



## MARKET UPDATE NEWSLETTER

### Tug of War: Global Unrest vs. Economic Recovery

The major global events of 2011, the latest being the MENA turmoil (Middle East/North Africa) and Japan's triple disaster, have finally caught up with the US stock market. The tug-of-war between global unrest and a domestic economic recovery caused the markets to swing up and down much more than they had so far this year. After reversing course a few times, the S&P500 basically broke even with a gain of 0.04% for the month of March and remains up 5.9% for the year. [S&P500 trailing 12 month return is 15.6%] The impressive mid-month turnaround left many wondering if there is more gas (increasingly expensive gas, however) left in the bull market that started in March two years ago.

Domestically, the US received disappointing housing numbers and talk of a "double dip" in housing began to surface. However, the jobs report was better than expected and the "official" unemployment rate dipped below 9% to the lowest level in two years. Economic growth (GDP) was reported at 2.9% for 2010, also better than expected.

The Federal Reserve said that it anticipates continuing "Quantitative Easing II" through the end of June as scheduled, but said they will keep an eye on inflation. We have touched on the Inflation vs. Deflation debate a bit in the past. Economists and market strategists alike are split on their conclusions regarding the potential outcome – a dangerous excessive inflationary environment or a potentially more dangerous deflationary environment.



### Investment Outlook Summary

Asset Class	Outlook	Commentary
<b>Cash / Stable Value</b>	<ul style="list-style-type: none"> <li>– In general, higher than normal levels of cash</li> </ul>	Higher levels of cash have proved helpful in 2010 reducing portfolio volatility and providing funds when opportunities have presented themselves.
<b>Bonds / Fixed Income</b>	<ul style="list-style-type: none"> <li>– In general, shifting from slight overweight to slight underweight exposure of bonds</li> <li>– Cautious of Treasuries for the long-run</li> <li>– Positive on Treasury Inflation-Protected Securities (TIPS)</li> <li>– Slightly positive on floating rate bonds</li> <li>– Positive on emerging market bonds</li> </ul>	<p>Many bond mutual funds have enjoyed great gains, along with record inflows from investors during this latest "flight to safety." It may be time to look for fixed income investments outside of the traditional mutual fund.</p> <p>Primarily used for safety, but with yields at historic lows and the risks of future inflation present, treasury owners may not be paid adequately for the potential risk.</p> <p>Essentially, these are treasury notes with an interest rate tied to inflation. Used for safety, but the future interest paid will increase with inflation.</p> <p>A rising interest rate environment is positive for floating rate investments. While rates are currently not rising, some value is present.</p> <p>As this asset class develops and matures, there will be great potential for investors over the coming years. We will be looking to add these over time.</p>
<b>Stocks / Equities</b>	<ul style="list-style-type: none"> <li>– In general, shifting from underweight to normal levels of exposure of stocks</li> <li>– Neutral on preferred stocks</li> <li>– Positive on dividend paying stocks</li> <li>– Utilizing covered call strategies to hedge</li> <li>– Selective of international stocks</li> <li>– Positive on China, Brazil, Canada and Australia</li> <li>– Avoid much of Europe, the U.K., and Japan</li> </ul>	<p>Pullbacks should be seen as an opportunity to start increasing stock exposure to more normal levels.</p> <p>Preferred share class stocks have performed well and seem to more than fairly valued.</p> <p>Many of the traditional dividend paying companies are more attractively valued than the general stock market.</p> <p>Covered call options strategies can provide extra income to your portfolio while you own stocks.</p> <p>International diversification is still very important to your portfolio, however individual country selection will likely play an increasing role in international stock performance.</p> <p>Global markets have been performing poorly just as the markets here in the US have. The long term opportunities remain.</p> <p>The economists and market strategists we follow have warned about Europe for well over a year. Current solutions appear to be a band-aid to a much larger problem inherent in a shared currency. <i>The story hasn't changed.</i></p>
<b>Alternate Assets</b>	<ul style="list-style-type: none"> <li>– Positive on Gold and Silver</li> <li>– Negative on the Euro</li> <li>– Positive on energy trusts</li> </ul>	<p>Primarily used as an inflation hedge, but also a currency hedge. The risks of global currency dilution are present. <i>Silver is close to setting a new all time high.</i></p> <p>European sovereign risks are now front and center again with the Irish bank bailout.</p> <p>Many energy trusts provide a good dividend source with the potential for capital gains. Looking more attractive.</p>

*Italics denote a change from last month*

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## Financial Planning: Helping You See the Big Picture

Do you picture yourself owning a new home, starting a business, or retiring comfortably? These are a few of the financial goals that may be important to you, and each comes with a price tag attached.

That's where financial planning comes in. Financial planning is a process that can help you reach your goals by evaluating your whole financial picture, then outlining strategies that are tailored to your individual needs and available resources.

### Why is financial planning important?

A comprehensive financial plan serves as a framework for organizing the pieces of your financial picture. With a financial plan in place, you'll be better able to focus on your goals and understand what it will take to reach them.



One of the main benefits of having a financial plan is that it can help you balance competing financial priorities. A financial plan will clearly show you how your financial goals are related—for example, how saving for your children's college education might impact your ability to save for retirement. Then you can use the information you've gleaned to decide how to prioritize your goals, implement specific strategies, and choose suitable products or services. Best of all, you'll have the peace of mind that comes from knowing that your financial life is on track.

### The financial planning process

Creating and implementing a comprehensive financial plan generally involves working with financial professionals to:

- Develop a clear picture of your current financial situation by reviewing your income, assets, and liabilities, and evaluating your insurance coverage, your investment portfolio, your tax exposure, and your estate plan
- Establish and prioritize financial goals and time frames for achieving these goals
- Implement strategies that address your current financial weaknesses and build on your financial strengths
- Choose specific products and services that are tailored to meet your financial objectives
- Monitor your plan, making adjustments as your goals, time frames, or circumstances change

### Why can't I do it myself?

You can, if you have enough time and knowledge, but developing a comprehensive financial plan may require expertise in several areas. A financial professional can give you objective information and help you weigh

your alternatives, saving you time and ensuring that all angles of your financial picture are covered.

### Staying on track

The financial planning process doesn't end once your initial plan has been created. Your plan should generally be reviewed at least once a year to make sure that it's up-to-date. It's also possible that you'll need to modify your plan due to changes in your personal circumstances or the economy. Here are some of the events that might trigger a review of your financial plan:

- Your goals or time horizons change
- You experience a life-changing event such as marriage, the birth of a child, health problems, or a job loss
- You have a specific or immediate financial planning need (e.g., drafting a will, managing a distribution from a retirement account, paying long-term care expenses)
- Your income or expenses substantially increase or decrease
- Your portfolio hasn't performed as expected
- You're affected by changes to the economy or tax laws

### Common questions about financial planning

#### What if I'm too busy?

Don't wait until you're in the midst of a financial crisis before beginning the planning process. The sooner you start, the more options you may have.

#### Is the financial planning process complicated?

Each financial plan is tailored to the needs of the individual, so how complicated the process will be depends on your individual circumstances. But no matter what type of help you need, a financial professional will work hard to make the process as easy as possible, and will gladly answer all of your questions.

#### What if my spouse and I disagree?

A financial professional is trained to listen to your concerns, identify any underlying issues, and help you find common ground.

#### Can I still control my own finances?

Financial planning professionals make recommendations, not decisions. You retain control over your finances. Recommendations will be based on your needs, values, goals, and time frames. You decide which recommendations to follow, then work with a financial professional to implement them.

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### SDW's TAKE

It seems the more important a financial decision is, the less frequently it happens. In your lifetime, you'll buy thousands of cups of coffee, several cars, a few houses, and, if done right, retire once. As with every new experience, there will always first-time buyer mistakes. But with retirement, mistakes become:

- delayed retirement
- going back to work
- a reduced lifestyle

These mistakes don't just happen at age 60, they happen throughout your life, and many times go unnoticed until it is too late.

At SDW, every year we help more and more clients prepare for and successfully retire. Imagine how easy your first house closing would have been with the knowledge you have now. Retiring with the help of SDW would be akin to closing on your 50th house.

We help you provide yourself income for the rest of your life.

Call us today if you'd like help closing on your retirement.

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