HWM ViewPoint

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Architects for Wealth **January 16, 2010**

Hello Goodbye 2009, The Year of...

If I had to characterize 2009 by a song, it would be the famous Beatles tune, ***Hello Goodbye.***

Recall the beginning…

You say yes, I say no
You say stop, I say go, go, go
Oh no

You say goodbye and I say hello, hello, hello

I don't know why you say goodbye, I say hello

The beginning of 2009, i.e., Q1, had many investors not merrily singing ***hello*** but nervously shouting **goodbye,** fleeing stocks to the perceived safe havens of cash. Per Fidelity, the historical average of cash as a percentage of the stock market capitalization, is 16%. As of March 2009, anxious investors drove that typical 16% level to 49%!

What is wrong with saying **adios** to long-term plans and logically-built portfolios in the midst of a severe downturn and giving in to emotions that result in stocks and bonds being sold and converted to cash?

What is wrong is that you inevitably find yourself on the sidelines when the upswing starts. Historically, bull markets are ushered in swiftly, with steep ascents. Yet this phenomenon can only be clearly seen and commented on, AFTER it occurs!

Recall this excerpt from our July 1, 2009 HWM ViewPoint newsletter, writing about the nervous investor and the ***Calm Down Effect;***

"*A very common line of reasoning that is stated during market downturns is the following; "I'm going to get out now and move my stocks to cash. I want to avoid further losses. When things "calm down" I will get back in."*

So while it may be easy to say **goodbye** and sell when all looks bleak, it is that much harder to muster the courage to utter **hello** and get back in, especially since the "way up" may be dotted with periods that seemingly look like disaster reemerging.

Yet, couldn't the "headlines" help provide us with needed direction?

Reach for your back-issue of ***Time Magazine***, March 9, 2009 edition. Panic gripped Wall Street that very day as the Dow Jones Industrial Average closed at 6,547.05, the lowest finish for the blue-chip index in 12 years, see ***Time's*** cover story for that day- "**Holding On for Dear Life".**

But who could know with clarity, rather, clairvoyance, that on that exact March 9th day, we had bottomed out and that the balance of 2009 would indeed turn be an about face to near once-in-a-lifetime recovery? **HELLO!**

Who knew how the Dow would track during 2009? (chart below) As it stands, the preferred utterance from cash hoarders who indeed had re-thought their long-term needs and goals, should have been to holler out, "**BONJOUR"** and get back in!

DATE	DOW CLOSE
12-31-08	8,776
3-9-09	6,547
3-31-09	7,608
6-30-09	8,447
9-30-09	9,712
12-31-09	10,428

(source: finance.yahoo.com)

Wouldn't it be nice *(a good Beach Boys tune…)* if Katie Couric had opened the ***CBS Evening News*** in early March with this lead; *"Stocks hit bottom, bull market begins, record gains forthcoming."*

While that headline would indeed have been nice, we should not allocate portfolios based on the prevailing mood. While 2009 was a great year for stocks, it was also, in case you forgot:

The Year of the Bailout ($700m Trouble Asset Relief Program)

The Year of the Ponzi Scheme (Bernard Madoff, Allen Stanford)

The Year of Major Bankruptcies (General Motors, Chrysler)

The Year of Health Care Reform (to be finalized in 2010?)

The Year of the Fallen Icon (Michael Jackson- deceased, Tiger Woods-disgraced)

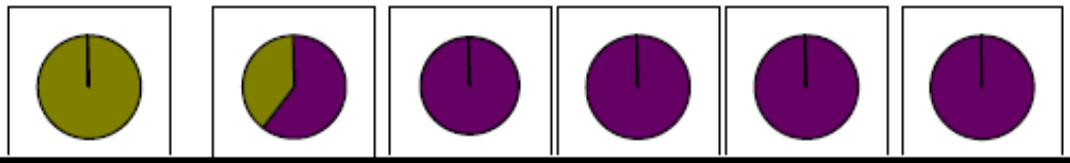
MOST FORTUNATELY, we are pleased that **99% of HWM clients did not say GOODBYE** to their well-constructed portfolios, ones built around long-term planning goals. Rather, they maintained the tenants that we continually preach;

- Patience– invest long- term
- Practice asset allocation
- Diversify globally
- Passive asset mgmt. as the core philosophy
- Active / tactical mgmt. as a satellite *(for portfolios 750K+)*
- Rebalance each year

Here's to hoping that 2010 will be remembered and referred to as **The Year of Ongoing Recovery!**

So for now, I bid you…**Hello!**

Major Indices - Performance as of 12-31-2008



Major Indices	Citi 1-5 Year Treasury Index	Lipper Balanced Index	S&P 500 Index	Russell 2000 Index	MSCI EAFE Index	MSCI Emerging Markets Index
	0% Equity	50-60% Equity	100% Equity	100% Equity	100% Equity	100% Equity
1-Year Return	8.75	-26.19	-37.00	-33.79	-43.06	-53.18
3-Year Return	6.85	-4.25	-8.36	-8.29	-6.92	-4.62
5-Year Return	4.61	-0.04	-2.19	-0.93	2.10	8.02
10-Year Return	5.17	1.45	-1.38	3.02	1.18	9.31

The above information is supplied from the Symmetry Portfolio: Fourth Quarter 2008 review. Statistical data courtesy of Dimensional Fund advisors.

What a difference a year makes! Performance to 12-31-2009

Major Indices	Citi 1-5 Year Treasury Index	Lipper Balanced Index	S&P 500 Index	Russell 2000 Index	MSCI EAFE Index	MSCI Emerging Markets Index
	0% Equity	50-60% Equity	100% Equity	100% Equity	100% Equity	100% Equity
1-Year Return	0.15	23.36	26.46	27.17	32.46	79.02
3-Year Return	5.58	-1.00	-5.63	-6.07	-5.57	5.42
5-Year Return	4.37	2.47	0.42	0.51	4.02	15.88
10-Year Return	4.98	2.71	-0.95	3.51	1.58	10.11

The above information is supplied from the Symmetry Portfolio: Fourth Quarter 2009 review. Statistical data courtesy of Dimensional Fund Advisors.

Questions Regarding Medicare, 2010

At Henry Wealth Management, LLC, we do not profess to be Medicare experts. We have however, formed referral relationships with firms that specialize in Healthcare, who can answer your questions. Here are some frequently-asked questions:

1. When can you enroll into a specific health plan?

Although the Annual Election Period has passed, there is still time to make changes. During **Open Enrollment Period** which runs from Jan. 1 through March 31, Medicare-covered persons have an opportunity to make another change to a "like" plan.

For example, if a beneficiary currently has a Medicare Advantage plan with medical and prescription drug coverage, they can change to another plan that has similar benefits.

2. Do I have to be age 65 to be eligible for Medicare Parts A and B?

No. A person could be under age 65 and still be eligible for Medicare Parts A and B, due to a disability.

3. What is the Medicare Part B premium for 2010?

The Medicare Part B premium for 2010 is $110.50 per month, which in most cases is automatically deducted from a recipient's Social Security check.

4. Do I need to have Medicare Parts A and B to be enrolled in a Medicare Advantage plan?

Yes, an enrollee must have both Medicare Parts A and B and continue to pay the Part B premium to be eligible for enrollment in any Medicare Advantage plan.

5. If I am covered by a Medicare Advantage plan, do I still retain Medicare?

Yes. A person never loses their Medicare A and B status; they just receive their Medicare benefits through the Medicare Advantage plan they chose.

6. When I become eligible for Medicare Parts A and B, when could I expect to receive my Medicare identification card?

A person that becomes eligible for Medicare Parts A and B should receive their Medicare card three months prior to their effective date with Medicare. If not, contact your local Social Security Office.

Those desiring more information are encouraged to contact our office, to enable us to make an introduction to a specialist firm.

What are Required Minimum Distributions?

Upon attaining age 70½, the IRS requires you to take withdraws from pre-tax retirement accounts, known as **Required Minimum Distributions,** or RMD's.

The RMD amount required is based on your age and balance in pre-tax retirement accounts as of December 31st of the preceding year. You can always take more than the minimum amount.

The IRS, sensitive to horrific stock market losses in 2008, suspended RMD's for tax year 2009. However, in 2010, those affected need be prepared to take distributions, based on 12-31-09 values.

Here is an example of **RMD Results,** calculated from a helpful tool located on our website. You may access this calculator as follows:

Go to **www.HenryWealth.com**
Click onto **Learning Center**
Click onto **Calculators**
See **Retirement & Inflation**
Click onto **Required Minimum Dist.**

Results

Your age as of last December 31	72
Your current account value as of last December 31?	$ 100,000
Your life expectancy factor	25.60
Your estimated required minimum distribution	$ 3,906

The field labeled ***"current account value"*** *($100,000 in the above example)* is the combined total of all pre-tax retirement account for those 70 1/2 and older. These accounts include:

- **Traditional IRA's**
- **Rollover IRA's**
- **SEP-IRA's**
- **SIMPLE IRA's**
- **401(k) and 403(b) plans**

If you maintain more than one retirement account, you may take pro-rata withdrawals from each account to meet the RMD, or you may take all that is required from one single account.

The IRS is not concerned WHERE you take your distribution from. They are however, intently concerned that you DO TAKE your RMD, in order to generate tax revenues.

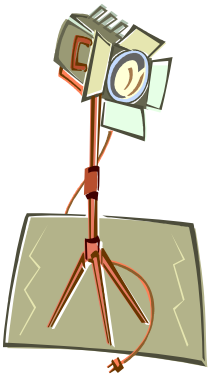
Are there exceptions?

Roth IRA's are an exception, since they are funded with post-tax dollars.

Also, if you continue to work beyond age 70½, and do not own more than 5% of the business that you work for, you may be able to defer distributions from your current employer-sponsored retirement plan until April 1 of the year after you retire.

Please consult your plan administrator as well as your tax advisor for more information about RMD's and any exceptions.

The above illustration is hypothetical and there is no guarantee that similar results can be achieved.



Spotlight On...

Daniel L. Henry, CLU

A competitive strength of Henry Wealth Management (HWM) is our sound insurance background.

With undergrad and MBA degrees in hand, I started my career in 1983 as a life insurance agent with State Mutual Life. Within 10 years, State Mutual morphed into Allmerica Financial, desiring to be viewed more than an insurance-only provider, but rather, a player in the full service financial services community.

In 2002, I departed the corporate culture to become an independent financial advisor. I realized that while the growth of HWM would be providing financial planning and asset management, the need for solid insurance strategies would always remain.

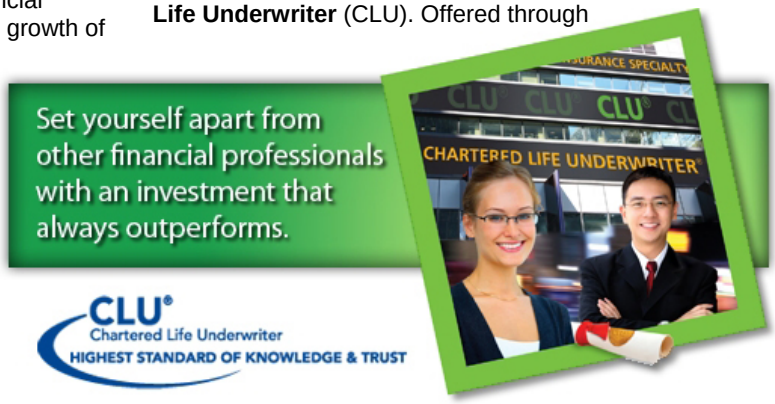
I successfully lured my brother Dan away from the retail world in 2003, where he owned and operated three sporting goods stores, to join HWM and head our insurance division.

We mutually decided in 2004, that in order to quickly become an expert on the insurance-side of the financial services world, it would be wise for him to pursue a prestigious designation, namely, the **Chartered Life Underwriter** (CLU). Offered through The American College, this intensive undertaking consists of many study hours and successfully passing a total of eight exams.

We agreed to a challenging five-year time frame for Dan to reach his goal.

I am very proud to announce that on December 23, 2009, right on schedule, Dan successfully completed the requirements as set forth by The American College and secured his CLU designation!

Please join me in congratulating Dan. Feel free to offer your wishes; **Dan@HenryWealth.com**



Welcome

HWM Announcement...

Donna Schiebel,
Director of Client Services

HWM is pleased to announce our new team member, Donna Schiebel.

Donna joined us in December, 2009 as the Director of Client Services. She brings 25 years of customer service experience, most recently, as the Client Service Manager for a Florida-based Financial Advisory firm. Her responsibilities will be to work personally with new and existing clients in all administrative and service areas.

Donna, a Pittsburgh native, enjoyed her three years in Florida, but was excited to move back "home". She and her husband of 33 years, reside in Mt Lebanon.

They also are the proud parents of a son who is a recent graduate of California University of PA.

Please join us in warmly welcoming Donna! She may be reached at 412-838-0200 or **Donna@HenryWealth.com.**

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Disclosures:

The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy.

The S&P 500 Index is an unmanaged group of securities considered to be representative of the stock market in general.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The MSCI EAFE® (Europe, Australia and Far East) Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada.

The MSCI EM (Emerging Markets) Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The Lipper Balanced Fund Index of mutual funds is unmanaged and includes the 30 largest funds whose primary objective is to conserve principal by maintaining at all times a balanced portfolio of both stocks and bonds. Typically the stock/bond ratio ranges around 60%/40%.

The Citigroup USBIG Treasury Index 1-5 Year measures total returns for the current on-the-run Treasuries that have been in existence for the entire month and is used as a proxy for high quality and short duration bond holdings.

Past performance is no guarantee of future results. Investors cannot invest directly in an index.

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The opinions expressed in this commentary are those of the author and may not necessarily reflect those held by NFP Securities, Inc. This is for general information only and is not intended to provide specific investment advice or recommendation.

Asset allocation and/or diversification do not protect against loss of principal. Rebalancing assets can have tax consequences. If you sell assets in a taxable account you may have to pay tax on any gain resulting from the sale. Please consult your tax advisor.

Best Regards,

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