



The Life Financial Group, Inc.

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Wealth Management from a Biblical World View since 1978

www.TheLIFEGroup.org

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2010 Third Quarter Review



The third quarter 2010 was a wild ride for many investors, starting with a rally in July, a horrible dip in August, and a spectacular ending in September. Ultimately this quarter wound up being the best quarter on Wall Street in a year, with the S&P 500 climbing 10.72%[1].

Interestingly, the NBER (National Bureau of Economic Research) announced that the Great Recession was officially over. According to them, it actually ended in June 2009. While some economists say that it's over, for many people the recession feels very much alive and well. We are still struggling with high unemployment (9.5%[2]) and a sluggish housing market. Still many investors have not seen their accounts recapture their pre-2008 market crash levels.

Our Take On The Market

We remain cautiously optimistic about the market. We are clearly not out of the woods yet and we don't expect the declaration of the end of the recession to have a significant impact on the markets.

The markets are currently responding positively to expectations that the Federal Reserve may provide more support to the market if conditions warrant. Another important factor is that the November elections are right around the corner. We remain vigilant and ready to reduce risk if needed.

Things We Are Watching

- November Elections: We are optimistic that the elections may provide a better environment for our economy to recover and grow. That being said, we are concerned that political gridlock and posturing may hamper the changes that we feel need to take place. **Please be sure to vote on November 2nd.**
- Inflation or Deflation: Understandably, many clients have been very concerned that inflation (an increase in the cost of living) may become out of control after the government's high spending. What many people may not be aware of is the fact that deflation (a period of falling prices and potentially lower company profits) may be an equal or greater threat. We will continue to monitor this situation.
- Housing and Unemployment: As long as these two major issues remain at the current high levels, we should not expect significant improvement in the US economy.

Things You Should Be Doing Right Now

- Focus on Priorities: Remember to **Give** to your church, **Save** for your family and future, **Spend** on necessities, **Offerings** (gifts to those less fortunate than yourself), and then enjoy the Luxuries of life. The order of these items is critically important, as it is important to prioritize your spending.
- Increase your Liquid Savings: Cash reserves are an essential tool needed to help keep you out of debt. We recommend building 3 to 6 months of living expenses in an emergency fund account.
- Reduce Debt: It seems that among other factors, too much debt was a key component of our current economic problems. We urge all of our clients to strive to become debt free, in order to potentially improve their personal economic picture.
- Fund or Convert to a Roth IRA: See this quarter's newsletter article on this topic for more details. <http://www.thelifegroup.org/section15.cfm>

As advisors, we exercise due diligence on the money managers and investments we choose. The advisors here at The Life Financial Group work in a strong risk-averse culture. We focus on wealth preservation and tax management first while building your portfolios to stay ahead of inflation.

Important Reminders-

- Schedule your annual review: We would love to meet with you in person, but if that is not practical, as is the case 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 an experienced CPA to our Tax Department.
- 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, Tim Russell, Jeremy Ehst and Mark Magruder

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 and register for free access. Call us for your temporary password and we will help you with the registration process.

[1] cnbc.com/id/39444625/

[2] <http://voices.washingtonpost.com/politics/blog-network/2010/10/facts-are-facts.html>