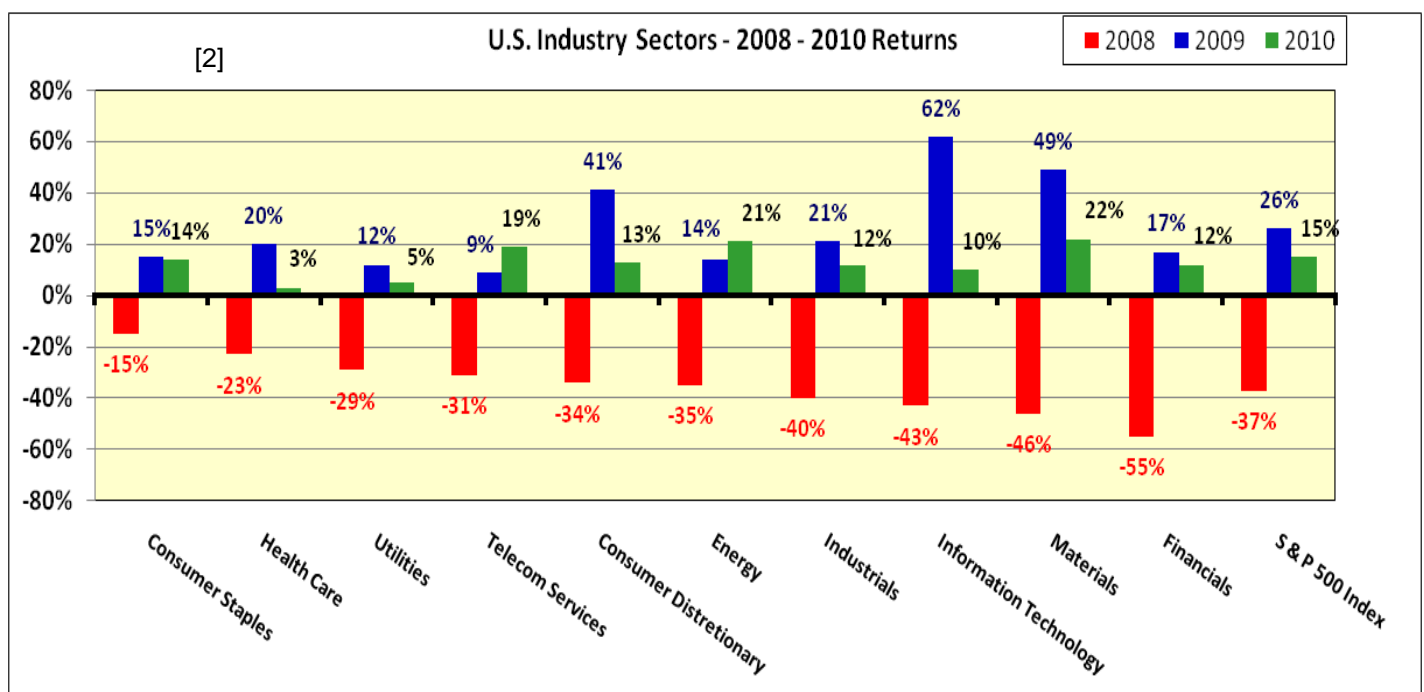
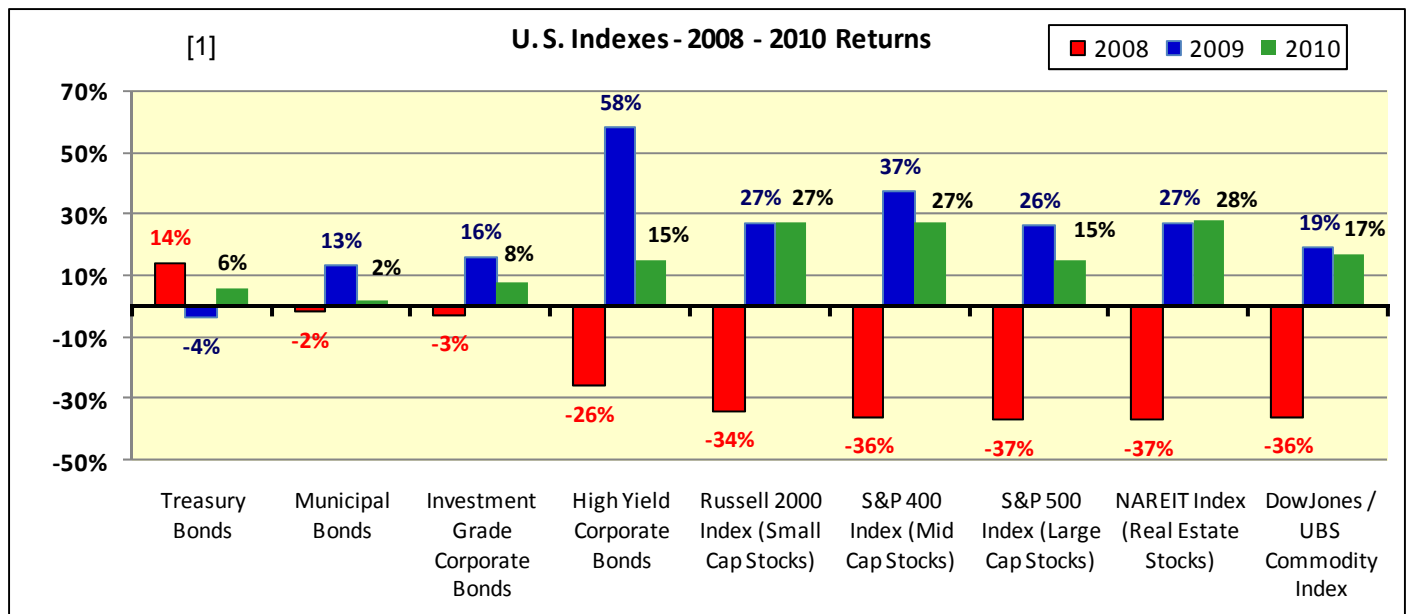
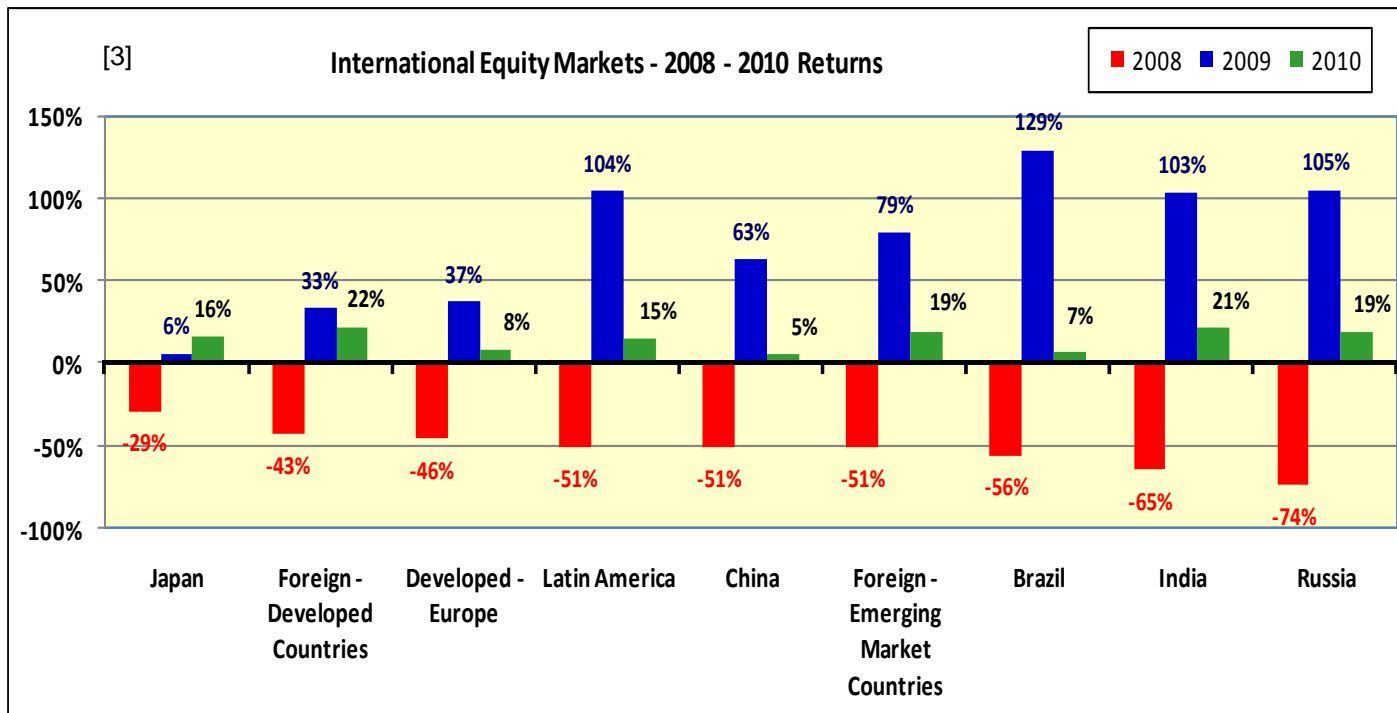


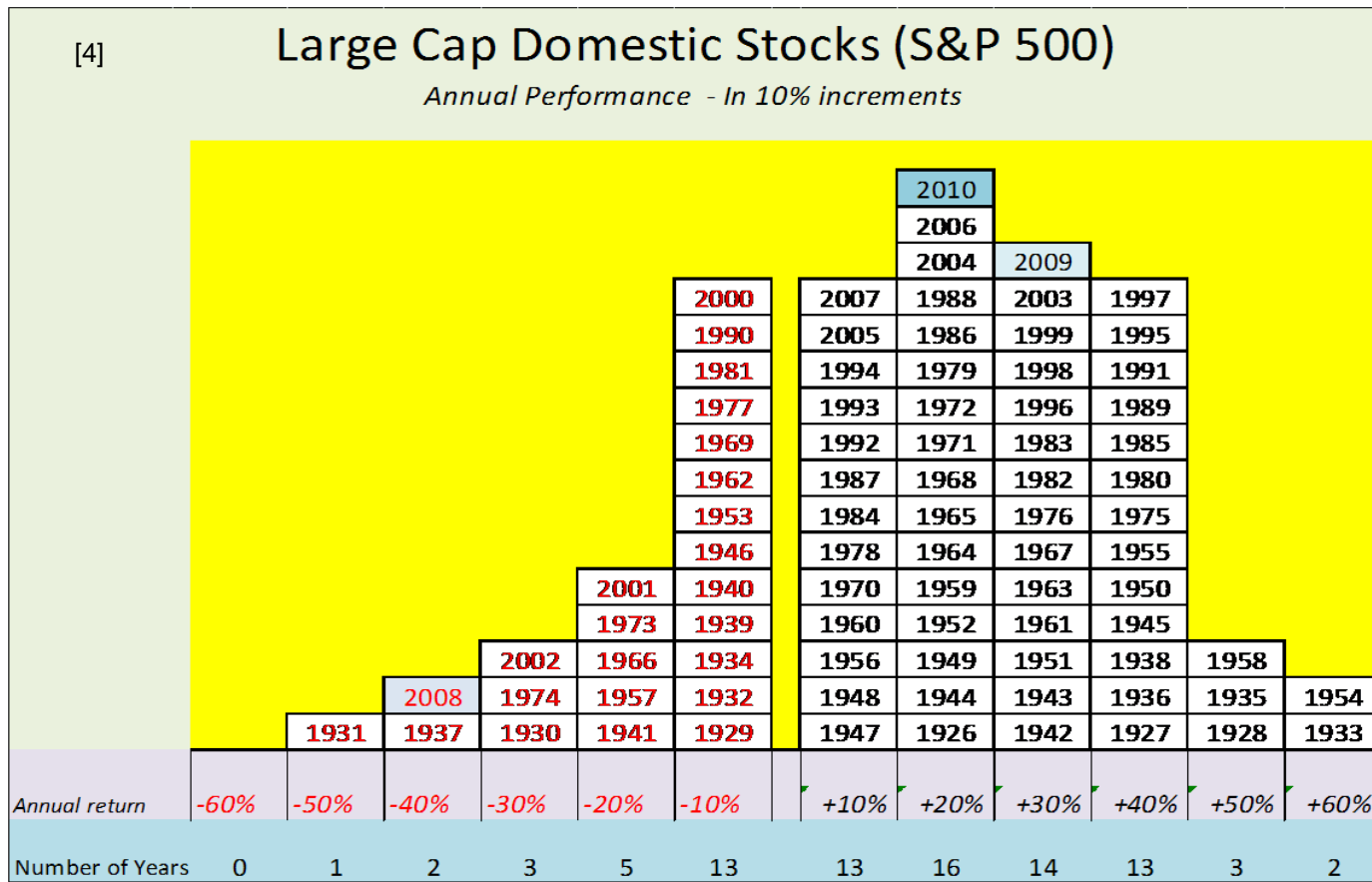
**2010 was another good year in the markets. The U.S. stock market performed well in comparison to the world markets. Stocks outpaced bonds as investors were rewarded for taking on risk.**

Looking at the 2008, 2009 and 2010 returns of various asset classes both domestically and internationally, we see just how the markets performed over the last three years.

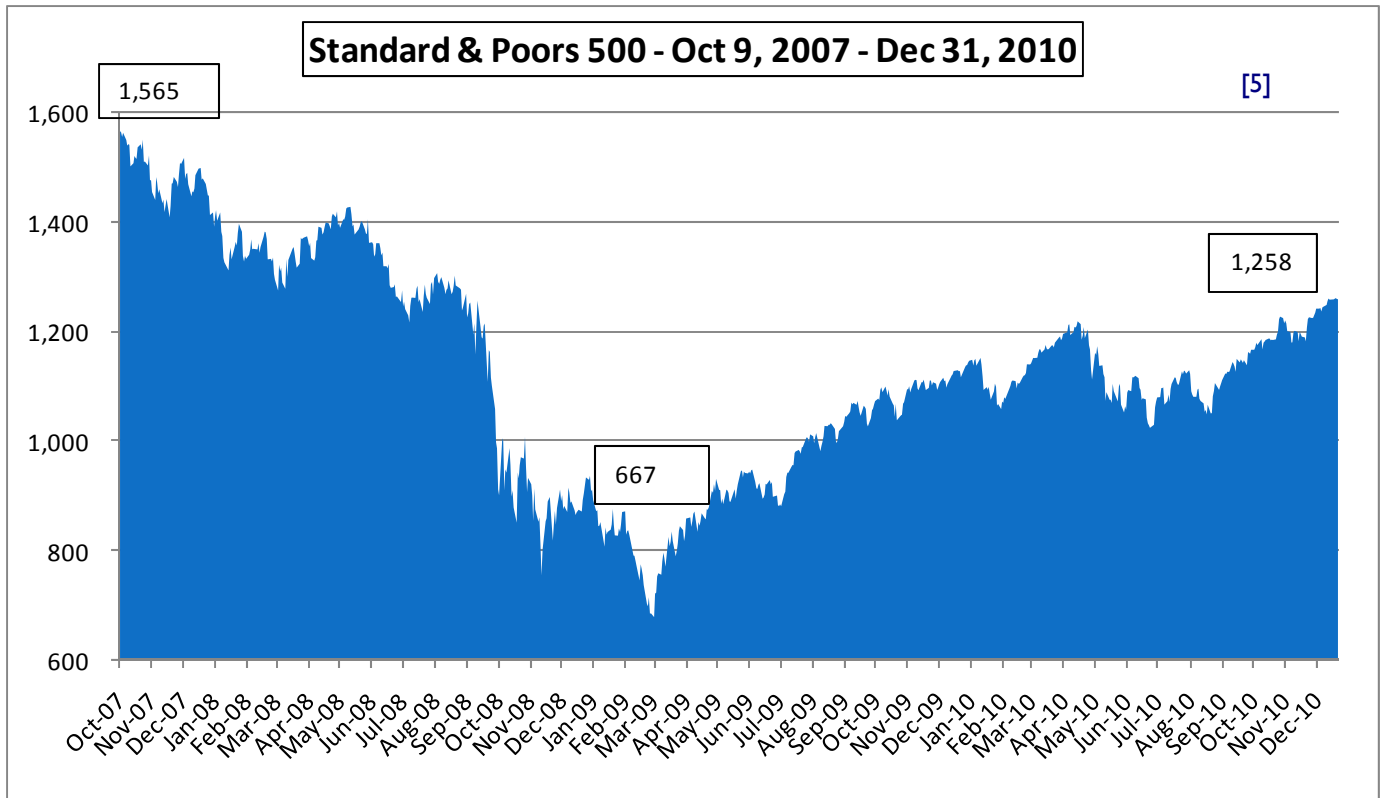




Putting 2010 into perspective with history we find that the year was more in line with “normal” as the following chart demonstrates:



The U.S. stock market (S&P 500) reached its all time high on October 9, 2007. Over the next 17 months, through March 9, 2009, the market experienced a 57% decline. Since that time, the market has continued to climb its way back, increasing 85% from the lows, but ending 2010 still down 20% from the October 9, 2007 high.



**As we look forward to 2011, we recognize that both the Bears and the Bulls have facts that support their positions. All is not gloom and doom, but neither is it all rosy.**

The Bear's position is easy to see. The massive debt problems have not gone away, housing issues continue and unemployment numbers are still too high.

But the Bulls have their facts as well. U.S. Corporations are reaping the benefits of past cost reductions by enjoying record profits. Many of the large U.S. corporations are growing their sales and profits overseas. Corporations continue to hold large amounts of cash, estimated to be \$1.2 trillion, [6] to help weather temporary downturns. As the economy improves more of that cash can be put to work to maximize shareholder returns.

The U.S. consumer is coming back to life. U.S. households have enhanced their balance sheets over the last two years by reducing their consumer debt and increasing their savings rates. The recent tax package approved by Congress and signed by the President reduces by 2% the amount employees pay in social security taxes. This amounts to a 2% pay increase for every working American. As households gain confidence in their family finances their spending grows. That bodes well for the stock market.

Low interest rates and low inflation are both good for the economy over the short run. The U.S. is experiencing both right now and this is expected to continue for the foreseeable future.

And the world is bigger than the U.S! Emerging economies are growing at a rate fast enough to move more and more families into the “middle class”. That results in more spending in those countries – much of it to increase the standard of living for millions of families.

Our investment philosophy has always been to seek return and minimize risk through the strategic use of multiple asset classes. We take advantage of strategies that incorporate fixed income, equity, real estate and commodity asset classes and blend them into portfolios that can endure the inevitable ups and downs in the markets. Our techniques have served our clients well and we are well positioned for 2011.

We are humbled by the opportunity to serve our clients and appreciate the trust and confidence they place in us. If you know of someone who could benefit from our services please let us know. We look forward to the New Year!

By: Jerry VanderLugt CPA CFP®

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- [1] Information obtained from the following sources:  
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 Ibbotson SBBI 2008 Classic Yearbook - pages 294 -299  
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- [5] <http://finance.yahoo.com> - S&P 500 Historial Returns
- [6] Oppenheimer Funds Capital Market Perspectives as of 12/31/10 - page 7



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