

HWM ViewPoint



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2010 Predictions, Reality and Resolve



Pick up a newspaper on any Jan. 1 and you'll read a host of predictions. Throughout the year, most are forgotten, eclipsed by fresh unfolding dramas. New headlines emerge that describe current events, often sensationalizing negative ones and pointing to dire consequences in the future (*i.e., more predictions*). What results is fear.

Fear, being a powerful motivator, can have the ability to shake the resolve of any long-term investor. It can lead to rationalization much like this; *"I will sell off my portfolio and move to the "safe-haven" of cash. I will earn 1% or so per year but will at least avoid future losses."*



Was there any reason to be afraid in 2010?

Didn't the various stock and bond markets produce on average, *above average* returns? Per the page 2 chart yes they did! Yet intra-year headlines may have caused many to "jump ship".

To review, 2010 was predicted by many to be the year that the recession would return (called a Double Dip). We were also supposed to be chocked by new taxes, continued high unemployment and the return of inflation. These scenarios did not play out, yet other "bad" news grabbed headlines:



2010- the (bad) year of:

The Flash Crash: on May 6th, the Dow dropped 900 points in one minute

Foreclosures: Previous bad loans now resulted in a record number of home losers

Fines: Goldman Sachs forked over \$550m to the SEC

QE2: The Fed's Quantitative Easing, in Nov. Will it work?

PIIGS: The economic woes of Portugal, Ireland, Italy, Greece, Spain

Leaks: BP's Oil Well and WikiLeaks

Recalls: Toyota's bad pedals and "bad eggs" from various distributors.

Yet not all news in 2010 was bad. Good news worked its way into the headlines...



2010- the (good) year of:

Financial Reform: Dodd-Frank Consumer Protection Bill

TARP Paybacks: all but \$30b*

Mid-Term Elections: elation for many conservatives

New Orleans: First Super Bowl title for a recovering, post-Katrina region







Facebook and iPad: What did we ever do with these new technologies?

For clients of HWM, 2010 was another year to AVOID THE NOISE!

The resolution for 2011 is to not subscribe to the 'Fear Journal' and act on the Bad and Ugly.

Make changes to your investment portfolio when warranted by a change in your goals. Bad and ugly headlines will surely return. Resolve to stay the course.

Index Performance as of December 31, 2010

Major Market Indices						
	Citigroup 1-5 Year Treasury Index	Lipper Balanced Fund 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
4th Quarter 2010 Return	-0.64	6.03	10.76	16.25	6.65	7.36
1-Year Return	3.64	11.90	15.06	26.86	8.21	19.20
3-Year Return	4.12	0.63	-2.85	2.22	-6.55	-0.03
3-Year Standard Deviation	2.73	15.28	22.16	28.08	26.65	33.05
5-Year Return	4.83	3.91	2.29	4.47	2.94	13.11
5-Year Standard Deviation	2.41	12.24	17.82	23.11	21.58	28.13
10-Year Return	4.46	3.71	1.41	6.33	3.94	16.23
10-Year Standard Deviation	2.47	10.56	16.38	21.14	18.65	24.77
Since Jan. 1999 Return	4.61	4.03	1.99	6.68	4.06	14.72
Since Jan. 1999 Standard Dev.	2.37	10.25	16.19	21.50	17.92	24.52

Past performance is no guarantee of future results. Investors cannot invest directly in an index. Indexes have no fees. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the occurrence of which would have the effect of decreasing historical performance results. Actual performance for client accounts may differ from index portfolio performance.

S&P 500 Index is a market cap weighted index, composed of 500 widely held common stocks.

Citigroup USBIG Treasury Index 1-5 Yr 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.

Lipper Balanced Fund Index is a more suitable benchmark as Index's composition has greater diversification, which is more consistent with the Symmetry's model portfolio.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

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.

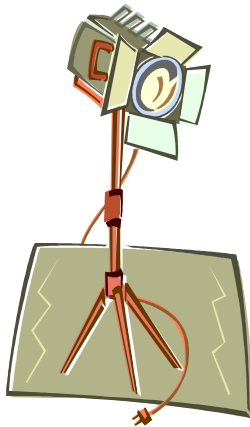
MSCI EAFE Index is composed of companies representative of the market structure of 20 developed market countries in Europe, Australia and Far East.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging market and consists of 25 emerging market country indexes.

Standard Deviation is a measure of the risk of an investment that measures the dispersion of returns around the average return. The higher the standard deviation, the more volatile, or "risky" the investment has been based on historical returns.

Sharpe Ratio is a risk-adjusted performance measure, which uses standard deviation to define risk. It is the ratio of manager in question's annualized excess return in excess of the cash equivalent (US T-Bill) to the manager's annualized standard deviation.

Source: Symmetry Partners



Guest Columnist

Guest Columnist



The following is a Guest Column submitted by David G. Bluemling. Dave is a CPA and Partner with Malin Bergquist and a friend of Henry Wealth Management. Founded more than 40 years ago, Malin Bergquist is one of the largest certified public accounting and business advisory firms in Western Pennsylvania with offices in Pittsburgh, Erie and Greensburg. The firm is recognized as a "Pittsburgh Top 20" CPA firm by the Pittsburgh Business Times. If you wish to learn more, contact Dave at (412) 364-9395 or d Bluemling@malinbergquist.com.

Understanding the 2010 Tax Act

The recently enacted "**Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010**" is a sweeping tax package that includes, among many other items, an extension of the Bush-era tax cuts for two years, estate tax relief, a two-year "patch" of the alternative minimum tax (AMT), a two-percentage-point cut in employee-paid payroll taxes and in self-employment tax for 2011 and a host of retroactively resuscitated and extended tax breaks for individuals and businesses. Here's a look at the key elements of the package:

Tax Rates: The current income tax rates will be retained for two years (2011 and 2012), with a top rate of 35% on ordinary income and 15% on qualified dividends and long-term capital gains.

Estate Taxes: After a one-year hiatus, the estate tax will be reinstated for 2011 and 2012, with a top rate of 35%. The exemption amount will be \$5 million per individual in 2011 and will be indexed to inflation in following years. Estates of people who died in 2010 can choose to follow either 2010's or 2011's rules.

AMT: A two-year AMT "patch" for 2010 and 2011 will keep the AMT exemption near current levels and allow personal credits to offset AMT. Without the patch, an estimated 21 million additional taxpayers would have owed AMT for 2010.

Payroll Taxes: Employees and self-employed workers will receive a reduction of two percentage points in Social Security payroll tax in 2011, bringing the rate down from 6.2% to 4.2% for employees, and from 12.4% to 10.4% for the self-employed.

Gifting: Estate and gift tax exemptions will be reunified starting in 2011, which means that the \$5 million estate tax exemption will also be available for gifts. The gift tax rate, starting in 2011, will be 35%. The exemption from the generation-skipping tax (GST) – the additional tax on gifts and bequests to grandchildren when their parents are still alive – will also rise to \$5 million from the \$1 million it would have been without the new law. The GST tax rate for transfers made in 2011 and 2012 will be 35%. From a planning standpoint, a nice feature of the new law is that it makes it easier to transfer the \$5 million exemption to a surviving spouse, so married couples can shield \$10 million of their assets from taxes. In the language of tax professionals, the estate tax exemption will be "portable."

Please feel free to contact us with questions or comments.



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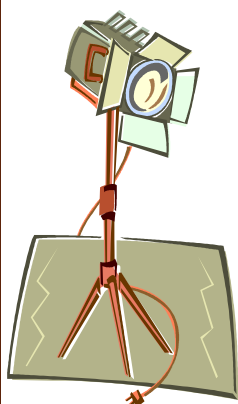
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Architects for Wealth



Spotlight On...

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Tracey Casillo
Client Service Director

We wish to formally announce an excellent addition to the Henry Wealth Management. **Tracey Casillo** recently joined us in November, 2010 as our **Client Service Director**, having been referred by a close friend/client.

Tracey completed her Bachelors of Arts degree in criminal justice at Michigan State University. She also earned an Associates Degree in paralegal studies at Lansing Community College.

With 13 years of professional experience, having previously worked in the health care industry in Detroit, Tracey relocated to Pittsburgh several years ago and was ready to re-enter the workforce. She certainly brings to our firm the needed qualifications as well as a sincere interest to ensure that clients' needs are met with confidence and efficiency. Many clients have already dealt with Tracey over the past two months and we have been pleased by your favorable comments and compliments.

Tracey resides in the South Hills area with her two sons, Jonathan and James. Her interests include physical fitness, reading and watching sporting events. For any administrative and service needs, feel free to contact Tracey directly at 412.838.0200 or Service@HenryWealth.com.

Disclosures:

* http://en.wikipedia.org/wiki/Troubled_Asset_Relief_Program

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