

SUMMER 2010

Dear Client/Friend,

Just a note to say hello and hope you're having a great summer. We've been fine, busier than ever "surfing" the waves in these markets and searching for some smoother sailing. It's a crazy world we're living in. We hear talk of the "new normal" for our investment expectations, but we question just what that means. We actually don't know what normal is anymore, as the velocity of change in our technologically ramped up world consistently gives us new experiences to deal with, some trying but many exciting. (Love that new iPhone!)

There are no more complacent buy and hold strategies these days, and politics have taken a center seat to keep our tax and estate planning on edge. The environment's taken a cruel punch, as oil has become the enemy, even as our addiction continues. Arizona has taken a rough swipe at much needed immigration reform. France has banned the burka. Spain won the world cup, and Iran keeps us uptight as does Afghanistan and Iraq. And then there's the economy. Are we having fun yet? There's no question that challenges remain. Eight million lost jobs are hard to recover from. Some businesses holding on by a thread are still unraveling, and the real estate markets display pockets of challenges.

But where challenges exist, so does opportunity. Many large corporations have become lean, mean and extraordinarily cash rich. According to the Federal Reserve, US corporations now have more than \$1.8 trillion in cash (Navellier 7/30/2010). There are several positive uses for this money and with low interest rates and higher tax rates (on dividends) we believe large US corporations are poised to begin their journey of growth, acquisition and expansion, leading to new industries, jobs and financial gains once more. It's just the timing that's unclear.

Consider this: Since 1929, US stock market rallies have shown impressive staying power after a major market decline. Below we highlight the results of a recent study that looked at market recoveries after each of the 17 major declines in the last 80 plus years (American Funds, *The Long View*, July 2010).

<u>Year After Reaching Low</u>	<u>Average 12-Month Return</u>
First	55.95%
Second	16.14%
Third	10.26%
Fourth	15.15%
Fifth	11.70%

2627 Ives Dairy Road, Suite 201 | North Miami Beach, Florida 33180

T: 305.931.1400 | 1.800.741.2004 | F: 305.931.6256

MegGreen.com

While this historical perspective is bordering on fantasy in the face of today's "wall of worry" with which we are now contending, this was likely the same atmosphere that prevailed following previous market meltdowns. Most decades have had its share of challenges, panics and crises. Ultimately, through it all, the US stock market has demonstrated remarkable strength and resiliency in the face of seemingly insurmountable challenges brought about by wars, assassinations, recessions, depressions, bubbles and bursts.

Since the lows of March 9, 2009, the first year return for the S&P 500 Index was 72.28%. If history holds true, US stock markets may be looking at a nice move over the next several years. Unfortunately, though, one cannot go by history alone. To that end, we continue to recommend broadly diversified global portfolios with a strong emphasis on portfolio "buffers" that will help preserve investments from the deleterious effects of market volatility and turbulent investor behavior. These kinds of "sleep at night" strategies are just what the doctor ordered during times of tremendous uncertainty and are now front and center in our portfolio reviews. Rest assured, our disciplined investment management process reinforces ongoing review and analysis of portfolio construction to help ensure that our recommendations reflect both long term trends, as well as, current day realities.

Thank you for allowing us to not only help manage your wealth but to also help you plow through any money issues that come along, be they business, family, cash flow or simply personal. It's just one more way we like to add value to our relationship.

In closing, we're pleased to announce the opening of a small branch office in Los Angeles, bringing our very unique brand of wealth management clear across the country. With video conferencing and technology the way it is today, this will be a seamless venture and will allow us all to continue to be in close touch daily, no matter where we are. If you know that one special client in the Los Angeles area, do think of us. Of course we always welcome the many referrals you already send here in South Florida and thank you for that. Your confidence means everything to us.

As always, everyone here joins us in sending you our best wishes. Please keep in touch, as will we.....and stay cool. ☺

Todd Battaglia
President

Meg Green, CFP®
CEO

P.S. For our clients, please find our 2010 Privacy Policy enclosed.

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