



TAKING CARE OF YOU

ISSUE#: *One Hundred-Sixty-Six*

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INSIDE THIS ISSUE: *NOTE SPECIAL ANNOUNCEMENTS!*

- | | | |
|--------------------------------------------|---|-----------------------------------------------|
| 1. <i>Markets Section</i> | = | <i>Current Market Environment</i> |
| 2. <i>Active Investment Management</i> | = | <i>“Fine Tuning” Strategies</i> |
| 3. <i>Current Best Funds</i> | = | <i>Issue# 166 Fund Changes/Why</i> |
| 4. <i>Comprehensive Financial Planning</i> | = | <i>Business and Asset Protection Planning</i> |

SPECIAL ANNOUNCEMENTS!

- **Check out R.O.I.’s I-15 billboard add, heading south, just south of the 1200 North, Lehi exit;**
- **Check out R.O.I.’s updated website at www.ROIonWEB.com, and our “Personal Seminar” (audio & power point presentation) for friends, neighbors & relatives.**

1. MARKETS

Current Market Environment

As of today’s writing (05/13/10), the market has continued to show signs of moving upward despite the legitimate concerns with Greece and Europe in general. There are several reasons for this and many of these reasons could provide further growth through the end of the year. However, there are still reasons to be wary of this rally and a future recovery. Both of these issues will be discussed below.

First the positive. While the emerging market countries (e.g., Asia & Brazil) are striving to restrain growth, **the U.S. is looking to move up to the next level of growth.** The April activity numbers have generally been strong and better than expected. In market terms, we think the U.S. market is the place to be for the next three months or so. After that, it all depends on the tightening results in the emerging markets. **Ultimately, we feel that emerging-markets stock markets will once again outperform other markets.**

Also, many economists are raising their GDP forecasts for the 2010 year. **Consumer spending is revving up, rising 3.6% in the first quarter, more than twice the 1.6% hike recorded in the last quarter of 2009.** That suggests the nascent recovery is sustainable. Consumer spending accounts for 70% of GDP. Business spending is also strong, and modest improvements in housing markets will help keep the economy growing. Overall, GDP grew at a respectable 3.2% annual rate in this year’s first quarter. **Bottom line: The economy is chugging along in a solid but modest recovery.**

Another reason we feel the uptrend could continue is due to **momentum.** The market rally experienced since the March 2009 low has been unprecedented. The market has picked up more ground in the past 13 months than in any similar time frame since 1933. Even the monster surge in 1982-83 that kicked off the greatest bull market of our lifetimes only boosted the S&P 68% in 14 months. Given the power we’ve seen to date, **it is very possible this uptrend may continue through the end of the year and into the first part of 2011.**

Now for the down-side. **Many emerging market countries such as China, India, Brazil and South Korea are removing stimulus.** China was the first country to institute some restraint. China used, and is using, a policy that combines monetary and regulatory steps. In the monetary area, China is working to restrict lending mainly to the booming real estate sector. Our first reaction to the Chinese moves was to consider them a “tap of

“TAKING CARE OF YOU”, Page 2

the brakes”. In a broad sense, we still hold that opinion. Our position has been that China only wants to slow the economy to a still rapid (8%) from overly rapid (10%-11%) growth. The braking process has been going on for some months, and it is not clear how long it will take before the authorities are satisfied. Three months? Six months? Just this week, the Chinese took further steps, aimed at the real estate sector.

Another serious concern is what we see happening in Europe. Greece needs to be bailed out by the IMF Fund, in order to allow Greece time for their belt-tightening to show results. **This crisis makes investors nervous about all countries with high debt loads.** The United Kingdom and Japan, for example, can expect their interest rates to rise. **The U.S will have some breathing room, at least in the near term. With so much downward pressure on the euro, investors will flock to U.S. Treasuries as the only safe haven, much as they did at the height of the global credit crisis.**

Changing Attitudes About Retirement

Another issue we would like to touch on came from an article in the May 3, 2010 Investment News. This article was titled **“Investors more upbeat about retirement.”** Basically, to summarize the article, investors are more confident now than they were a year ago that they will be able to retire. Also, many of them feel they will be able to retire sooner than they thought they could a year ago. This change is mainly due to the stock market rally of 2009. **Now, don’t misunderstand,** these investors still have to tighten their belts, and, in some cases delay retirement due to poor 2008 market performance. However things are looking brighter for their future.

Many of these investors, prior to the financial crisis made **“back-of-the-envelope”** estimates of their retirement income needs, but these imprecise guesses left a lot of investors on shaky ground. Many are now seeking carefully crafted retirement income plans. **We encourage clients to take advantage of R.O.I.’s comprehensive financial planning services, if they haven’t already.** Clients can have a Comprehensive Financial Plan (CFP) done, at no additional charge, to estimate the likelihood of them reaching their long term goals. Four years prior to reaching retirement (i.e., a client will stop working), clients should visit with R.O.I. about setting up an income strategy (using long-term and short-term investment account strategies) to help clients stretch their retirement dollars through retirement – for more detail, **you should spend some time looking at the Retirement Planning and Personal Seminar sections of R.O.I.’s website. If clients have friends, relatives or business associates who meet our minimums (\$50,000 of manageable assets), clients should visit with them about blessing their lives with these valuable services, and then contact R.O.I. about them becoming clients (remember, there is also a very substantial referral fee that will be credited against clients’ next R.O.I. billing for each prospective client who actually becomes a client).**

2. ACTIVE INVESTMENT MANAGEMENT

“FINE TUNING” STRATEGIES

You’ve heard R.O.I. state many times that we DO NOT KNOW what is going to happen in the short term. We BELIEVE that in the long term markets will go up (assuming we are in a Secular [i.e., long-term] Bull or Blah Market and not a Secular Bear Market). So what are “Fine Tuning” strategies, and why do we employ them?

Why does R.O.I. use “Fine Tuning” strategies when R.O.I. DOES NOT KNOW what is going to happen in the short term? Sometimes things are such as: (1) **Sure bet;** (2) **Constant enough;** or, (3) **So good or so bad;** that R.O.I. is willing to make some **SMALL** bets, e.g.:

“TAKING CARE OF YOU”, Page 3

ACTIVE INVESTMENT MANAGEMENT

OBJECTIVE

- Participate In Up Markets
- Control In Down Markets

ALLOCATIONS

- Asset Allocations (Secular/Cyclical Markets)
- Opposite Categories
- Different Classes
- Independent Classes

FILL ALLOCATIONS

- Use Best Funds
- Monitor Choices

CONTROL SWINGS

- Diversify Manager Styles•
- Control Sector Concentration
- Allow Fund Managers To Make S/T Decisions
- Rebalance
- Fine Tuning Strategies

ADVISOR/CLIENT

- Motivate Advisor
- No Conflicts
- % Of Assets Basis
- Help Build Business

1. **Sure Bet:** Remember the Y2K End of The World Scare, i.e., between 12/31/1999 11:59:59 p.m. and 01/01/2000 12:00:00 a.m. all the computers, technology, satellites, utilities, banks, air control terminals, et. al., would shut down? Everyone was positive **something** bad would happen. As you well know, virtually **nothing** bad happened. Well R.O.I. had made some **SMALL** “Fine Tuning” strategies for Y2K, and thank goodness we made **SMALL** changes, because we didn’t miss much of the wonderful **upswing** that actually occurred in **early 2000**;
2. **Constant:** Summers (May to October) seem to be dead or down periods. Recall that for several summers R.O.I. implemented some **SMALL** summer “Fine Tuning” strategies that worked very well for us during those common, summer dead or down periods. However, this is not always the case, e.g., in May of 2009 the U.S. markets went up 18% - but our **SMALL** bets didn’t cause us to miss all of the surprising, gigantic upswing;
3. **So Good or So Bad:** Periodically we have implemented some “Fine Tuning” strategies because things have been very good (e.g., during much of 2003 to take advantage of the continuing Cyclical Bull Market that started in late 2002) that worked extremely well for us, or very bad (e.g., (1) After 9/11/01 we bought some gold mutual funds to help protect against possible, further disastrous declines, but gold went down quickly and we soon sold out – this didn’t work, but our other allocations worked well during the October–December growth spurts; (2) Early 2002 we cut back on long term bonds because interest rates were obviously going up – this didn’t work because interest rates didn’t go up (of course interest rates are going to go up in 2010 – right?); (3) In early Summer 2002 we replenished our long term bond positions,

and in July we bought some gold mutual funds and some “short sale” mutual funds -- they all worked very well).

Over all, our “Fine Tuning” strategies have been a great success, but R.O.I. is not so haughty to think we know what is going to happen **for sure** in the short run, so we will continue to implement **SMALL** “Fine Tuning” strategies (though larger bets during Cyclical Bull Markets [e.g., late 2002 through 2003] within Secular Blah Markets [e.g., 2000 through 2007]). The professional terminology that is akin to “Fine Tuning” strategies is Dynamic Asset Allocation (entirely moving in or out of asset classes). We do Dynamic Asset Allocation in a minor way so we call it “Fine Tuning” strategies. Aggressive Dynamic Asset Allocation can lead to “Timing The Markets”, which R.O.I. believes is eventually a big “loser’s game”.

3. CURRENT BEST FUNDS

	<u>LAST MONTH</u>	<u>'10 YEAR TO DATE</u>	<u>1/1/97 THROUGH '10</u>
ROI'S MPT INDEX*	+1.7%	+5.70%	+88.2%
ROI'S “BEST FUNDS”**	+2.17%	+6.90%	+128.0%

* ROI's MPT INDEX = An index based solely upon one Modern Portfolio Theory type of Asset Allocation to each of the following 12 Asset Classes, assuming from: (1) 1/1/97, an 11% Target Return (i.e., 70% in Stocks; 15% in Bonds; 15% in Anti-Inflation); and, (2) 3/1/03, a Moderate allocation (i.e., 50% in Stocks; 25% in

“TAKING CARE OF YOU”, Page 4

Bonds; 25% in Anti-Inflation); using the average returns of all mutual funds in each Asset Class, Rebalanced on a monthly basis (data supplied by Morningstar).

** ROI's "BEST FUNDS" = Using the accumulated yearly IRR % of an actual client's account that uses the same Moderate Asset allocation as in ROI's MPT INDEX, but includes all of ROI's other strategies.

ISSUE# ONE HUNDRED-SIXTY-SIX BEST FUND CHANGES & WHY?

(Funds or % in < > are new funds and allocations replacing prior choices. Current through Newsletter date.)

<u>STOCKS</u>	<u>BONDS</u>
Aggressive Growth	US/LT, ST, Mtg, Convertible
Fidelity Capital Appre 1 st Source (117%)	Fidelity Convertible (67%)
	DWS Short Duration (33%)
Growth	Delaware Corporate Bnd (33%)
Morgan Stanley Inst. Mid Cap (100%)	
Aston/Optimum Mid Cap (113%)	Junk
	Security High Yield (50%)
Small Cap	
Marshal Small Cap Gth (153%)	Global
Sterling Cap Small Val (50%)	Alliance Bern Glb Bond (100%)
AIM Triamark Small Co (50%)	TCW Emg Mkts (62.5%)
Equity Income	<u>ANTI-INFLATION</u>
Sun America Fixed Div (125%)	Asset Manager
	Oppenheimer Global Opp (100%)
Stock Index	
Fidelity Spartan Market Index (100%)	Ntrl Res, Utilities & Metals
	MFS Utilities (75%)
Overseas: Int'l, World, SC, EM	Fidelity Sel Material Port (50%)
Janus Overseas (85.7%)	Black Rock Energy Resource (50%)
Oakmark International Gth (69.8%)	Real Estate
Oakmark International (43%)	Fidelity Advisor Real Estate (83.7)
Causeway Emerging Markets (64.3%)	Dryden Global Real Estate (14.5)
AIM Dev. Mkt (85.7%)	

THE “WHYS”

Allocation Changes – NO CHANGES THIS MONTH DUE TO CLIENT REBALANCE IN MID APRIL.

Fund Changes- NO CHANGES THIS MONTH DUE TO CLIENT REBALANCE IN MID APRIL.

[R.O.I. tracks each month's consensus predictions for the Dow Jones Industrial Average (DJIA) for the upcoming six months, by the panel of "experts" in the Investment Advisor Magazine.]

<u>THE PREDICTION WAS:</u>			<u>THE DJIA WAS:</u>		<u>THE PREDICTION WAS OFF BY:</u>	
<u>MADE</u>	<u>FOR</u>	<u>DJIA</u>	<u>ACTUALLY</u>	<u>POINTS</u>	<u>PERCENT</u>	

“TAKING CARE OF YOU”, Page 5

12/08	05/09	10955	8306	+2649	+32.0%
01/09	06/09	9567	8859	+708	+8.0%
02/09	07/09	9644	8883	+761	+8.6%
03/09	08/09	9152	9325	-173	-1.8%
No Issue					
05/09	10/09	8641	9713	-1072	-11.0%
No Issue					
06/09	12/09	8668	10428	-1760	-16.8%
07/09	01/10	8824	10067	-1243	-12.3%
08/09	02/10	8808	10325	-1517	-14.7%
No Issue					
10/09	04/10	9332	11009	-1677	-15.2%
TWELVE MONTH ERROR RANGE =				-1760/+2649	-16.8%/+68%

!!R.O.I. believes it is impossible to predict the short-term future. If the “experts” can’t reliably do so, what chance do you or R.O.I. have? Should we make large bets on short-term predictions?

4. COMPREHENSIVE FINANCIAL PLANNING

COMPREHENSIVE FINANCIAL PLANNING

INCOME & EXPENSE

- Emergency Planning
- Budgeting
- Taxes

KIDS/GRANDKIDS’ GOALS

- “Teach Them To Fish”
- Missions, Education, Marriages, and Home Down Payments

RETIREMENT

LONG TERM CARE

DEATH & DISABILITY

IDENTITY THEFT PROTECTION

ESTATE PLANNING

BUSINESS & ASSET PROTECTION PLANNING

BUSINESS & ASSET PROTECTION PLANNING

Business Planning and Asset Protection Planning can be briefly reviewed together because: (1) Many Asset Protection Planning strategies involve using business entities; and, (2) Many business planning decisions involve tradeoffs between desired levels of asset protection and desired tax/retirement/investment and other business planning benefits.

First, a brief discussion about various business entities, i.e.:

1. **Sole Proprietorship** – A one person business that reports gains and losses on Schedule C that is part of an individual/couple’s 1040 filing. It is the simplest business entity to use (this is often the dominating advantage), but generally it has fewer tax/retirement/investment benefits and little if any asset protection;
2. **Limited Liability Company (or Partnership)** – A two person or more business (because of recent Utah law changes, no one should probably set up a new one person LLC or Partnership) that reports gains and losses via a form 1065 filing that generates a K-1 for each member/partner to “pass through” their share of gains and losses to their own Schedule E (and possibly other schedules) that are a part of an individual/couple’s form 1040 filing. Because of more forms (1065 and 1040) and possibly multiple schedules, these entities add much more complexity compared to a Sole Proprietorship, but generally provide much more

tax/retirement/investment benefits and asset protection. An LLC is probably preferable to a Limited Partnership if you are forming a new entity;

3. **Corporations (Regular and Sub-S)** – These entities are generally not used as often if an LLC is available unless one is: Dealing with many owners; Are looking for special tax/retirement/investment benefits; or, Where a one person business is desired and a sole proprietorship or LLC isn’t as good as a

“TAKING CARE OF YOU”, Page 6

fit. These entities report gains and losses via either a form 1120 (a regular corporation) or 1120S (a sub-s corporation). A regular corporation pays its own taxes and does not “pass through” gains and losses to shareholders, but a sub-s corporation is a “pass through” entity like an LLC/Partnership and thus generates a K-1 for each shareholder. These entities are about as complex as an LLC/Partnership, but not as flexible in some tax planning aspects as an LLC/Partnership, but generally speaking have the maximum retirement/investment benefits and much the same asset protection benefits as an LLC;

4. **Trusts (Revocable and Irrevocable)** – These entities are generally not used as often (even less than corporations) if an LLC is available, unless one is involved in estate distribution and/or estate taxation issues (then, they are used extensively). These entities report gains and losses directly to an individual/joint form 1040 (in the case of a Revocable Trust), or via a form 1041 and a K-1 type form for each beneficiary (in the case of an Irrevocable Trust). A Revocable Trust provides no asset protection, but an Irrevocable Trust provides extensive asset protection, but neither provide other tax/retirement/investment benefits (except some trusts that are used for very complex and significant tax situations).

Second, Asset Protection planning involves protection against law suits, creditor and divorce claims, that can come from business operations, accidents, marital and family relationships, and getting too old and not being able to care for one’s self. There are several “tools” available in the asset protection arena:

1. **Asset Ownership** – Generally, another person or entity cannot take from you something which you don’t own and/or control with unfettered discretion. Depending upon the asset protection objective and a host of other factors, you may want a spouse or a business entity to own certain assets;
2. **Liability Insurance** – This is usually the first line of defense and is almost always a good and financially reasonable idea for each of us to have personal liability coverage via our home, auto, umbrella, and/or business insurance;
3. **Business Entity** -- Unless you are providing services and/or goods to the public, choosing a business entity for these purposes is usually only applicable if you have large, taxable, investment portfolio.

For the above tools to succeed, they need to be in place well before the “incident” occurs.

What business entity and asset protection steps makes sense for individual clients, their families, and/or business(es), is entirely dependent upon each clients’ facts, and thus must be decided on a case by case basis. R.O.I. is equipped with the education, experience and resources, to counsel, educate and prepare clients as to their individual business and asset protection planning needs, and then to help coordinate implementation using their CPAs, attorneys and insurance professionals. R.O.I. is a very important part of this planning process because we are usually the most informed professionals clients have **relative to their entire planning panorama** (including budgeting, kids/grandkids’ goals, retirement, death, disability, long term care and estate planning), and, clients often feel more comfortable discussing such issues with R.O.I. because they are not concerned about it costing them more fees at high hourly rates because such counseling is usually a part of R.O.I.’s services. **We encourage clients to ask questions about their situations and to cooperate with R.O.I. in providing the information** R.O.I. needs to perform Comprehensive Financial Plans that will include appropriate Business and Asset Protection Planning.

TAKING CARE OF YOU” is a publication of R.O.I., a Registered Investment Advisor (RIA), a member of, and is produced for the sole benefit of R.O.I.’s clients. Editors: Benjamin A. Olson, and J. Grant Olson. 351 East 140 North, Lindon, Utah 84042-2004, 801-785-3254, 801-785-3244 (Fax), 801-580-7672 (Mobile), ronaldolsoninc@gmail.com (e-mail), www.roionweb.com (Web Site).

