Summer Letter 2011

Dear Client/Friend,

I do hope you're feeling well and having fun…two commodities of precious consideration, beyond markets, the economy, etc. These unsettling times can wreak havoc on ones emotions, with the Fear Monster beating out even the Greedy one for now. Todd's investment thoughts are enclosed, bringing some sensibility into focus.

We're again proud to tell you about my recognition by Barron's as one of the Top 100 Women in finance for the 6th year in a row. Of course you know that honor doesn't belong to just me. My extraordinary partner Todd and the incredible team that is Meg Green & Associates are the ones who make it happen. Like me, none of the Top 100 Women come to the table alone.

Neither do you and we recognize that. Families are complicated "beings", as are business relationships, friends and associates. As we all travel down a path filled with flowers and potholes, maintenance becomes paramount. Has that grandson or sister grown up to be able to take over some of your estate planning duties when necessary? Are there beneficiaries you'd like to add…or subtract; assets that have changed value, or new ventures to consider?

This year and next are really important years to do some sophisticated estate planning to take advantage of the tax free ability to gift. None of us relish our estate owing a heap of taxes because the ramifications weren't considered. If the tax laws revert in 2013, as they're supposed to, your estate will be taxed by 55% of what you leave over $1 million, as opposed to 35% over $5 million today; double the amounts for a married couple. For many, there are additional taxes, based on the state of residency, not making this process any easier. It's extremely important for you to consult with your estate attorney for the best way to plan. We're happy to get the ball rolling with thoughts and ideas. As always, we urge our clients to call on us, since we know you well and can be quite helpful.

We're proud to announce that Sean O'Halloran, a Senior Wealth Manager who many of you know and work with here at our firm, has completed the rigorous qualifications to become an Accredited Wealth Management Advisor. Sean has been an integral part of Meg Green & Associates for over 6 years, and not only are we proud of what he's accomplished, but we're grateful for all he brings to our table. Congrats, Sean! Look for his and all of our updated bios on our newly refurbished website, coming this fall.

Our job is to consider worst case scenarios in order to be prepared for the come what may. I'm happy to tell you that our technology team has successfully placed us in the clouds, giving personal as well as disaster security for all of our data. Our backups have backups, so should there be any devastating acts of nature or otherwise that could compromise us, we're prepared as best as one can be. Keeping our data safe is another sleep at night component of what we do.

Of course, the big news this summer, besides Mother Nature and her wrath, is the markets and the economy. Todd puts it so well into perspective. Enjoy his view. We look forward to seeing you and being in touch. Remember we're here whenever you need us.

Warmest regards,

Meg Green, CFP®
Chief Executive Officer

Todd's Investment Thoughts

August was certainly an unpleasant test of risk tolerance for most investors. With the media reporting virtually around the clock on debt-ceiling politics, the US government debt downgrade, Euro-zone concerns, and double-dip recession fears, global markets seesawed wildly over several weeks of extreme volatility. Indeed, the current problems with the global economy are cause for concern, but they are not a cause for panic. To help you keep a more balanced perspective on these world events and what it may mean for your portfolio consider the following:

- **Beware of Inflation** – parking assets in money markets, CD's, and short-term treasuries may help you sleep at night, but remember to check the meter! With the Federal Reserve's recent announcement to keep interest rates near 0% until the middle of 2013, any flare up of inflation could spell trouble for investors whose primary investment vehicle is one that yields close to 0%.
- **Corporate and Tax-free Municipal Bonds** – US corporations have significantly improved their cash reserves over the past few years and are in much better position to meet their debt obligations. Municipalities have made some good progress in shoring up their finances as well. Hence, we feel a professionally managed portfolio of these bonds should provide stability and safety to portfolios if economic and/or political headwinds prevail.
- **Stocks** – economic harmony is not a prerequisite for stock market performance. In fact, US stocks look attractive based on several valuation metrics. For example, the S&P 500 now yields 2.24% which is higher than most Treasury securities. Also, the majority of the S&P 500 companies have announced second quarter results with average sales up 15% on earnings that are up 22%. A bullish sign for stocks. (David Kelly, JP Morgan).
- **Emerging Markets** – for those with the stomach for it, buying on market dips can payoff. If you are in that camp, consider the merits of emerging markets as you add on. These countries tend to have better economic growth and stronger fiscal health relative to the US and other developed countries. Also, their wealth of natural resources serve as a nice way to gain commodity exposure for an added inflation hedge (*OppenheimerFunds*, 4/16/2011).
- **Time and Patience** – we are in a slow growth economy which economists refer to as a SLOG. While not very common, it has happened before (6 times) following a globally synchronized financial crisis. Studies show that this kind of economic expansion cycle is much slower and longer than normal ones as the world muddles along looking for traction (International Monetary Fund, 2009). This means investors need extra patience to give the world time to heal.

During these market maelstroms, feeling fearful and panicky is normal. However, our experience which involves several decades of market booms and busts is that attempts by investors or their advisors (us!) to try and "outthink" or "outguess" unpredictable market behavior by making drastic moves over a short period of time is usually futile and typically damaging to investment returns. Keep in mind that client portfolios are carefully constructed and customized based on each client's individual needs and circumstances. And, as mentioned in our *Market Update* email on August 8th (if you didn't get it, please send your updated email address to gigi@meggreen.com), we anticipated that more volatile times are here to stay for a while and recommend several different strategies and tactics that will act as ballast and in some cases opportunistically, during these tumultuous periods (rowing strategies). If you are unsure about your current allocation to these strategies or on anything in your portfolio, please call us. We are here for you, as always, to keep things in perspective and help navigate these waters in both prosperous and difficult times.

Todd

Todd Battaglia
President

Disclosures:

Investing involves risks including the potential loss of principal. No investment strategy or product can guarantee a profit or protect against loss in periods of declining values. Foreign investments involve special risks including greater economic, political, and currency fluctuation risks, which may be even greater in emerging markets. Bond values will decline as interest rates rise. Depending upon the municipal bond offered, alternative minimum tax and state/local taxes could apply. Municipal bonds may not be suitable for all investors.

The rankings are based on qualitative criteria: professionals with a minimum of seven years financial service experience, acceptable compliance records, client retention reports and customer satisfaction reports. Advisors are quantitatively ranked based on varying types of revenues and asset advised by the financial professional, with weightings associated for each. Additional qualitative measures include: in depth interviews and discussions with senior management, peers and customers. Because individual client portfolio performance varies and it typically unedited, this ranking focused on customer satisfaction and quality of advise. Please see www.WCorg.com for more information.

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