

Quarterly Newsletter

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Review & Summary



By Jordan Gary, CFP®

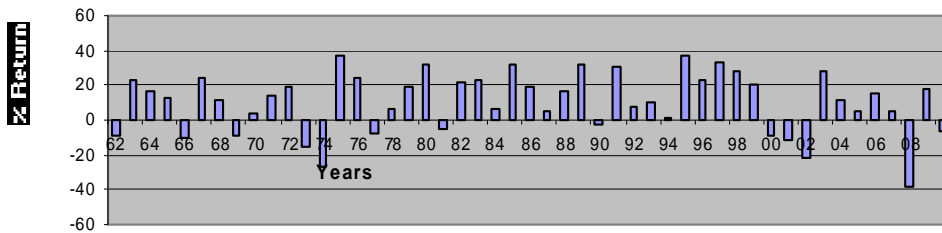
A year ago the S&P 500 was about 800 after falling from reaching above 1500 in 2007. Today it has reached about 1070 after reaching 1200 a few weeks ago. (The DOW is at about 10,200.) In The economy is several months into recovery, the great fear in the markets has subsided, and even employment is starting to creep up. However the current 10% decline from two months ago is a result of several fears which continue to plague the markets. One fear is that the recovery will not continue without dropping into decline again. (There is talk about a double dip recession.) Also people are worrying about European countries such as Greece and Spain and their debts. However corporate profits are growing a lot, and many investment ratios such as price/earnings and dividend yields are now more attractive than five and ten years ago. The corporate bond and municipal markets are largely recovered from the steep sell off of a year and two ago. All of

our clients are very much ahead of a year ago and about flat or down slightly from Dec 31. However fears from the past are very much with most of us and most stock indexes are about 6% down YTD

We expect the good news of banks and companies having greatly improved profits to continue. The FED is still holding interest rates at almost zero to stimulate the economy. Government stimulus programs are still adding to the recovery, and income taxes are still low and reduced from two years ago. Currently corporate profits announcements are very good.

That is not to deny that we have very real problems in the US and the world. The large deficits that the US and now state and municipal governments are facing is a big problem. The home and mortgage markets have improved but may well decline again as government stimulus declines and more people default on loans. We expect to remain defensive and seeking dividend profits by way of bonds and high dividend stocks.

Annual Returns of S&P 500 Index w/ Dividends (50 Years)



Current Market Commentary : July 2010

By Jordan Gary CFP®
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Many things are looking up. However the mood of our clients is much less optimistic as the battle between political foes continues and the real worries of the slowly growing economy continue. The current crop of company earnings are almost all better

than expected as they were last quarter. Another positive sign is that inflation remains very low (currently under 1% per year) and most projections by experts such as the FED, expect low inflation for at least another year.

The chief worry of the people that I talk to is about what will happen to their investments if the economy falls back into recession.

Inside this issue:

<i>Review & Summary</i>	1
<i>Current Market Commentary</i>	2
<i>Double Dip Fear Overdone</i>	3
<i>Lipper Benchmarks</i>	4
<i>Women in Retirement</i>	5
<i>The Safe Haven</i>	6



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Caring for People and Their Financial Security

Current Market Comments (Cont'd from Page 1)

So let me guess at what will happen even if we fall into another recession. **We will not have a financial crisis.** Recessions do not cause financial crisis. What happened a couple of years ago was we fell into financial crisis after the complete failure of honest and complete disclosure of risks in trillions of dollars of high risk mortgages and high risk loans and the trillions of dollars in packages of these mortgages and loans called CDOs and CMOs. This failure and the false selling of risky products led to the failure of the largest investment banks (Lehman brothers, Merrill Lynch, etc.). And then many large US banks who owned these risky investments failed. This sent the financial world into crisis and a terrible recession followed. Every economist that I have read for two years expected a slow and painful recovery of employment and consumer spending, which is happening. Every economist expected about what we are having. Slow growth and fear of new problems mostly stemming from high private and public debts and high unemployment.

But, we are past the crisis and panic and I do not see them coming back for a long time. We have serious problems of national and personal debt which will cause slow growth for many years. Somehow we will have to raise taxes and cut spending by many governments and families to get a handle on deficits. Raising taxes and cutting spending will limit the growth of our economy.

The truth is that Americans have lived in a "debt is good" culture for many years. For my whole adult life popular politics by both parties has been to cut taxes and then increase spending. The public has demanded increases in spending on many things, including defense, senior citizen needs, schools, flood control, highways, city services such as police, prisons, and medical care such as hospitals, expensive treatments, and many other things. We have also asked for balanced budgets which of course did not fit with cutting taxes and increasing spending. Also when disasters happen like hurricanes, earthquakes, massive fires, and massive oil gushers, we ask for more government rescues. The solution has always been to pay for this increased spending by borrowing more and hope that our children and grandchildren can pay for it. Meanwhile most people want to retire earlier, live longer, and get greater pensions and healthcare.

So what will happen now? We will muddle through the financial budget problems of the nation's cities and states. We will have more gridlock and misinformation in Washington and national politics. Meanwhile we will have many successful corporations with growing profits. Also we will have very low interest rates for several years as the FED tries to help the many of us, and the nation, who have too much debt.

Low interest rates also help banks make increased profits as we are seeing now. Growing corporate profits and low interest rates help push up the stock market. Low interest rates on safe investments encourage people to buy riskier assets such as stocks and corporate bonds.

Somewhere along the coming path, there will be two problems that I see. (more likely at least two problems.) The slow growth in the consumer spending and cuts in government spending will cause slow growth in corporate profits. This will cause slow growth in the stock market somewhere ahead, maybe in a couple of years. And if the US government does not get a creditable solution to its high deficits, then the cost of government borrowing will increase as the world demands higher rates to loan to the US government. This is a few years off as the world is still flocking to buy US treasury bonds. So investors need to invest around the world. Capitalism really does work, the world is growing in wealth and population, and investors will have many opportunities to make money by loaning (bonds) and owning companies and real estate (equities).

This is why we have a sizable part of our clients money invested in international stocks and bonds. We will continue this and expect to increase this in the coming weeks.

So what are we expecting to do in our clients accounts during the next few months? We have recently raised cash in clients accounts as we sold some higher risk corporate bonds in closed end funds. We will be selling more such closed end funds in the coming few months.

The next position that we expect to take is in a Henderson Global Equity Income Fund. This mutual fund has a very large dividend of around 6% per year. This is a real dividend which comes from very large blue chip stocks in Europe and elsewhere. These are mostly from banks, utilities, oil companies, and drug companies in countries like Germany and France. These are safe companies which pay very large, by US standards, dividend to share holders. I hope that by investing in such a mutual fund my clients will earn a large dividend and the stocks will also appreciate over the coming years. Now that the Euro has declined against the dollar by about 20%, this seems to me like a very good time.

We will continue to try and earn good returns by having large dividends, great diversification, and investing in stocks and bonds around the world. These returns will be real over the long term, but to get more than 2% to 3% returns which very safe investments are giving, investors have to put up with short term volatility caused by worries and investment storms.

Mortgage Rates at Historic Lows

Currently people have a unique opportunity to refinance or buy a home at very low rates. 15 year mortgage rates are just above 4% and 30 year rates are about 4.5%, with no points and about 1% in fees. These are the lowest in many years and will not stay this low for long. Quick action is warranted if you have a mortgage and could benefit from refinancing. Please see us if you need help in working through the many planning issues.

Double-Dip Fear Overdone



By Jordan Gary,
CFP®

Two years ago we had far more fear than was reasonable. The worst fears came just as the stock and bond markets began a tremendous rally for the next 12 months. Now individual investors are expressing almost as negative an outlook.

The Association of Individual Investors just reported that only 25% of members are bullish on stocks. 42% are currently bears. This is about the same numbers as winter 2008-09. Investors were dead wrong then, and very often are. As soon as this report came out the stock market has had sharp gains this week. The week ending July 9 saw a 5.5% rally, the largest weekly gain in over a year.

The greatest talked about fear is a double-dip recession and European debt problems in Greece and Spain and a couple of other small countries.

However almost all of the economic numbers show that the US economy is still growing at a slow and steady pace. Almost all indicators are pointing to continued growth around the world. World trade has almost recovered to pre-crisis levels. The decline in the Euro is a big boost to European manufacturers who export and sell products cheaper now. The European banks are being "stress tested" and preliminary reports indicate no big bank problems. Countries such as Spain just sold large amounts of bonds at reasonable rates. The International Monetary Fund just revised its projections for growth of the world GDP: 4.6% for 2010 and 4.3% for 2011.

We will know in the coming 2 to 3 weeks how strong the US corporations are growing profits. Last quarter they were up greatly. Corporations are selling more cars, computers, inventory replacement items, etc, while paying much less in interest rates and have smaller work force payrolls.

China is down to growing at 10% instead of 12% year over year. Brazil is growing at 9% per year. India at 10%

Besides, a double-dip recession means that instead of growing next year we might decline a little. This would not cause a credit crisis, bank crisis, or financial crisis as we had two years ago. A double-dip recession would mean that the unemployment would remain bad longer and that the government budgets will remain troubled longer. It would also mean that stock markets could decline some more in the short term. We do have a risk of another stock market decline of 10% or so.

However stock prices are valued by profits of companies and long term expected success. They also are valued in the markets as people chose to invest instead of park their money in cash. By using profit ratios and by asset book value ratios, the US and world stock markets are very cheap right now. Almost as cheap as 15 months ago, just when the stock markets started their strong climbs.

The recent stock market declines were fueled by worries about the European government budgets and debt issues. Currently European markets are climbing again because several countries are raising taxes and cutting budgets, even though this is hard medicine for their publics to swallow.

The second big worry was with the US job market. Here we finally started adding jobs early this year. The May and June job numbers were still positive as private companies were still hiring more people than they were laying off. Yet the job creation is very slow, as many have been projecting or forecasting for months.

On July 8, 2008 a spokesman for the FED had this to say: "The economy is still growing," **Federal Reserve Bank of Richmond President Jeffrey Lacker** told Dow Jones Newswires. While it's true that "the risks of slower-than-average growth for a couple of quarters may be notched up a bit," the official said "it's important to remember recoveries are choppy and uneven in the early stages"....."The apparent spread of anxiety is a bit surprising if you look at just the data," Lacker said. He noted that reports from early in the recovery bested expectations, while the recent period has brought slower-than-forecast numbers, which should surprise no one. (WSJ July 8, 2010)

As to the great number of negative small investors: when I came into the financial planning business 22 years ago it was 1988. People were really scared after the 1987 crash. What I learned then and have come to see over and over again is that the small investors are usually and almost always exactly wrong. When they are strongly negative the markets are about to go up. When they are very positive the markets are about to break and go down. This actually is common expert advise and makes sense. When people are really full of fear and very negative then they have already done all of their selling. **When selling pressure goes down the markets start up and then great reserves of cash which is sitting gets pulled back into the markets pushing markets up for months.** When people are very optimistic and markets are booming... cash reserves are fully invested and buying pressure is running out of steam. At such times the experts in the big investment houses can see the orders and then often rush to try and get out of the markets before they turn down. This institutional exiting causes the big quick sell offs.

So my advice is.... The current fears of another recession and another big market decline are much overblown. This is not likely to happen. At current levels the US and world stock and bond markets are very good values. So whatever the next few months brings in volatility, investors who leave their money diversified and invested are very likely to be well rewarded over the next very few years.

Lipper Stock and Bond Fund Benchmarks

Investment Objective	Performance					
	2nd Qtr	YTD	1 Yr	-- Annualized --		
				3 Yrs	5 Yrs	10 Yrs
Stock Fund Types:						
S&P 500 Funds	-11.73	-7.03	13.83	-10.25	-1.29	-2.05
Large-Cap Growth Funds	-12.29	-8.87	11.30	-7.88	-0.53	-4.08
Large-Cap Value Funds	-12.22	-7.16	12.88	-11.93	-1.87	1.80
Small-Cap Growth Funds	-9.20	-2.50	19.13	-8.71	0.23	-0.81
Small-Cap Value Funds	-9.81	1.21	25.39	-9.16	0.32	7.57
Equity Income Funds	-10.07	-5.80	14.37	-9.36	-0.25	2.25
Utility Funds	-6.03	-7.80	6.46	-8.70	2.09	2.09
International	-13.07	-6.28	7.78	-12.80	1.28	0.42
European Region Funds	-14.27	-14.58	6.39	-15.29	0.37	0.87
Emerging Markets Funds	-8.96	-5.85	22.58	-5.41	10.51	9.63
Avg. U S Stock Fund	-10.28	-5.28	15.22	-9.32	-0.42	0.23
Bond Fund Types:						
General Municipal Debt Funds	1.66	2.76	10.59	3.37	3.03	4.51
High Current Yield Funds	2.21	3.68	18.52	-0.42	1.58	4.11
Intermediate U.S. Government Funds	3.25	4.22	8.63	6.38	4.25	5.66
Intermediate Investment Grade Debt Funds	2.88	5.35	12.96	6.26	4.57	5.74
Avg. Bond Fund	1.81	4.23	13.01	4.95	4.35	5.30
Balanced Funds (Stocks and Bonds)	-6.35	-3.11	13.28	-4.56	1.55	2.12
Conservative-Allocation Fund Averages	-2.43	.31	12.72	0	2.46	3.15

Source: Lipper Analytical Services, Inc., Summit, NJ 07901 and Wall Street Journal Online- JULY 2, 2010

These are averages of all the reported funds that have the stated objective. Average total returns based on NAV with all distributions reinvested. An investment cannot be made directly in an index, including the Lipper indices listed. Some funds are normally front end commission funds. Our clients do not pay commissions in their managed accounts. We buy shares at Net Asset Value (NAV). Past performance is not indicative of future results. The performance presented is for illustrative purposes and is not indicative of any investment.

The investment return and principal value of an investment may fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investments outside the United States involve special risks such as currency fluctuation, political instability, differing-securities regulations and periods of illiquidity. For a prospectus containing more complete information on any fund, please contact Investment and Asset Planning, LLC or Jordan Gary & Associates at 940-761-2527. Investors should read the prospectus carefully before investing.

The balanced stock/bond is a moderate risk way to invest. The traditional balanced fund has a portfolio of approximately 60% Blue Chip stocks, 35% conservative bonds and 5% cash. We have highlighted the above because we suggest that you use these numbers as the benchmark we are trying to beat in many of your portfolios. Our method of out performance is that we have far more diversification into different types of stocks and bonds, and we more actively manage the portfolio choosing the best mutual funds we can find to build your portfolio. Our objective is to match or beat the performance of the balanced stock/bond return. Check your quarterly report. How have we done?

Women and Retirement

By Sarah Eads - sarah@investmentplanner.net

This summer marks the 90th anniversary of the 19th Amendment, giving women the right to vote. Since then, we have worked towards a goal of equality between the genders, in the laws, in jobs and earning, and in the attitudes of people. With as far as we have come, it is amazing to me how many women are still unprepared for retirement. This is a double whammy considering that women, on average, outlive men by over five years.

There are a number of reasons why this happens. Women often start in the work force later than men, have part time jobs that do not qualify for retirement, and interrupt their working years to raise a family. But, even with all that factored in, only 45% of salaried women participate in their company's retirement plans.**

There is no reason that working women should be less prepared for retirement than men. The easiest way to start is, if you are eligible for your company's retirement program, **sign up**. If you are not eligible, open an IRA (Individual Retirement Account) or, if you are self employed, a SEP. The younger you start, the bigger an impact you will make. But it is never too late. Catch-up provisions, starting at age 50, increase the amount you are allowed to contribute to your IRA or 401k.

Often women enter the work force because the household has more bills than income, or they have become a single parent, or have become the sole wage earner. Saving for retirement can

seem like a lofty ideal that is just not manageable. Retirement savings should be treated like a bill; you pay the gas, electric, mortgage, and IRA every month. Once it is paid, consider it gone – not a fund you can raid because you want a new car.

Divorce also can damage women's retirement plans. Under Texas law – retirement contributions made during the marriage are considered community property and should be divided. It is a temptation to take the house or other assets in lieu of dividing the retirement accounts, but that is a mistake. Housing appreciates at about 5%* while a moderately invested account will make 7% - on a \$100,000 home, that's a \$120,000 difference in 20 years. In the mean time you have to pay for maintenance and taxes on the property, further reducing the benefit.

What has cost women the most is the lack of financial education. By learning about all your options and discussing them with your trusted financial advisor, you can make the best choices of how to be ready for retirement. 90 years ago, women were dependent on men to buy property, stocks, and bonds but today there is no excuse not to do it.

*In Texas, 10 year average

**Dept of Labor 2010

THE SAFE HAVEN

By Oscar "Buddy" Jackson III - oscar@investmentplanner.net



Times certainly sound volatile and scary. What is an investor to do if he can not afford to lose money? Truthfully, we currently have an ultra conservative, defensive portfolio which is designed for wealth preservation.

However, it will only make 3% to 5% per year. It is made up of approximately 75% conservative bond funds and 25% stock funds, with (10% global and 10% to 15% in gold, silver, precious metals, and energy stocks). It is designed more for holding up in a down market, losing nothing, and giving a very conservative rate of return.

If this sounds like the portfolio for you then please call for an appointment. But first: why would anyone want this? Many would go for it for the wrong reasons.

I want to ask you about your purpose for investing. Are you here so that you won't lose money or because you need to have a much larger nest egg at some point in the future? Do you want your investments to give a good rate of return or just don't lose it? It is absolutely impossible to have it both ways. Anyone who tells you they can do that is not giving you reality. You have to ask yourself what you really want. It is much better to remember your purpose for investing and concentrate on that instead of focusing on what bad thing might be going to happen next.

We are trying to help most people reach a certain goal for something they want in the future and they don't have enough for it now. An independently wealthy person might be happy with an investment with little chance of loss because they have more than they will ever need in the future.

We are living in an age of scientific miracles. In addition to technology, medicine is starting a new age of promoting minerals and herbs that are anti-aging, fight cancer and help every part of our body at the cellular and gene level. The end result is that we are going to live longer.

A larger number of people are going to live into their 90's and 100's. In fact, many already are and, with the medical procedures available, their quality of life is also improving. All I am really saying is that the biggest fear people need to pay attention to is outliving their money. Do you believe that the government is going to step up and take care of you if you don't?

News agencies are in business to sell their product. They can cause you to focus on what they are saying and forget where you are and where you need to be. They have to be dramatic and there are a multitude of pessimists to feed them. If you focus on that, it takes your attention off of where you are going and what you need to have.

People ask "why can't I be safe now and move the money over at a safer time?" That kind of thinking has caused people to miss every fantastic move in the market that we have ever had. It is totally impossible to pick the right time to get in and get out. The tried and true method has been proven over and over again that a commitment has to be made and staying true to a goal will win the race. Hard work and good investments are better than get rich quick.

If you think that you want our defensive, very safe portfolio (or a more conservative portfolio than now) then please call for an appointment. Also, if you want to save more to meet your future needs, than please come in and let us help you do this.



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