



In brief:

"I have no idea what the stock market will do next month or six months from now. I do know that, over a period of time, the American economy will do very well and investors who own a piece of it will do well."

Warren Buffet in an interview on CNBC, October 10, 2008

We seem to be in a period of heightened stress about the economy, politics, the market, even our own families. Unfortunately, it seems too often the multitude of financial journalism only adds to the stress with whatever "hype" de jour they are pushing that day. How often have you seen or heard a headline such as; Market Surges on Stronger Dollar, or Market Plunges on Oil Fears. The stories suggest that this news was the direct cause of a generalized rise or fall in the value of equities.

Headlines aside, when the markets go down, there is only one causality of which anyone can really be sure: that there were more sellers than buyers for whatever complex of global reasons on that particular day (the converse is equally true on a day when the market rises)! This is the pure, unvarnished truth. Which is exactly why financial journalism can't report it. Journalism isn't in the truth business, it's in the news business. If they reported the true fact that there was simply a surplus of sellers or buyers that caused the market movement, well you'd stop needing to consume financial journalism.

Journalism's objectives aren't just different from yours, they are antithetical to yours. Journalism wants to keep your focus as short-term as possible, even minute-to-minute so you don't dare turn off that television. **The ultimate goal of journalism is not to help you become financially secure and independent. It is to get you to buy more financial journalism.** You need to maintain your basic, fundamental and above all American long-term optimism, which is just another word for realism. **This is why we use our Active discipline and process - every day - to help navigate the changing markets and risk based on facts, not journalism or emotions.**

So, if you want to reduce some stress and maybe sleep a bit better here's an idea;

Turn off CNBC®

When you're in the car, listen to classical music

When the daily market report comes on the news, go take out the garbage

Tell a friend about what a difference having a real financial plan and asset management process can make (Ok, that might not help you sleep better, but it might help me ☺!)

***"Out if clutter, find simplicity
From discord, find harmony
In the middle of difficulty lies opportunity"***

Albert Einstein

Federal Tax Issues:

High-income individuals may be wise to try to maximize deductions here in 2010! **High income individuals are likely to face limits on their tax deductions in 2011** and possibly beyond. PEP and Pease are scheduled to be reinstated in 2011 after being completely phased out in 2010. The personal exemption phase-out (PEP) limits the regular personal exemption otherwise allowable. "Pease" refers to a provision of the code added in 1990, championed by Rep. Don Pease (OH). The provision limits the itemized and other deductions of high-income taxpayers.

Source: FPA Capital Update, May, 2010.

As we approach the Fourth of July, we stop to think about what our country means to us. During this time of political and economic turmoil I'd like to share the following: The late Red Skelton told this story about his teacher, Mr. Laswell, who explained the meaning of the Pledge of Allegiance word by word.*

"I've been listening to you boys and girls recite the Pledge of Allegiance all semester, and it seems as though it's become monotonous to you. If I may, may I recite it and try to explain to you the meaning of each word?"

~ I ~

Me, an individual, a committee of one

~ PLEDGE ~

Dedicate all of my worldly goods to give without self-pity

~ ALLEGIANCE ~

My love and my devotion

~ TO THE FLAG ~

Our standard, Old Glory. A symbol of freedom. Where ever she waves, there's respect, because your loyalty has given her dignity that shouts, Freedom Is Everybody's Job!

~ OF THE UNITED ~

That means that we have all come together

~ STATES OF AMERICA ~

Individual communities that have united into 48 states. Forty-eight individual communities with pride and dignity, all divided with imaginary boundaries, yet united to a common purpose, and that's love for country.

~ AND TO THE REPUBLIC FOR WHICH IT STANDS ~

A state in which sovereign power is invested in representatives chosen by the people to govern. And government is the people, and it's from the people to the leaders, not from the leaders to the people.

~ ONE NATION ~

One nation, meaning, "So blessed by God"

~ INDIVISIBLE ~

Incapable of being divided

~ WITH LIBERTY ~

Which is freedom, the right of power to live one's own life without threats, fear or some sort of retaliation

~ AND JUSTICE ~

The principal or quality of dealing fairly with others

~ FOR ALL ~

Which means, boys and girls, it's as much your country as it is mine!"

Skelton adds, "Since I was a small boy, two states have been added to our country, and two words have been added to the Pledge of Allegiance.... UNDER GOD. Wouldn't it be a pity if someone said that is a prayer and that it would be eliminated from our schools?"

**Skelton shared this story on his CBS show "The Red Skelton Hour" on January 14, 1969*

Retirement Plan Talk:

Fee disclosure is coming...

A recent bill passed by the House amends the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (ERISA) to increase the disclosures provided to administrators and participants of defined contribution plans. Service providers must provide a written statement to the plan administrator describing the services to be provided and the total annual revenue to be collected by the service provider in connection with the plan (disclosed in dollar amounts or as a formula) before entering into a contract with a plan administrator. (Service providers with contracts less than \$5,000 in the aggregate are exempt from these disclosure provisions.) As we say in Florida, let the "sunshine" in so everyone can see.....

Source: The American Jobs and Closing Tax Loopholes Act (H.R. 4213)

IRA Update:

A question that has come up more frequently is **what to do with a 401(k) when you leave a job**. Too often people just leave them with the old employer plan and they become what I call orphans. Another idea to keep the money growing and deferring any taxes is to roll over the funds into an IRA. A Rollover IRA can provide several important advantages.

- **The opportunity for continued tax deferred growth.** An IRA gives you the same tax-deferred advantage you benefited from with your employer's retirement plan.
- **More investment options.** A typical 401(k) has only a select number of investment options from which to choose, while an IRA may give you a much wider range of investment choices. When you have more choices, you may find it easier to create a comprehensive investment strategy to manage both your risk and returns.
- **Greater control.** An IRA generally has fewer limitations and rules than an employer sponsored retirement plan. In fact, with an IRA you may have more access to your money. For example, penalty-free withdrawals from IRA's are allowed for a qualified first-time home buyer (up to \$10,000), higher education, death, disability, and certain health insurance and medical bills.

The one mistake you want to avoid is cashing out the account. When cashing out your retirement account balance, you could lose one third to nearly one half of your savings to income taxes and possible penalties. Perhaps, more important, you lose the benefit of long-term, tax-deferred growth that both IRA's and employer plans can offer. If you, or someone you know has questions on an account still with a prior employer plan, gives us a call. We'll be happy to answer any questions.

Source: Ed Slott IRA Newsletter



Technical Corner:

Last newsletter we talked about "Active" versus "Passive" asset management and **the goal of the Active approach being to help defend against the changing levels of risk** in the markets. Well we sure have seen some change in the past few weeks. While we never enjoy the misfortune of others, aren't you glad we use an Active discipline as the markets have been thrashing around!

By way of reminder, the Active approach we follow is to evaluate and manage the market risk. Compare this to a weather report. If the weather report says thunderstorms are coming, we don't take the boat out. We secure it so it can ride out the storm.

Do the predicted thunderstorms always arrive? No, weather reports, as we all know, are not perfect. Are the tools we use to manage risk always perfect? Of course not. But we sleep better by paying attention and adjusting to the "stock market weather reports"

To me, it sure beats just buy-and-hold, which perhaps should be called; sit-and-take-it. With all the economic, political and even environmental uncertainties currently, **we believe it is better to keep an Active approach to investing.**

Based on current Relative Strength, we are generally more "defensive" but with the general prevailing themes including;

Growth stocks	over	Value Stocks
Small / Mid	over	Large
U.S. Stocks	over	International

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Sectors exhibiting Relative Strength:

Technology
Financials
Investment Grade Bonds
Precious Metals
Consumer Cyclical
Emerging Markets
Real Estate

In the news:

It's that time of year again for us in Florida – **HURRICANE SEASON!** ☹️

The forecast for this year is **LOTS OF STORMS** – lets hope NOT! But, just in case, here are a few reminders of some preparedness steps to help ensure continuity of your financial plans that hopefully you all have already complete;



- **Safeguard the important documents** – in a waterproof container or re-sealable plastic bag. This would include; medical records and prescriptions, insurance policies, Social Security card, passports, bank and investment account numbers, Wills, Trusts, beneficiary forms.
- Remember to **take them with you if you need to evacuate**. Depending on the storm and possible damage, you may need them before you return home.
- **Keep important contact information with you**. Phone numbers, email addresses for relatives, friends, and important services such as the bank, doctors, etc.
- **Have some cash**. Remember, if the power goes out, ATM's and credit cards will not be useable.
- **Make sure we have your contact info** – do we have your cell phone number and an email address?

Most all of our records and service functionality are backed-up out-of-state and accessible via the internet. So, if the unthinkable happens, we can still function from a temporary location. We also recently implemented a paperless online document storage system so we can keep important documents stored safely and remotely. But, let's just hope for another quite summer!

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ADVISORY GROUP

4755 East Bay Drive
Clearwater, FL 33764
727.437.6000