



# The Life Financial Group, Inc.

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*Wealth Management from a Biblical World View since 1978*

[www.TheLIFEGroup.org](http://www.TheLIFEGroup.org)

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## 2010 Second Quarter Review



The dollar continued to strengthen and gold prices held firm as the Euro continued to deteriorate due to fears over sovereign debt during the second quarter. Global concerns over slowing economic growth and fears of a double dip recession caused the largest losses in the major averages since the first quarter of 2009. The market and general mood of our country has become increasingly political and pessimistic. The president

and party in power have failed to create jobs and blaming the previous administration has grown old for the staunchest supporters of the administration. The continuation of the disastrous oil spill in the Gulf continues to feed the pessimistic attitude of most Americans. Treasury bond yields have dropped again and interest rates are at historic lows. Oil prices per barrel and gas at the pump have noticeably dropped during the second quarter.

The first quarter gains were wiped out by second quarter losses for the major U.S. averages. The Dow dropped 10%, the S&P 500 11.9% and the NASDAQ led the major indexes down with a 12% slide. [1] The Dow Industrial average dropped back below the 10,000 mark for a time.

### **What is our take on the Market?**

We feel that the stock market is in a tenuous position and we remain on high alert waiting for further indication of the market's longer-term direction. We are optimistic because there has been marked improvement in several important levels. At the same time, we are well aware that reckless spending, high unemployment, lower corporate earnings, and negative consumer sentiment could cause another dip in the global markets.

### **What is next?**

- 1) **Real Estate Stabilization**: The housing market has improved, but high default rates and foreclosures continue to pressure prices. New home starts and construction activity have driven the last four economic recoveries and this area remains at historically low levels. If you have an existing mortgage, this may be a great time to refinance.
- 2) **Unemployment remains at high levels**: We saw little improvement of unemployment in the second quarter. As we stated last quarter, we don't expect a dramatic shift in either direction for the remainder of this year.
- 3) **Change in November**: The general election in November will have an impact on markets around the world. All House members and many Senators are up for re-election and

there is a “throw the bums out” movement in our country. We expect to see an uptick in the market leading up to the election as people anticipate a change in the balance of power in Washington.

### **What should you do?**

This question depends upon your situation.

- For those of you who use our Managed Portfolios through FTJ, we recommend that you sit tight. We have made some changes to the accounts already to potentially minimize losses.
- For the rest of our clients, we recommend that you contact your advisor if you will soon be retiring, sending a child to college, or expect to make a large withdraw shortly (for things like car replacement). Otherwise, we do not advise our clients to move to cash yet.
- For clients with longer time frames, we recommend that you take advantage of market drops to invest while prices are low. These sale prices will not last forever.

### **Things to consider**

Below are several options that have been working for our clients. We recommend that you speak with your advisor to see if one of these or any other options would help to meet your long term needs.

- Managed Portfolio – For clients with an account size of \$100,000 or more, we offer an actively managed portfolio of mutual funds that is updated in light of current market conditions.
- Variable Annuity – We generally don’t like annuities but sometimes they make sense. Please call us to see if they would make sense for you.
- Real Estate – For some clients, we have been recommending several Real Estate Investment Trusts. We feel that these REIT’s have the potential to offer an excellent opportunity and they are currently paying a healthy dividend.
- Bonds – Generally less volatile than stocks, bonds or bond funds may be an appropriate investment for clients who are looking for the potential of additional safety.

Be cautious of taking in too much “noise” from the radio, television and salesman. Fear sells and we often gravitate to sensationalism. People were selling Gold and other hard assets back when President Carter was in office and we had double digit inflation. When the prices of Gold and Silver collapsed it took more than 20 years to make up the losses. While many of our clients presently own Gold or shares in gold mining operations we are cautious about adding more at the current high prices. We may be reducing our exposure to Gold as Geo-Political conditions improve.

### **Important Reminders-**

- **Schedule your annual review:** We would love to meet with you in person, but if that is not practical, as it is with many of our clients, we need to do a phone review.
- **Send us copies of your work retirement plans:** Adjustments may be necessary within your employer sponsored retirement plans.

- **Send us a copy of your Social Security projections**, if you are not retired.
- **TAXES:** Please remember to send us a copy of the first three pages of your 2009 tax return if we are not already preparing your return. Remember that we prepare taxes for hundreds of our clients each year. We recently added a CPA to our Tax Department.
- **Your Will and Power-of-Attorney:** Are they up to date and in order? Call us! We have an attorney on staff that can update these documents for you.
- **Spread the word:** As the opportunity allows, please continue to tell your family and friends about how we have assisted you and how our service could benefit them.

Sincerely yours –

Roy L. Russell and Doug Floro, Certified Financial Planners,  
and Advisory Staff

P.S. You can always access your investment portfolio securely from your home or work computer anytime day or night. Go to [www.MainAccount.com/gwm](http://www.MainAccount.com/gwm) and register for free access. Call us for your temporary password and we will help you with the registration process.

NOTES

[\[1\]](#) (Source Yahoo Finance June 30, 2010) Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.