

'09 Regional Workshop

Succeed in Today's Market



A Network Connected





Finance 101

Matthew Kline

Kline Capital Group LLC
Managing Director



Agenda

- State of the Economy
- Financial & Estate Planning
 - Retirement Planning
 - Investment Basics
 - College Planning
 - Risk Management
 - Estate Planning



State of the Economy 2009



State of the Economy - 2009

- Where are we now
 - Are we in a recession?
 - What happened?
- Signals to look for in the future
- What does this mean to me?
 - What are the opportunities?



Where Are We Now

- Loss of jobs - increasing unemployment
- Reduced asset values and wealth
- Reduced spending
- Reduced availability of credit
- **Uncertainty and fear rule**

- But,
 - Things are often not as bad as they seem
 - Recessions don't last nearly as long as period of prosperity



Recession or Depression

“ A recession is when a neighbor loses his job. A depression is when you lose yours.”

- Ronald Reagan

- The Great Depression had nearly 26% unemployment overall
 - 37% of all non-farm works were unemployed
 - We're not even close!



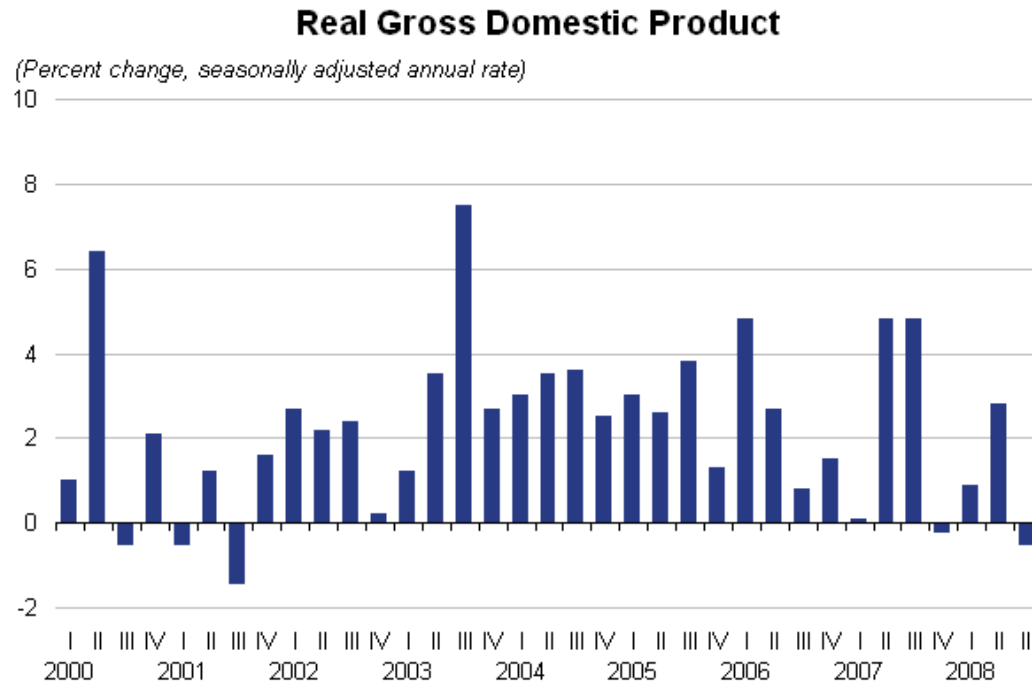
What is a Recession?

- Commonly defined as two or more consecutive quarters of negative GDP growth
- What is GDP?
 - The most accurate or commonly utilized method of estimating the size of our economy
- It is the total value of all goods and services produced within a country
 - $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$
- Recession are part of the normal economic cycle



GDP

- NOTE: There are a number of revisions following preliminary numbers



- Quarterly rate
- Prelim. 3Q2008 -0.50%
- Estimate 04Q2008 -5.5%
- Estimate 01Q2009 ???

U.S. Bureau of Economic Analysis



What Happened?

- BRIC downturn – especially China after Olympics
- Hedge Funds – overleveraging
- Commodity speculation – corn, oil, gas,
- Real estate – the bubble & bad loans
- Banks & Financial Institutions – solvency & asset values

- The good news...for the most part, US corporations “kept their head” and did not over leverage
 - Relatively solid balance sheets



Real Estate

- Speculators buying on hopes of flipping for gain
- Oversupply of residential real estate - builders
- Unrealistic expectations that home prices would continue to rise at historically above average rates
- Fraud – borrowers, appraisers, RE brokers, lenders
- Bad underwriting & loan programs
- Congress & agencies – encouraged lenders to create “subprime” lending category



Hedge Funds

- Not all Hedge Funds are bad, some very good
- However, some took reckless risks and did not “hedge”
- Example:
 - Raised \$1 billion and borrowed \$9 billion = \$10 billion
 - Purchased mortgage backed securities
 - When price went down 10% on these securities, their \$1 billion in equity was wiped out and they were forced to sell entire portfolio, pushing down prices even more, which were some of the same securities that banks and insurance companies have;



Banks & Financial Institutions

- Most banks are profitable
- Some loans went bad
- Good assets that must be reduced on balance sheet
 - “Toxic assets”
 - “Mark to market” account rule for regulators
 - To understand mark-to-market, assume you invest \$1,000 in 5 year CD at your bank earning 5%.
 - After one year, the market rate of interest is now paying 6% of interest on similar CDs.
 - The now market value of your CD purchased one year ago is no longer \$1,000 if you tried to sell on the open market, it would be less – approximately \$965.35 even though you would receive your \$1,000 back in the 5th year.



Key Indicators

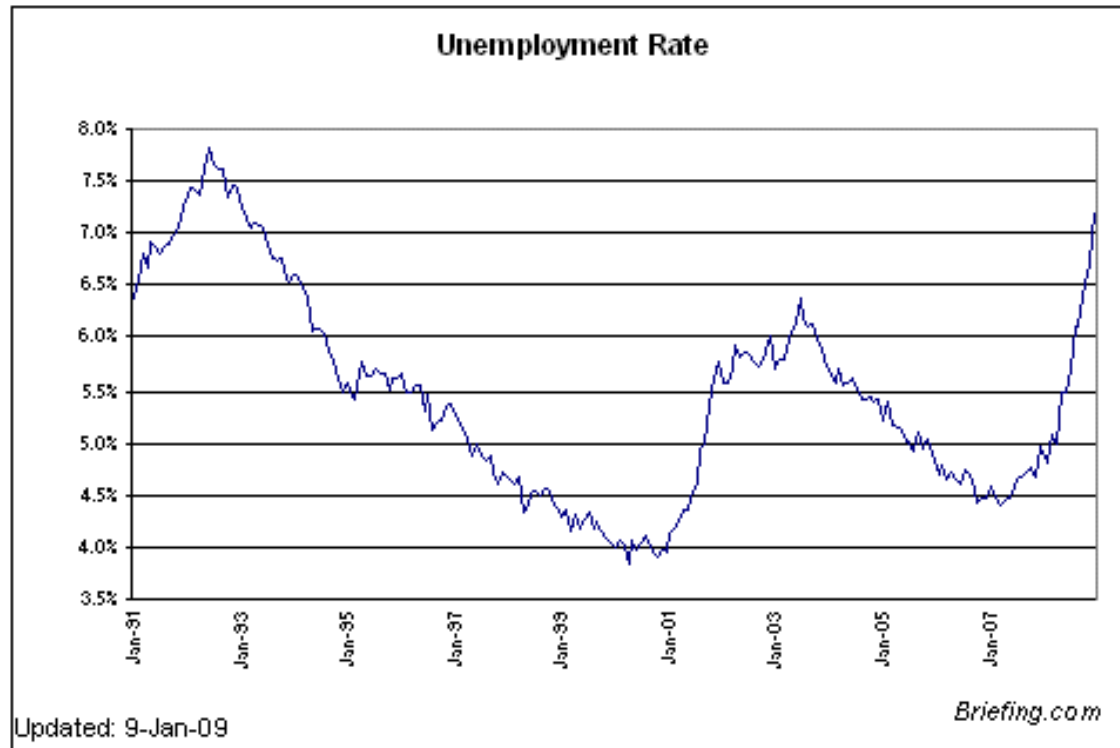
- Tell us what has happened, is happening or will happen
 - Are more people working – unemployment rate
 - Are corporations spending & hiring
 - Are individuals spending
 - Confidence
 - Asset values

- The more information we have the better decisions we can make



Unemployment Rate

- Those currently seeking employment

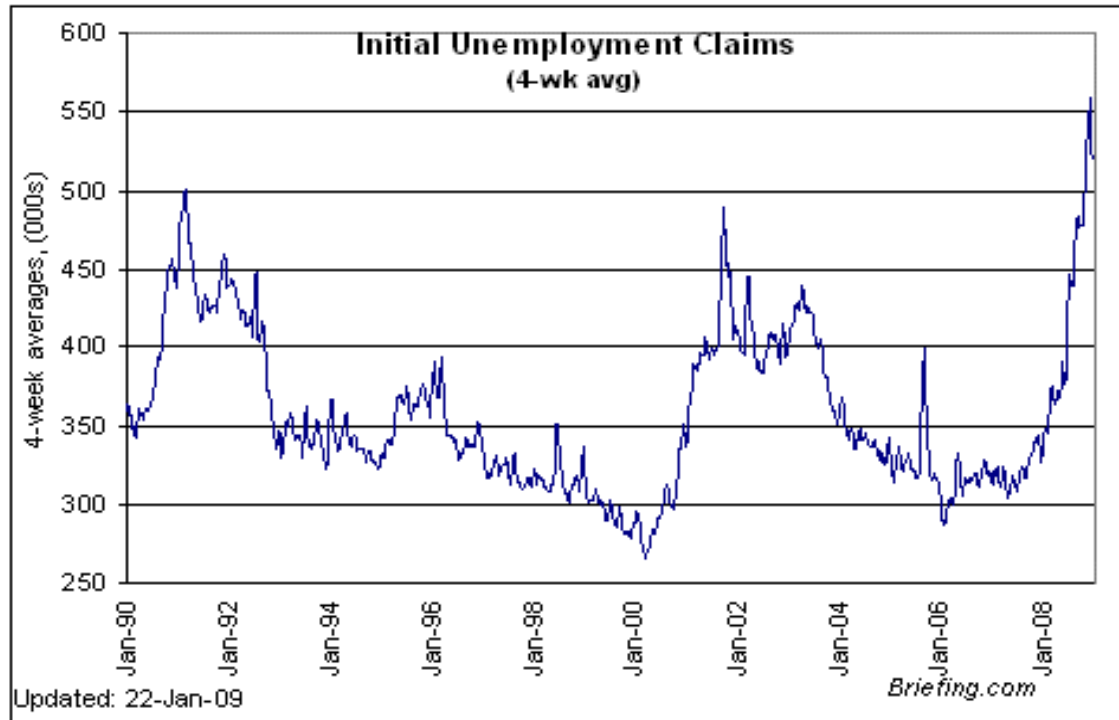


- Monthly rate
- Current Rate 7.2%
- Jan. estimate 7.7%
- Next report Feb 06



Initial Unemployment Claims

- Those recently unemployed, first time filers

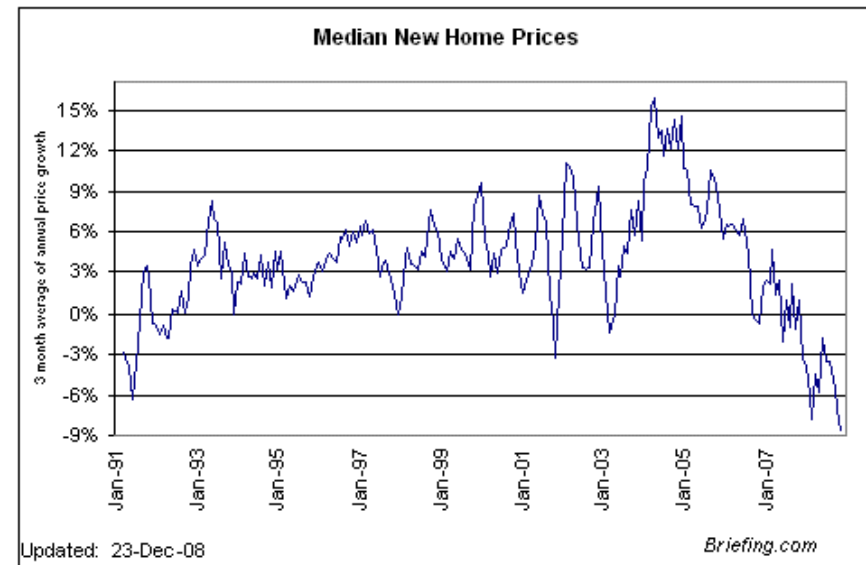
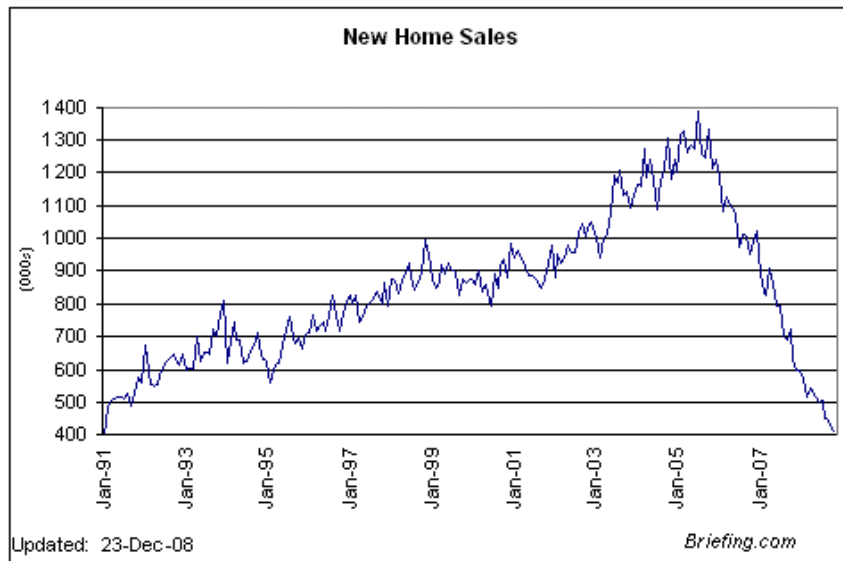


- Released weekly
- Jan 17 589,000
- 4 week ave: 519,000
- Next Jan 29: 582,000



Real Estate – Home Sales

- Key is reducing inventory (supply) and resumption of buyer demand

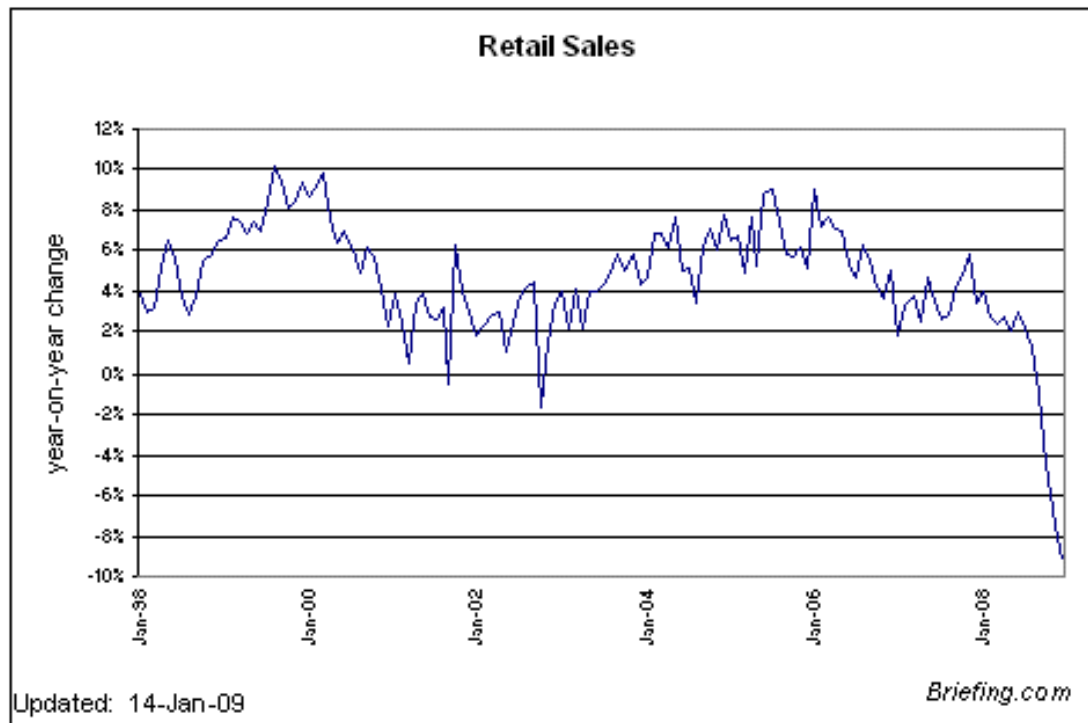


- New Home Sales -Last report 407,000
- Estimate 400,000 - report Jan 29
- Existing home sales Nov. report 4.49 Million
- Dec. **Actual 4.74 Million VS 4.40 estimate**
- reported yesterday Jan 26
- Home Inventory -11.5 Months
- Median Prices Last report down 11.50%



Retail Sales

- Indicator of consumer demand and confidence

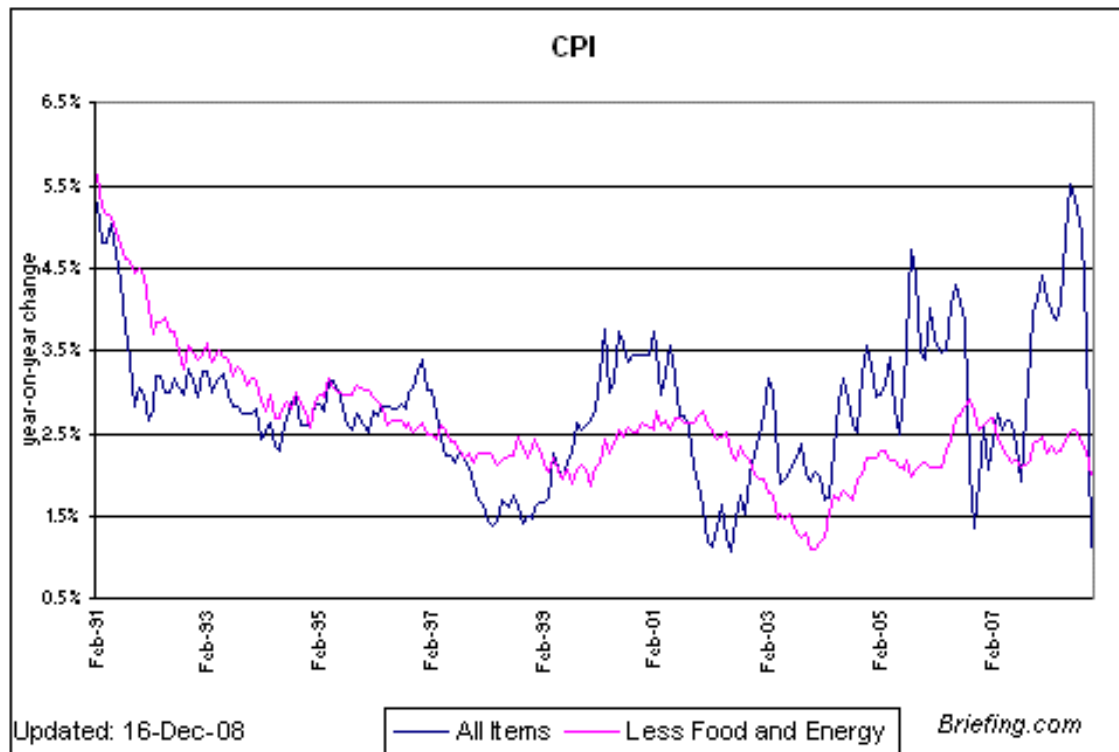


- Released monthly
- Dec -2.7%
- Next: Feb 12
 - Expected large decline



Inflation – Consumer Price Index (CPI)

- Measure of the cost of living for a “representative household”



- Dec. rate: -0.7%
- Less food/energy: 0.0%
- Next report Feb 20



Banking and Financial Institutions

- The big unknown
 - How will the Treasury and Congress manage troubled banks
 - Changes in “market to market rules”
 - Stabilization of real estate market pricing
- When we see real stabilization of US banks, we will see real stabilization in the economy



The Federal Reserve – Bernanke

- What can the Fed do? What are their tools?
 - Increase or decrease the fed funds (discount rate)
 - The overnight rate they lend to banks, currently 0.25%
 - Next announcement – tomorrow afternoon
 - Buy / Sell Treasuries – money supply
 - Guide the market
 - Commentary is critical
 - From an emotional level – confidence
 - Statements made will directly affect
 - Market inflation expectations
- Today starts two day meeting....expect announcement at 1:15pm tomorrow



What is Good in the Financial Markets?

- Risk in the stock market is lower than it has been in years
 - **Buy Low..Sell High** – often the hard thing do to
- Reduced market volatility in stock markets
- Overpriced bonds (especially government backed) makes this class more risky than historically
 - This has helped push mortgage rates to historic lows
- Cash (or debt investments of less than 1 year in maturity) – money market, CDs, etc. - safety



Why Are We Cautiously Optimistic?

- Economic indicators show some signs of bottom
- Globalization – unlike great depression, the intertwining of economies will minimize effects – we are mutually dependent upon each other
- Corporate balance sheets are stronger
- If assets get too cheap, those with capital will buy – examples:
 - Corporate takeovers
 - Individuals buying homes in foreclosure
- Unprecedented government intervention and guarantees of certain assets and transactions
 - Monetary Policy & Fiscal Policy
 - TARP – stabilize banks
 - Stimulus Package, Tax Cuts – get us spending and investing (business investments)



Keep Your Eye On....

- Changes in:
 - Unemployment Rate & Initial Claims
 - Home Sales & Retail Sales
 - Inflation & Yield Curve (interest rates)
 - GDP
 - Banks & Financial Institutions – including their stock pricing
 - The Federal Reserve & Treasury
 - Stock market is a leading indicator – usually 9 months
 - When we continue to see bad news and the market does not go down or goes up – signals that most/all of the bad news is already priced in
- REMEMBER:
 - The markets are irrational in the short to medium term



What are the Opportunities?

- Financial & Retirement Planning
 - Example: for long term investors - dollar-cost average into very low asset prices
- Estate planning
 - Example: gifting at low valuations
- From a professional standpoint.....market share!
 - Historically in a recession, weaker firms and market participants exit the market, leaving the opportunity for the stronger, well capitalized firms to expand market share and benefit when the economic cycle begins to trend upward (ex: Circuit City)



Financial & Estate Planning

- Financial Planning – preparing for your future, while you are here
- Estate Planning – preparing for when you are gone



Why Is This Important

- Financial security
- Protect our families
- The costs of not properly planning are too high



Retirement Planning

- People are living longer
- Inflation shrinks your buying power
- Social security will not likely provide all the income you need
- Increasing medical costs



Living Longer

At Age 65, There Is:

- a **61%** chance of living to age **85**
- a **41%** chance of living to age **90**
- a **21%** chance of living to age **95**

Source: Mouton & Co., 2000 Individual Mortality Table projected to the year 2005.



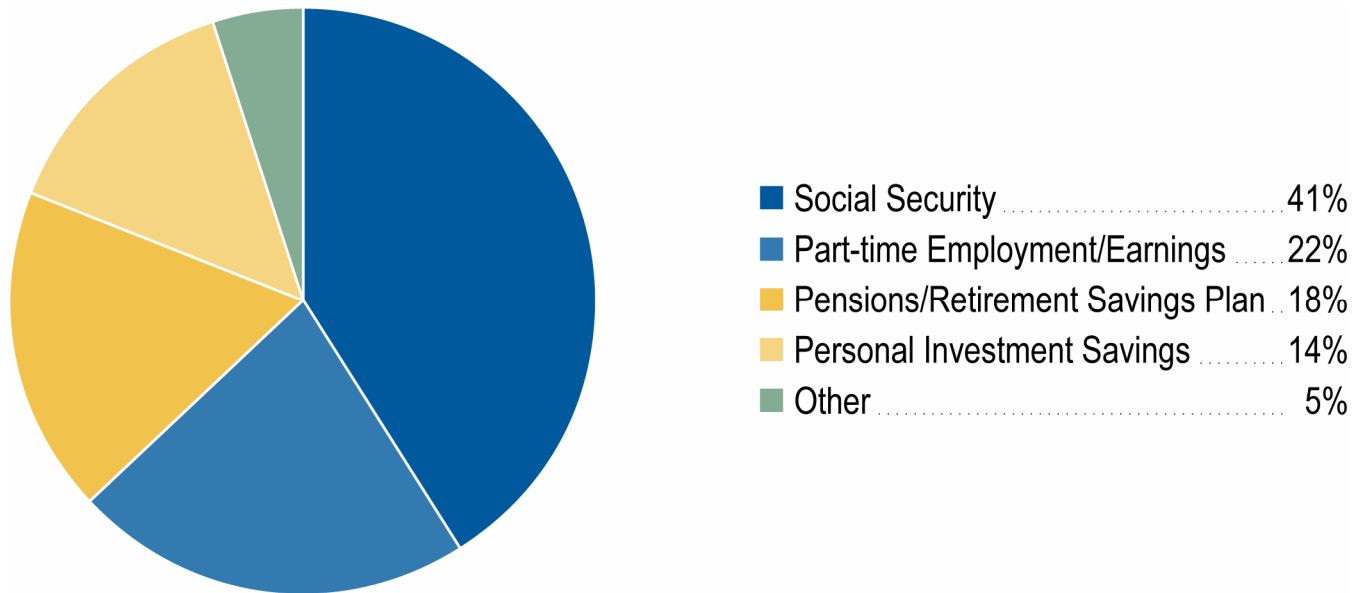
The Thief Called Inflation

- The inflation rate measures the increase in prices of goods and services and the resulting decrease in purchasing power over time.
- Inflation decreases your purchasing power and your savings power.
- At an inflation rate of just 3% a year, you may need more than twice your current income to maintain your present standard of living in 30 years.



Where Will Your Retirement Income Come From?

This is for the "average" household earning \$42,322/year



1. Source: U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement.



Are We Saving Enough?

- 13% of individuals in US have enough (or are on track) to retire given their current or expected standard of living;
- 68% of Americans believe they have enough for retirement, yet nearly 62% of them have less than \$25,000 saved;
- The average worker must increase savings from 2% to over 13% rate



Getting Started

- Assess your retirement needs
 - 70% of current income is needed (estimate)
 - Adjust for changes in lifestyle
 - Estimate potential expenses
 - Usually decrease: housing, income taxes, educational
 - Usually increase: medical care, recreation travel
 - Assess retirement income sources
 - Social Security, IRAs, retirement plans, personal savings
- Obtain an estimate of how much you need between all retirement vehicles at your expected retirement date
- There a number of simple free web based calculators that will help



What Do I Do Next

- Based upon historical data and your risk tolerance, make assumptions:
 - Inflation
 - Rates of return
 - Asset Allocation
- Back out estimated monthly required contributions (key variables are rates of return & number of years to retirement)
- Review and adjust
 - Assumptions
 - Reduce expected standard of living
 - Allocation model
 - Years to retire
 - Contribution amounts



Sources of Retirement Funding

- Personal savings
- Individual retirement plans (IRAs)
- Company sponsored retirement plans
- Get social security statement of benefit



Personal Savings

- Bank accounts
- CD
- US Government bonds
- Brokerage account
- Mutual Funds



IRAs – Individual Retirement Accounts

- Traditional IRAs – some individuals may be able to deduct contributions
 - Depending on situation post tax contributions may be recommended
- ROTH IRAs - recommend maximizing ROTH whenever possible
 - All gains will be federally tax free as long as it is withdrawn after 59 1/2



Company Sponsored Retirement Plans

- 401k
- SEP
- Simple IRA
- Profit Sharing Plans

- Maximize your contributions



Key Features of Company Sponsored Plans

- Employee contributions with pre-tax contributions
 - (except new ROTH 401k plan)
 - Tax deferral until withdrawal at retirement
 - Reduced current income and current year taxes
- Earnings grow tax deferred
 - Defer taxes on gains until you withdrawal
- Employer matching
 - contributions are also tax deferred
- Possible loan provisions

'09 Regional Workshop



Succeed in Today's Market

Investment Basics



Investment Basics

- Why invest
- Types of investments
- Estimate your risk tolerance
- Asset allocation
- Power of compounding
- Dollar cost averaging



Why Invest

- Financial security
- Retirement
- Emergencies
- Buying house
- College education
- Travel



Basic Types of Investments

- Stocks – (equity) ownership in a company
 - Examples: GE, Microsoft
 - Why: High return potential, higher risk, dividends
- Bonds – (debt) the borrower owes you
 - Examples: GE Bond US Treasury; US Savings Bond Muni Bonds
 - Why: relative safety; periodic interest payments
- Cash – (cash equivalents) – money market instruments, savings accounts, CD, US Treasury bills, etc.
 - Why: liquidity, safety

There are other others: commodities, real estate, etc.



Mutual Funds

- An actively managed investment company that pools money from individual and institutions sharing a common goal
- Builds a portfolio of securities
- Advantages:
 - Diversification – spreads risk among many investments
 - Convenience
 - Liquidity
 - Affordability
 - Can have investments objectives ranging from conservative to aggressive
 - Excellent for dollar cost averaging
- Disadvantage:
 - Market risk – with stock & bond funds;
 - Long term investments – should not be used for short term except money markets, etc.



Four Basic Types of Mutual Funds

1. **Stock/equity funds** invest in U.S. or foreign company stocks. Some focus on specific industries or sectors.
2. **Bond funds** invest in corporate, municipal or government bonds and are either taxable or nontaxable.
3. **Balanced funds** invest in both stocks and bonds for growth **and** stability.
4. **Money market funds** invest in U.S. Treasury bills and CDs maturing in one year or less. Money market funds generally have minimal risk, and their returns are typically just a bit better than those of a savings account. Investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds. US Treasury recently guaranteed until 09/2009

BUT ALL ARE DIVERSIFIED WITHIN THEIR GROUP



Estimate Your Risk Tolerance

- Critical to your investment plan is you understanding you comfort level with fluctuations in asset values
 - Consider number of years you have
 - Amount of discretionary income
 - Knowledge of markets and investments
 - Confidence in any advisors
 - How you react to declines in market
 - Are you willing to accept short term fluctuations in the hopes of larger gains
- There are some free estimators on web



Asset Allocation & Diversification



Asset Allocation

- Investing your money in different asset categories typically including stocks, bonds and cash equivalent
- Objective: develop an investment portfolio that will help you reach your financial objectives while maintaining a level of risk that you are comfortable with.
- Why:
 - May reduce risk and spread risk
 - Helps balance returns and portfolio value
 - Many increase chances of meeting financial goals



Why Does Allocation Work?

- Different assets carry different levels of **risk**
- Different assets have different levels of **expected return**
- Different assets have varying levels of **correlation**
 - What is correlation?
 - The degree of strength and relationship between two variables
 - Why do we care about correlation?
 - By managing portfolio correlation, we can reduce risk and simultaneously potentially increase returns



Correlation Example

- Example portfolio A
 - Bank of America (20%)
 - Citigroup (20%)
 - Wells Fargo (20%)
 - JP Morgan Chase (20%)
 - American Express (20%)
- Example portfolio B
 - Bank of America (20%)
 - Johnson & Johnson (20%)
 - Phillip Morris (20%)
 - US Treasuries (20%)
 - Money Market (20%)



The Rewards of Diversification

Consider low correlation — one element of successful asset allocation.

5-Year Correlation as of Dec. 31, 2007

Asset class	Large-cap equity	Mid-cap equity	Small-cap equity	International equity	Fixed income
Large-cap equity	1.00	0.86	0.80	0.80	-0.08
Mid-cap equity	0.86	1.00	0.95	0.78	-0.08
Small-cap equity	0.80	0.95	1.00	0.73	-0.16
International equity	0.80	0.78	0.73	1.00	-0.01
Fixed income	-0.08	-0.08	-0.16	-0.01	1.00

Source: StyleADVISOR

Past performance cannot guarantee comparable future results. Large-cap equity is represented by the Russell Top 200® Index. Mid-cap equity is represented by the Russell Midcap® Index. Small-cap equity is represented by the Russell 2000® Index. International equity is represented by the MSCI EAFE® Index. Fixed income is represented by the Lehman Brothers U.S. Aggregate Bond Index. Index performance reflects reinvestment of dividends. An investment cannot be made directly in an index. This chart is for illustrative purposes only and does not reflect the performance of a specific investment or fund. Correlation measures the degree to which two investments tend to move in the same direction and magnitude at any one time.



Why Invest in Multiple Asset Classes

- Reduce portfolio risk & Why diversify...because the winners rotate

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Small Value Stocks 29.47%	Large Growth Stocks 36.40%	Bonds 8.96%	Small Growth Stocks 51.19%	Small Value Stocks 29.14%	Foreign Stocks 32.94%	Foreign Stocks 8.06%	Large Growth Stocks 38.14%	Large Growth Stocks 25.43%	Large Growth Stocks 34.73%	Large Growth Stocks 38.16%	Small Growth Stocks 43.09%	Small Value Stocks 22.83%	Small Value Stocks 14.02%	Bonds 10.25%	Small Growth Stocks 48.54%	Small Value Stocks 22.25%	Foreign Stocks 14.02%	Foreign Stocks 26.86%	Foreign Stocks 11.63%	Best
Foreign Stocks 28.59%	Large Stocks 31.68%	Large Growth Stocks 0.20%	Small Stocks 46.04%	Small Stocks 18.41%	Small Value Stocks 23.77%	Large Growth Stocks 3.13%	Large Stocks 37.58%	Large Stocks 22.96%	Large Stocks 33.36%	Large Stocks 28.58%	Large Growth Stocks 37.38%	Bonds 11.63%	Bonds 8.44%	Small Value Stocks -11.43%	Small Stocks 47.25%	Foreign Stocks 20.70%	Large Value Stocks 8.71%	Small Value Stocks 23.48%	Large Growth Stocks 9.13%	
Small Stocks 25.02%	Large Value Stocks 26.13%	Large Stocks -3.10%	Small Value Stocks 41.70%	Large Value Stocks 10.53%	Small Stocks 18.88%	Large Stocks 1.32%	Large Value Stocks 36.98%	Small Value Stocks 21.37%	Large Value Stocks 31.87%	Foreign Stocks 20.33%	Foreign Stocks 27.30%	Large Value Stocks -0.51%	Small Stocks 2.49%	Foreign Stocks -15.66%	Small Value Stocks 46.03%	Small Stocks 18.33%	Large Stocks 4.91%	Large Value Stocks 20.80%	Small Growth Stocks 7.06%	
Large Growth Stocks 21.67%	Small Growth Stocks 20.17%	Large Value Stocks -6.85%	Large Growth Stocks 38.37%	Small Growth Stocks 7.77%	Large Value Stocks 18.60%	Large Value Stocks -0.64%	Small Growth Stocks 31.04%	Large Value Stocks 20.54%	Small Value Stocks 31.78%	Large Value Stocks 18.91%	Small Stocks 21.26%	Small Growth Stocks -3.02%	Large Value Stocks -8.18%	Large Value Stocks -16.59%	Foreign Stocks 39.17%	Large Value Stocks 15.03%	Small Value Stocks 4.71%	Small Stocks 18.37%	Bonds 6.97%	
Small Growth Stocks 20.37%	Small Stocks 16.26%	Small Growth Stocks -17.41%	Large Stocks 30.47%	Large Stocks 7.62%	Small Growth Stocks 13.37%	Small Value Stocks -1.54%	Small Stocks 28.45%	Small Stocks 16.49%	Small Stocks 22.36%	Bonds 8.69%	Large Stocks 21.04%	Large Stocks -9.10%	Small Growth Stocks -9.23%	Small Stocks -20.48%	Large Value Stocks 30.36%	Small Growth Stocks 14.31%	Small Stocks 4.55%	Large Stocks 15.79%	Large Stocks 5.49%	
Large Stocks 16.56%	Bonds 14.53%	Small Stocks -19.48%	Large Value Stocks 22.56%	Bonds 7.40%	Large Stocks 10.08%	Small Stocks -1.82%	Small Value Stocks 25.75%	Small Growth Stocks 11.26%	Small Growth Stocks 12.95%	Small Growth Stocks 1.23%	Large Value Stocks 4.88%	Foreign Stocks -13.96%	Large Stocks -11.89%	Large Stocks -22.10%	Large Stocks 28.68%	Large Stocks 10.88%	Small Growth Stocks 4.15%	Small Growth Stocks 13.35%	Large Value Stocks 1.99%	
Large Growth Stocks 11.95%	Small Value Stocks 12.43%	Small Value Stocks -21.77%	Bonds 16.00%	Large Growth Stocks 5.06%	Bonds 9.75%	Small Growth Stocks -2.43%	Bonds 18.47%	Foreign Stocks 6.36%	Bonds 9.65%	Small Stocks -2.55%	Bonds -0.82%	Large Growth Stocks -19.14%	Large Growth Stocks -16.12%	Large Growth Stocks -28.10%	Large Growth Stocks 27.08%	Large Growth Stocks 6.97%	Bonds 2.43%	Large Growth Stocks 11.01%	Small Stocks -1.57%	
Bonds 7.89%	Foreign Stocks 10.80%	Foreign Stocks -23.20%	Foreign Stocks 12.50%	Foreign Stocks -11.85%	Large Growth Stocks 1.68%	Bonds -2.92%	Foreign Stocks 11.55%	Bonds 3.63%	Foreign Stocks 2.06%	Small Value Stocks -6.45%	Small Value Stocks -1.49%	Small Growth Stocks -22.43%	Foreign Stocks -21.21%	Small Growth Stocks -30.26%	Bonds 4.10%	Bonds 4.34%	Large Growth Stocks 1.14%	Bonds 4.33%	Small Value Stocks -9.78%	Worst

Sources: Lipper Inc., Invesco Aim Management Group, Inc. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Performance figures reflect reinvested dividends. An investment cannot be made directly in an index. The table depicts annual returns for six asset classes and one hypothetical portfolio over the past 20 years, ranked from best to worst each year.



Relative Performance

Large Cap US Companies

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BEST PERFORMERS	Small-Cap Value 29.47%	Large-Cap Growth 35.92%	Fixed Income 8.96%	Small-Cap Growth 51.19%	Small-Cap Value 29.14%	Intl. Equity 32.56%	Intl. Equity 7.78%	Large-Cap Value 38.36%	Large-Cap Growth 23.12%	Large-Cap Value 35.18%	Large-Cap Growth 38.71%	Small-Cap Growth 43.09%	Small-Cap Value 22.83%	Small-Cap Value 14.02%	Fixed Income 10.25%	Small-Cap Growth 48.54%	Small-Cap Value 22.25%	Intl. Equity 13.54%	Intl. Equity 26.34%	Large-Cap Growth 11.81%
	Intl. Equity 28.27%	Large-Cap Value 5.19%	Large-Cap Growth -0.26%	Small-Cap Value 41.70%	Large-Cap Value 13.58%	Small-Cap Value 23.77%	Large-Cap Growth 2.62%	Large-Cap Growth 37.18%	Large-Cap Value 21.64%	Small-Cap Value 31.78%	Intl. Equity 20.00%	Large-Cap Growth 33.16%	Fixed Income 11.63%	Fixed Income 8.44%	Moderate Portfolio -9.21%	Small-Cap Value 46.03%	Intl. Equity 20.25%	Large-Cap Value 7.05%	Small-Cap Value 23.48%	Intl. Equity 11.17%
	Large-Cap Value 23.16%	Small-Cap Growth 20.17%	Moderate Portfolio -4.51%	Large-Cap Growth 41.27%	Small-Cap Growth 7.77%	Large-Cap Value 18.07%	Moderate Portfolio 0.64%	Small-Cap Growth 31.04%	Small-Cap Value 21.37%	Large-Cap Growth 30.49%	Moderate Portfolio 16.47%	Intl. Equity 26.96%	Large-Cap Value 7.01%	Moderate Portfolio -5.55%	Small-Cap Value -11.43%	Intl. Equity 38.59%	Large-Cap Value 16.49%	Moderate Portfolio 5.94%	Large-Cap Value 22.25%	Small-Cap Growth 7.05%
	Small-Cap Growth 20.37%	Moderate Portfolio 18.57%	Large-Cap Value -8.08%	Moderate Portfolio 25.65%	Fixed Income 7.40%	Moderate Portfolio 14.75%	Small-Cap Value -1.54%	Small-Cap Value 25.75%	Moderate Portfolio 12.63%	Moderate Portfolio 17.84%	Large-Cap Value 15.63%	Moderate Portfolio 13.79%	Moderate Portfolio -2.92%	Large-Cap Value -5.59%	Large-Cap Value -15.52%	Large-Cap Value 30.03%	Small-Cap Growth 14.31%	Large-Cap Growth 5.26%	Moderate Portfolio 13.77%	Fixed Income 6.97%
	Moderate Portfolio 16.07%	Fixed Income 14.53%	Small-Cap Growth -17.41%	Large-Cap Value 24.55%	Moderate Portfolio 5.89%	Small-Cap Growth 13.37%	Large-Cap Value -1.98%	Moderate Portfolio 24.68%	Small-Cap Growth 11.26%	Small-Cap Growth 12.95%	Fixed Income 8.69%	Large-Cap Value 7.35%	Intl. Equity -1.17%	Small-Cap Growth -9.23%	Intl. Equity -15.94%	Large-Cap Growth 29.75%	Moderate Portfolio 10.89%	Small-Cap Value 4.71%	Small-Cap Growth 13.35%	Moderate Portfolio 6.87%
	Large-Cap Growth 11.27%	Small-Cap Value 12.43%	Small-Cap Value -21.77%	Fixed Income 16.00%	Large-Cap Growth 4.99%	Fixed Income 9.75%	Small-Cap Growth -2.43%	Fixed Income 18.47%	Intl. Equity 6.05%	Fixed Income 9.65%	Small-Cap Growth 1.23%	Fixed Income -0.82%	Large-Cap Growth -22.42%	Large-Cap Growth -20.42%	Large-Cap Growth -27.88%	Moderate Portfolio 24.02%	Large-Cap Growth 6.30%	Small-Cap Growth 4.15%	Large-Cap Growth 9.07%	Large-Cap Value -0.17%
WORST PERFORMERS	Fixed Income 7.89%	Intl. Equity 10.54%	Intl. Equity -23.45%	Intl. Equity 12.13%	Intl. Equity -12.17%	Large-Cap Growth 2.87%	Fixed Income -2.92%	Intl. Equity 11.21%	Fixed Income 3.63%	Intl. Equity 1.78%	Small-Cap Value -6.45%	Small-Cap Value -1.49%	Small-Cap Growth -22.43%	Intl. Equity -21.44%	Small-Cap Growth -30.26%	Fixed Income 4.10%	Fixed Income 4.34%	Fixed Income 2.43%	Fixed Income 4.33%	Small-Cap Value -9.78%

Sources: Lipper Inc., Invesco Aim Management Group, Inc. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Performance figures reflect reinvested dividends. An investment cannot be made directly in an index. The table depicts annual returns for six asset classes and one hypothetical portfolio over the past 20 years, ranked from best to worst each year.



Relative Performance

Fixed Income

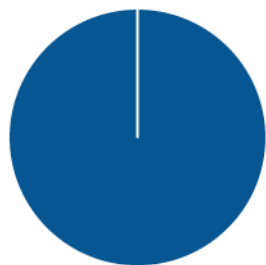
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
BEST PERFORMERS ↑	Small-Cap Value 29.47%	Large-Cap Growth 35.92%	Fixed Income 8.96%	Small-Cap Value 51.19%	Small-Cap Value 29.14%	Intl. Equity 32.56%	Intl. Equity 7.78%	Large-Cap Value 38.36%	Large-Cap Growth 23.12%	Large-Cap Value 35.18%	Large-Cap Growth 38.71%	Small-Cap Growth 43.09%	Small-Cap Value 22.83%	Small-Cap Value 14.02%	Fixed Income 10.25%	Small-Cap Value 48.54%	Small-Cap Value 22.25%	Intl. Equity 13.54%	Intl. Equity 26.34%	Large-Cap Growth 11.81%
	Intl. Equity 28.27%	Large-Cap Value 25.19%	Large-Cap Growth -0.26%	Small-Cap Value 41.70%	Large-Cap Value 13.58%	Small-Cap Value 23.77%	Large-Cap Growth 2.62%	Large-Cap Growth 37.18%	Large-Cap Value 21.64%	Small-Cap Value 31.78%	Intl. Equity 20.00%	Large-Cap Growth 33.16%	Fixed Income 11.63%	Fixed Income 8.44%	Moderate Portfolio -9.21%	Small-Cap Value 46.03%	Intl. Equity 20.25%	Large-Cap Value 7.05%	Small-Cap Value 23.48%	Intl. Equity 11.17%
	Large-Cap Value 23.16%	Small-Cap Growth 20.17%	Moderate Portfolio -4.51%	Large-Cap Growth 41.27%	Small-Cap Growth 7.77%	Large-Cap Value 18.07%	Moderate Portfolio 0.64%	Small-Cap Growth 31.04%	Small-Cap Value 21.37%	Large-Cap Growth 30.49%	Moderate Portfolio 16.47%	Intl. Equity 26.96%	Large-Cap Value 7.01%	Moderate Portfolio -5.55%	Small-Cap Value -11.43%	Intl. Equity 38.59%	Large-Cap Value 16.49%	Moderate Portfolio 5.94%	Large-Cap Value 22.25%	Small-Cap Growth 7.05%
	Small-Cap Growth 20.37%	Moderate Portfolio 18.57%	Large-Cap Value -8.08%	Moderate Portfolio 25.65%	Fixed Income 7.40%	Moderate Portfolio 14.75%	Small-Cap Value -1.54%	Small-Cap Value 25.75%	Moderate Portfolio 12.63%	Moderate Portfolio 17.84%	Large-Cap Value 15.63%	Moderate Portfolio 13.79%	Moderate Portfolio -2.92%	Large-Cap Value -5.59%	Large-Cap Value -15.52%	Large-Cap Value 30.03%	Small-Cap Growth 14.31%	Large-Cap Growth 5.26%	Moderate Portfolio 13.77%	Fixed Income 6.97%
	Moderate Portfolio 16.07%	Fixed Income 14.53%	Small-Cap Growth -17.41%	Large-Cap Value 2.55%	Moderate Portfolio 5.69%	Small-Cap Growth 13.37%	Large-Cap Value -1.98%	Moderate Portfolio 24.68%	Small-Cap Growth 11.26%	Small-Cap Growth 12.95%	Fixed Income 8.69%	Large-Cap Value 7.35%	Intl. Equity -14.17%	Small-Cap Growth -9.23%	Intl. Equity -15.94%	Large-Cap Growth 29.75%	Moderate Portfolio 10.89%	Small-Cap Value 4.71%	Small-Cap Growth 13.35%	Moderate Portfolio 6.87%
	Large-Cap Growth 11.27%	Small-Cap Value 12.43%	Small-Cap Value -21.77%	Fixed Income 16.00%	Large-Cap Growth 4.99%	Fixed Income 9.75%	Small-Cap Growth -2.43%	Fixed Income 18.47%	Intl. Equity 6.05%	Fixed Income 9.65%	Small-Cap Growth 1.23%	Fixed Income -0.82%	Large-Cap Growth -22.42%	Large-Cap Growth -20.42%	Large-Cap Growth -27.88%	Moderate Portfolio 2.02%	Large-Cap Growth 6.30%	Small-Cap Growth 4.15%	Large-Cap Growth 9.07%	Large-Cap Value -0.17%
WORST PERFORMERS ↓	Fixed Income 7.89%	Intl. Equity 10.54%	Intl. Equity -23.45%	Intl. Equity 12.13%	Intl. Equity -12.17%	Large-Cap Growth 2.87%	Fixed Income -2.92%	Intl. Equity 11.21%	Fixed Income 3.63%	Intl. Equity 1.78%	Small-Cap Value -6.45%	Small-Cap Value -1.49%	Small-Cap Value -22.43%	Intl. Equity -21.44%	Small-Cap Value -30.26%	Fixed Income 4.10%	Fixed Income 4.34%	Fixed Income 2.43%	Fixed Income 4.33%	Small-Cap Value -9.78%

Sources: Lipper Inc., Invesco Aim Management Group, Inc. Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Performance figures reflect reinvested dividends. An investment cannot be made directly in an index. The table depicts annual returns for six asset classes and one hypothetical portfolio over the past 20 years, ranked from best to worst each year.



What Kind of Allocation is Right for Me?

100% Stocks



Asset-Allocated Sample Portfolios: December 31, 1987–December 31, 2007

20-Year Average Annual Return	10.61%
Best One-Year Return	38.36%
Worst One-Year Return	-19.41%

80% Stocks • 20% Bonds



20-Year Average Annual Return	10.20%
Best One-Year Return	31.51%
Worst One-Year Return	-13.48%

Source: S&P Micropal. Stock investments are represented by equal investments in the S&P 500 Index, Russell 2000 Index and MSCI EAFE Index, representing large U.S. stocks, small U.S. stocks and foreign stocks, respectively. Bonds are represented by the Lehman Brothers U.S. Aggregate Index. Cash equivalents are represented by the Payden & Rygel 90-Day U.S. Treasury Bill Index. Portfolios are rebalanced annually. Indexes are unmanaged, and one cannot invest directly in an index. These sample portfolios offer a general idea of what various asset allocation plans look like and how they have performed over time. Franklin Templeton recommends consulting a professional financial advisor to help you determine if certain adjustments are needed to keep your asset allocation plan balanced and on target. **Past performance does not guarantee future results.**



What Kind of Allocation is Right for Me?

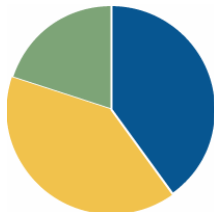
Asset-Allocated Sample Portfolios: December 31, 1987–December 31, 2007

60% Stocks • 40% Bonds



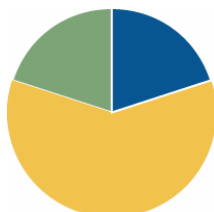
20-Year Average Annual Return	9.69%
Best One-Year Return	24.66%
Worst One-Year Return	-7.54%

40% Stocks • 40% Bonds • 20% Cash Equivalents



20-Year Average Annual Return	8.50%
Best One-Year Return	19.51%
Worst One-Year Return	-3.31%

20% Stocks • 60% Bonds • 20% Cash Equivalents



20-Year Average Annual Return	7.80%
Best One-Year Return	17.44%
Worst One-Year Return	-0.48%

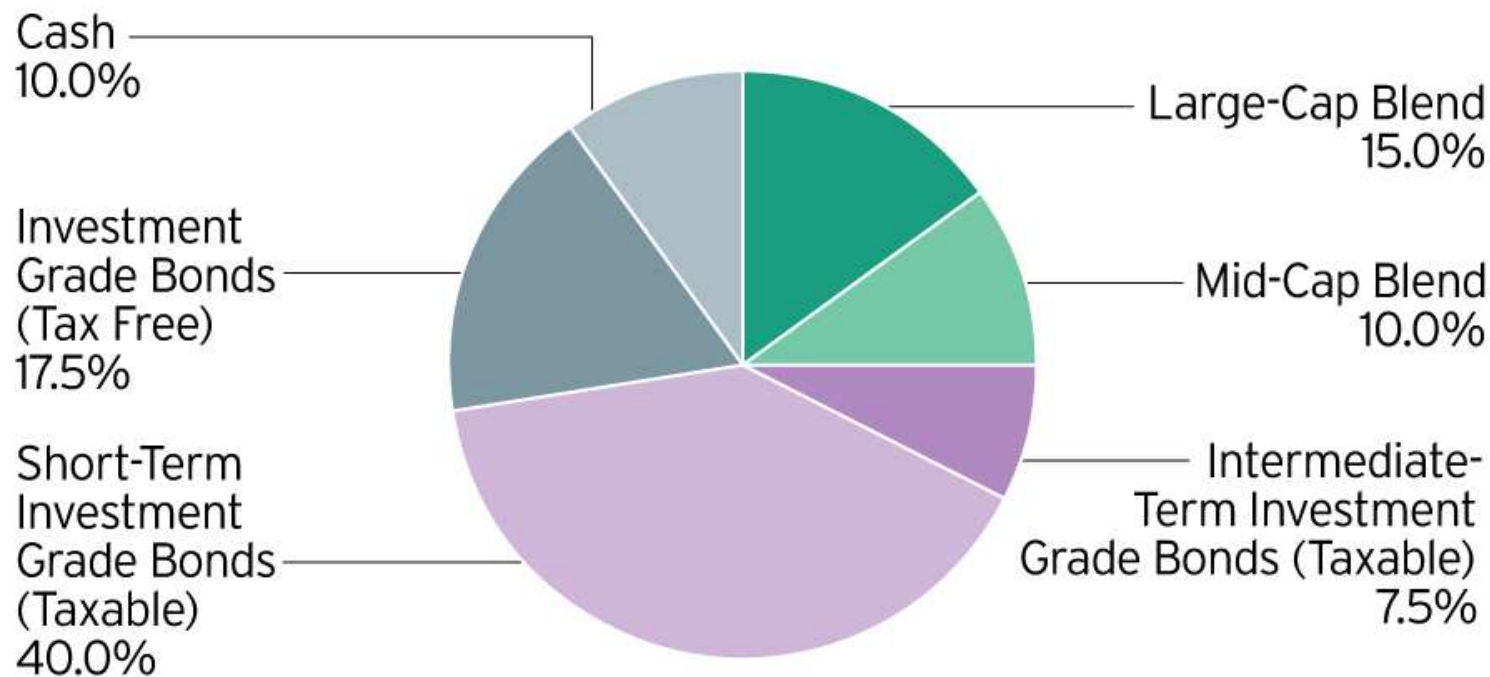
Source: S&P Micropal. Stock investments are represented by equal investments in the S&P 500 Index, Russell 2000 Index and MSCI EAFE Index, representing large U.S. stocks, small U.S. stocks and foreign stocks, respectively. Bonds are represented by the Lehman Brothers U.S. Aggregate Index. Cash equivalents are represented by the Payden & Rygel 90-Day U.S. Treasury Bill Index. Portfolios are rebalanced annually. Indexes are unmanaged, and one cannot invest directly in an index. These sample portfolios offer a general idea of what various asset allocation plans look like and how they have performed over time.

Past performance does not guarantee future results.



Conservative Portfolio

The conservative investor is typically interested in preservation of capital, receiving steady investment income and beating inflation over the long term. This investor has a low risk tolerance and is particularly sensitive to short-term volatility.

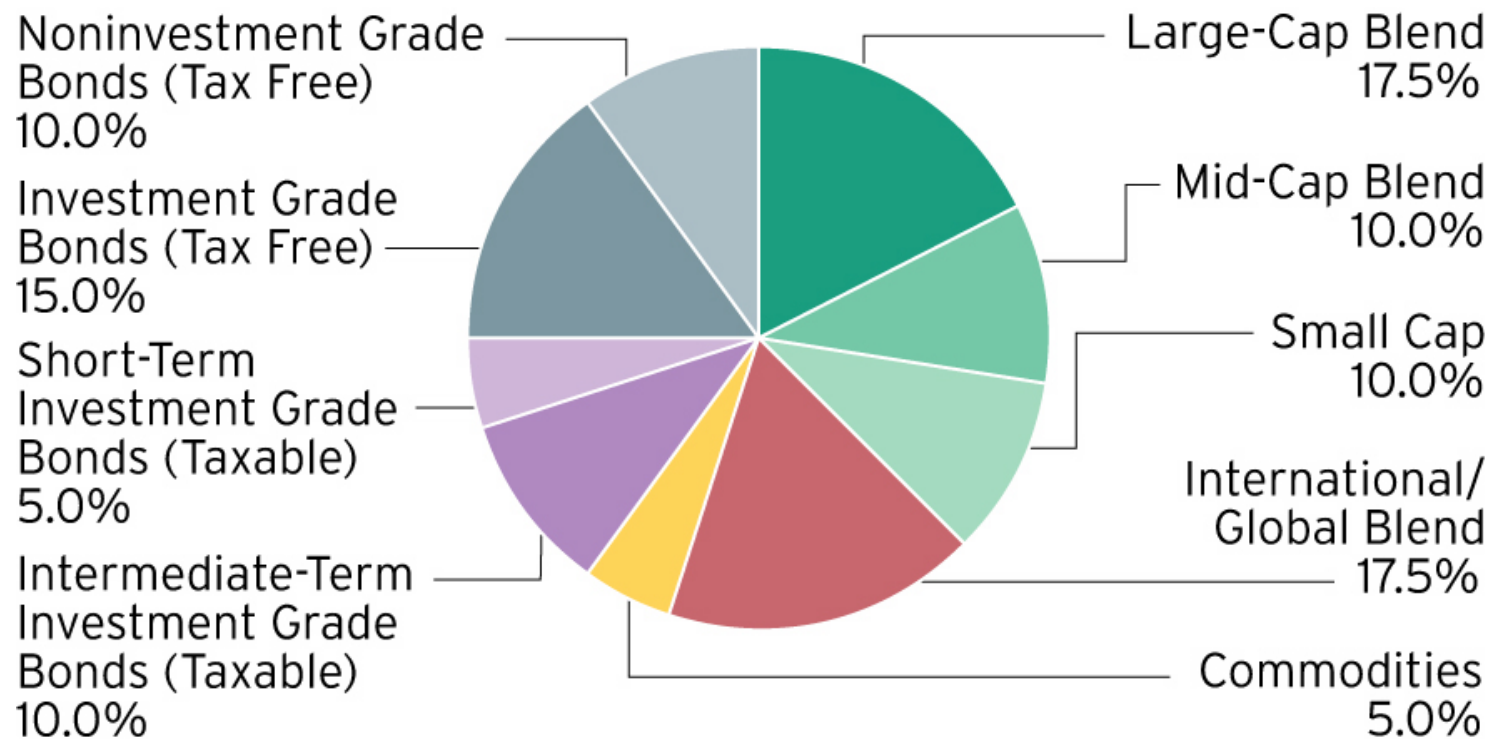


This chart illustrates a hypothetical allocation and is not intended as investment advice.



Moderate Portfolio

The moderate investor is less sensitive to short-term volatility than the conservative investor and is interested in receiving steady investment income and preserving capital.

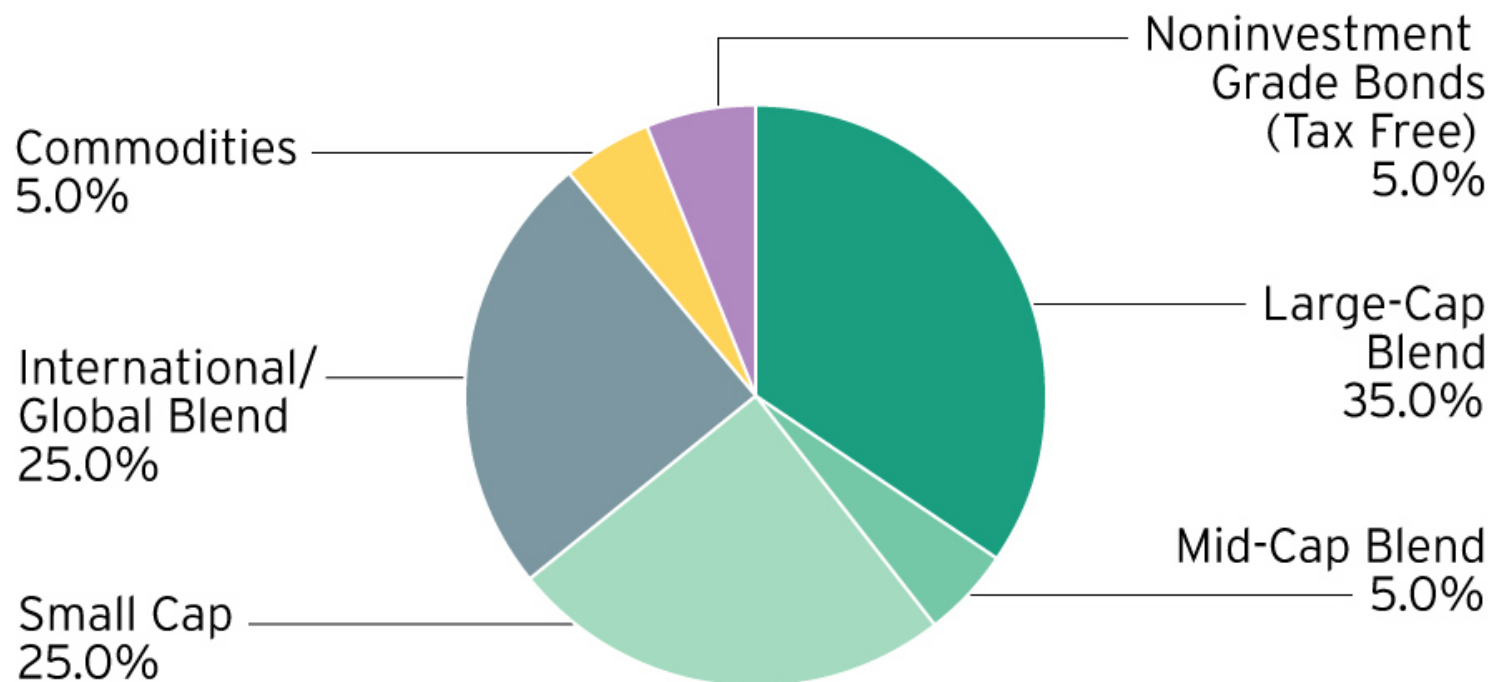


This chart illustrates a hypothetical allocation and is not intended as investment advice.



Growth Portfolio

The growth investor is typically seeking higher relative return. Because he usually has a relatively long time horizon and high risk tolerance, the growth investor is not as concerned about short-term volatility.

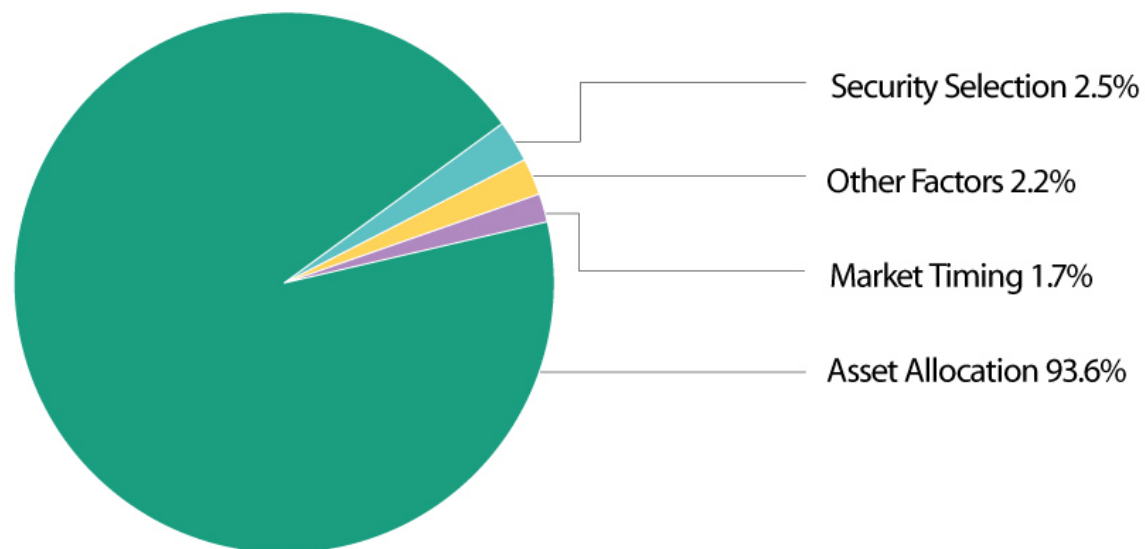


This chart illustrates a hypothetical allocation and is not intended as investment advice.



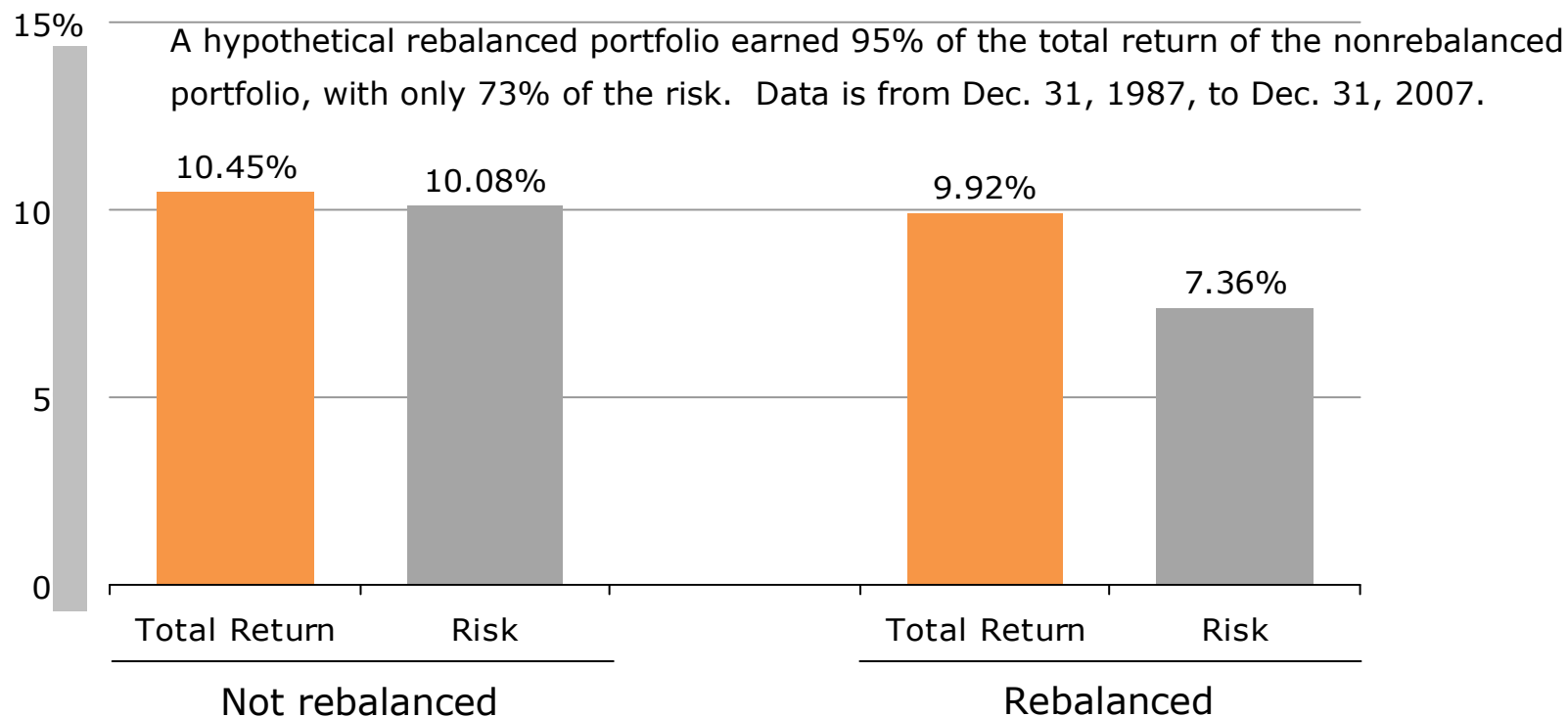
The Art and Science of Asset Allocation

Research shows that asset allocation coupled with periodic rebalancing is the most critical factor in explaining the difference in returns across portfolios.





The (Re)Balancing Act



Sources: Invesco Aim and StyleADVISOR. *Past performance cannot guarantee comparable future results.* Annualized returns of rebalanced and nonrebalanced portfolios include the following: 50% stocks, represented by the S&P 500[®] Index, an unmanaged index considered representative of the U.S. stock market; and 50% bonds, represented by the Lehman Brothers U.S. Aggregate Bond Index, an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. The rebalanced portfolio is rebalanced monthly. Risk is based on annualized standard deviation (1987 to 2007), which is an indicator of the portfolio's total return volatility. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Both portfolios began with 50% stocks and 50% bonds. This chart is for illustrative purposes and does not reflect the performance of a specific investment or fund.



Asset Allocation Summary

- Estimate risk tolerance
- Determine allocation strategy
- Tailor to your needs and goals
- Rebalance periodically
- Diversify within each asset category



The Power of Compounding



What is Compounding

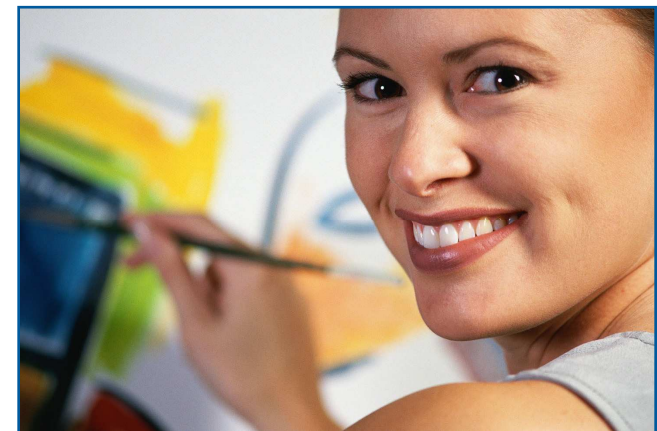
- Generating earning on top of reinvested earnings
 - Interest, dividends, capital gains
- Example:
 - Invest \$100 at 5% you get \$5/year
 - If you reinvest your earnings....
 - Year 1 $\$100 \times 5\% = \5 , but you reinvest it..
 - Year 2 $\$105 \times 5\% = \5.25 , again you reinvest...
 - Year 3 $\$110.25 \times 5\% = \5.51 , reinvest..
 - Year 4 $\$115.76 \times 5\% = \5.79
 - Year 5 $\$121.55 \times 5\% = \6.08
 - Year 6 $\$127.63 \times 5\% = \6.38



Time is Your - Mary:

- At age 25, Mary began contribution \$5,000 per year to her retirement plan until age 65
- Assume her tax-deferred account earned 8% annually
- At age 40, estimated value \$146,621
- At 50, estimated value \$431,754
- At 65, estimated value \$1,398,405
 - Total contributions: \$200,000

- This is a hypothetical estimation, real results may vary





The Cost of Waiting is Too High....

- At age 45, Mary began contribution \$5,000 per year to her retirement plan until age 65
- Assume her tax-deferred account earned 8% annually
- At 65, estimated value \$247,126
 - Total contributions: \$100,000
 - Difference of \$1,115,279

- This is a hypothetical estimation, real results may vary





Dollar Cost Averaging



Dollar Cost Averaging

Committing a fixed amount of money at regular intervals to an investment such as a mutual fund.

- A consistent approach to increasing assets that allows you to purchase shares a variety of prices, generally lowering your per share price over time;
- Focus on accumulating shares, not on share price
- Be prepared to weather markets ups and downs
 - Continue to invest regardless of market conditions
- Most effective with a long-term investment horizon



Dollar-Cost Averaging Basics

- Maximize employer sponsored retirement plan
- Dollar-cost average (Does not guarantee profit or prevent loss, but should reduce risk over time)
- Must be able to commit to investing in regularly scheduled intervals
- Take long term approach
- Resist temptation to withdraw assets or stop periodic investments when the market is volatile



How Dollar-Cost Averaging Works

When you invest, you normally pay the current price per share. However, dollar-cost averaging offers you the potential to pay less. How is this possible? The table below demonstrates an example in a fluctuating market. By investing \$2,000 every year for 10 years, the investor paid an average cost per share that was less than the average price per share.

Year	Annual amount invested	Share price	Shares purchased
1	2,000	22.32	89.606
2	2,000	29.76	67.204
3	2,000	38.26	52.274
4	2,000	46.31	43.187
5	2,000	42.07	47.540
6	2,000	37.06	53.967
7	2,000	28.85	69.324
8	2,000	37.11	53.894
9	2,000	41.16	48.591
10	2,000	43.17	46.328
Total	\$20,000	\$366.07	571.915

Average price per share: $\$366.08 \div 10 = \36.61

Investor's average cost per share: $\$20,000 \div 571.915 = \34.97



Stay Invested But.....

- Review goals and assumptions
- Make adjustments based upon
 - Asset allocation model
 - Changes in the market
 - Continue to invest regardless of market



Five Reasons to Dollar-Cost Average

- Reduces current income taxes (retirement accounts)
- Painless investing when you invest automatically (especially payroll deductions)
- Disciplined investing without emotion.
- Sound investing that helps you avoid the pitfalls of market timing.
- Prudent investing because you expose smaller amounts of money — spread over time — to investment risks.

'09 Regional Workshop



Succeed in Today's Market

College Education Funding



College Education

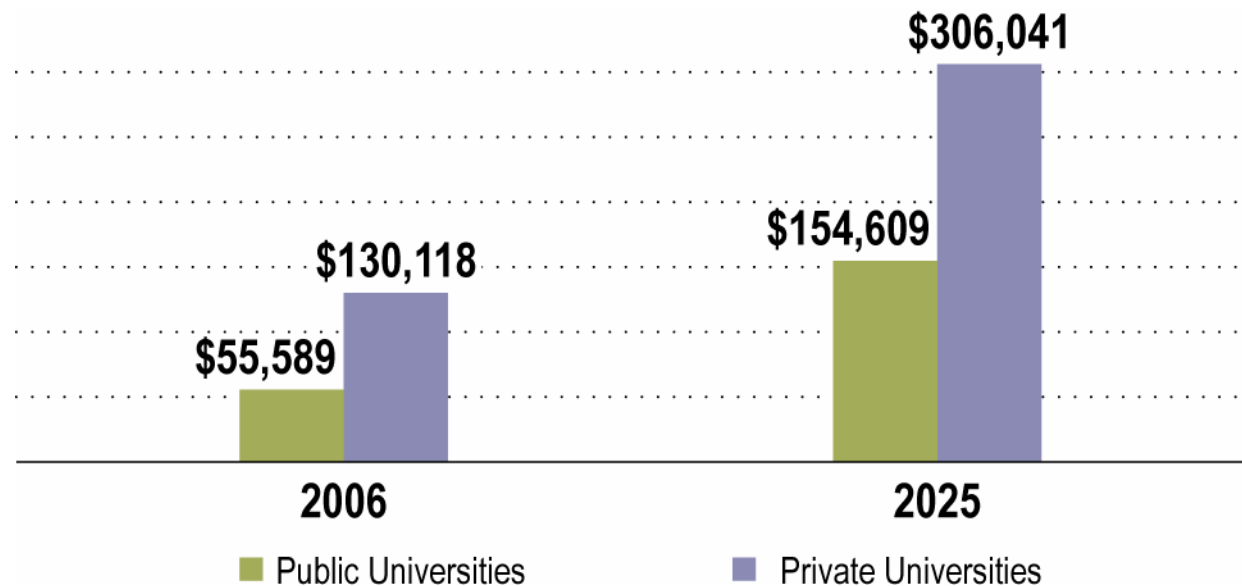
- The escalating costs
- Utilize tax advantaged methods to invest
 - 529 Plan – large state variances in:
 - Contributions
 - Investments
 - Deductions
 - Management
 - Coverdell (Educational IRA)
 - UGMA / UTMA



College Planning – The High Cost of Education

Rising Cost Of College Education

Projected Costs for a Four-Year College Education



Source: The College Board, *Trends in College Pricing*, 2006.

Projected cost upon child's entrance to college for four years at a public or private college. Figures are based upon the 5.53% and 4.60% 10-year average annual increase in public and private college costs respectively as reported by The College Board for the 2006-2007 school year.



Plan Comparisons

	529 Plans	UGMA/UTMA	Coverdell Education Savings Account
Federal tax deferral	Yes	No	Yes
Maximum contribution	On average up to \$224,465 or more per beneficiary* State dependent;	None	\$2000 per beneficiary under age 18 per year**
Income limits	No limits	No limits	Phase out of single filers at \$95,000 to \$110,000 for joint filers, \$190,000 to \$220,000

For 529 plans: Tax benefits may be conditioned on meeting certain requirements. Federal tax, a 10% penalty and state tax apply to nonqualified withdrawals of earnings. Generation-skipping tax may apply to substantial transfers to a beneficiary at least two generations below the contributor. Gift examples are general; individual financial circumstances and state laws vary—consult a tax advisor before investing. If the contributor dies within the five-year period, a prorated portion of contributions may be included in their taxable estate. See the Investor Handbook for more complete information.

* Source: Savingforcollege.com, August 2006.



Plan Comparisons (continued)

	529 Plans	UGMA/UTMA	Coverdell Education Savings Account
Who controls assets?	Plan owner	Custodian, until minor reaches age of majority (varies by state)	Account owner (responsible individual)
Ability to change beneficiary	In most instances, beneficiary can be changed to another member of the beneficiary's family, without penalty	N/A	Can be transferred to the account of an eligible member of the same family without penalty
Estate-planning features	Assets are generally transferred out of the donor's estate, yet the donor retains control	Assets are transferred out of the donor's estate	Assets are transferred out of the donor's estate

For 529 plans: Tax benefits may be conditioned on meeting certain requirements. Federal tax, a 10% penalty and state tax apply to nonqualified withdrawals of earnings. Generation-skipping tax may apply to substantial transfers to a beneficiary at least two generations below the contributor. Gift examples are general; individual financial circumstances and state laws vary—consult a tax advisor before investing. If the contributor dies within the five-year period, a prorated portion of contributions may be included in their taxable estate. See the Investor Handbook for more complete information.



College Planning Summary

- Costs are escalating 2 to 2.5x inflation
- Utilize vehicles that maximize returns by exemption from federal taxes for qualified expenses
- Start early

'09 Regional Workshop



Succeed in Today's Market

Risk Management



Risk Management

- Assessing and mitigating personal health, financial & legal known and unknown risks
- Goal:
 - Protect assets and/or income
 - Ensure medical care
- Primary tools:
 - Insurance – a contract where one party (insurer) agrees to pay another party (insured) for losses affecting the insured's interests
 - Estate planning techniques
 - Examples: Trusts, titling of assets (joint tenancy, POD)



Insurance

- Life Insurance
 - Protection Income/Asset
 - Replace income / assets
 - Disability – income replacement
- Health Insurance
 - Medical
 - Long term care
- Property & casualty
- Liability



Life Insurance

- Provides coverage after the insured party's death, often to family member(s) left behind (beneficiary):
 - Term Life – in place for a specific period of time; cost effective
 - Whole life – provides coverage for insured's entire life; also builds cash value; more expensive
 - Variable life – provides coverage for insured's entire life; builds cash value – but the value is subject to the fluctuations of the underlying investments
 - Disability Insurance – provides a monthly income when the insured becomes disabled
 - Social Security – may provide some level of benefit



Health Insurance

- Pays for various hospital and medical treatment; no one type covers all and generally have lifetime limits
 - Medical – covers wide range of medical treatments; does not replace income
 - Long term care – provides for chronically ill or disabled over a long period of time
 - Medicare & Medicaid may provide some level of coverage



Asset Ownership

- Utilization of trusts for asset protection
- Titling of assets
 - Joint ownership
 - Homes

'09 Regional Workshop



Succeed in Today's Market

Estate Planning



Estate Planning

- The process of organizing and preparing your estate (all assets, liabilities, interests) to avoid probate, minimize taxes, maximize benefits to heirs, ensure your wishes are followed – children, your health, assets, etc.
- Not just for the wealthy!
 - Take care of your family
 - Spouse & Children
 - Protect assets
 - Specific wishes for health care, assets



Key Benefits

- Ensures that you are able to determine guardians for your minor children – not the courts
- Ensures that you decide the disposition of your assets after death – you determine who gets what, not courts
- More efficient method to pass assets – probate
- Many significantly minimize or eliminate estate taxes
- Maximize the amount that goes to your heirs
- Ensures your wishes for health care is known and authority to effect these wishes is transferred



Key Elements

- Estate Planning involves creating and executing legal documents, including:
 - A Will
 - Trust documents
 - Durable power of attorney
 - Medical (Health care) power of attorney
 - A living will



The Will

The cornerstone of an estate plan because it:

- Instructs how assets should be distributed to your heirs at the time of your death. (How and to who distributed)
- Without a Will, the laws of your state will dictate who receives your assets, not you
- Designates guardians for minor children.
- Allows you to appoint an executor to carry out the instructions contained in the will.



Trusts

A legal instrument that:

- Allows you to transfer assets for the benefit of others.
- May help reduce income taxes and protect future gains from estate taxes.
- Can provide for minor children, surviving spouses or charitable organizations.
- Prevents assets from passing through the lengthy probate process.
- Many different types of trusts available with drastically different benefits & features as well as costs and constraints.



What if You Become Incapacitated?

If you can't communicate your wishes:

- A durable power of attorney gives another individual power to manage your financial affairs.
- A medical power of attorney names a representative to make decisions about medical care on your behalf.
- A living will is a type of advance directive that gives specific instructions about end-of life medical decisions. It specifies the kind of care you want or don't want.



Estate Planning Requires Help

- Attorney, financial advisor, tax advisor, etc
- HUGE state to state differences in law – seek the advice of an attorney
- Review plan documents on a regular basis
 - Example: title on home
- Ensure you have contingencies planned
- Update your estate plan after significant life events – marriage, divorce, major changes income, assets, etc.
- Have *something* in place.....you can always modify!



What to do Now?

- Determine where you are now – gather information
 - Inventory of assets, liabilities, risk tolerance, etc
- Set goals
 - Financial
 - Estate
- Develop action plan
 - Fluid - constant changes in the marketplace
 - Unique – everyone's circumstances are different
 - Flexible – plans must be adaptable to changes in the market, estate and tax laws and your circumstances
- Meet with accountant, attorney, financial advisor, etc.
 - Get them communicating & sharing information
- Implement
- Review and adjust



Summary

- Develop a plan
- Take advantage of employer-sponsored plans – dollar cost averaging
- Utilize individual retirement and personal savings investment vehicles to supplement future income needs
- Diversify, diversify, diversify – asset allocation
- Protect your assets – insurance & estate planning
- Invest early! - compounding
- Periodic review and make adjustments
- Be proactive and take ownership of your finances
- Be positive – this downturn is temporary!



Thank you!

If you would like a copy of this presentation, list of free resources or have a question, please leave us your card or email me at mkline@klinecapital.com