031 Exchange.

If you or someone you know has a rental property that they want to discuss the possibility of a 1031 Exchange, feel free to contact Bob Muldoon, Investment Professional at Navigator Wealth for a complimentary phone consultation: bob@navigatorwealth.com. ❖

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A compass rose is a figure displaying the orientation of the cardinal directions, north, south, east and west on a map or nautical chart. We found it fitting to name our newsletter after this recognizable symbol of navigation and direction.

If you prefer not to receive our quarterly newsletter or if you have any feedback or ideas for topics, please email Susan Greco: susang@cohenandburnett.com .

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