SPECTRUM[SM]
INVESTMENT ADVISORS

Spectrum Investor® Newsletter **2nd Quarter | 2011**

Quarterly Economic Update

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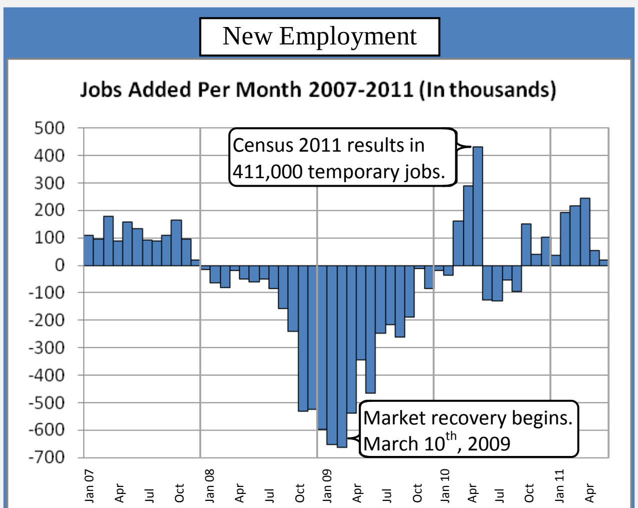
Enclosed are your investment returns for the 2nd quarter 2011, along with our privacy notice. According to Morningstar, the S&P 500 finished up 0.1% for the quarter and is up 6.02% for the year.

The quarter started positive as Japan recovered from the March tsunami and the US military completed a daring raid in Pakistan that killed Osama bin Laden. Employment and debt concerns pulled down equities mid-quarter before bouncing back in late June with the biggest two-week rally for the S&P 500 in 21 months. Why the optimism? In a word: earnings (*LPL Financial* 7/11/11). S&P 500 company earnings are expected to grow 15.4% in the second quarter, which would mark the sixth quarter in a row of double digit growth (*USA Today*, 7/12/11). Long-term, **to keep the recovery going, Morgan Stanley estimates that the US economy will need to add an average of at least 150,000 jobs per month** (*WSJ* 6/17/11).



Source: Bureau of Labor Statistics
Unemployment is a lagging indicator, not a leading indicator.

As for the debt ceiling, Warren Buffett has stated that not raising it is a dangerous idea, saying "You're playing with fire when you don't need to play with fire" (*USA Today, 7/7/11*). Bill Gross of PIMCO agrees that the U.S. must raise the limit to avoid jeopardizing our triple-A credit rating. He said, "responsibility in this case, is not an either/or proposition", urging congress not to rely solely on spending cuts (*Washington Post, 7/13/11).*

With many uncertain variables, the rally at the end of June is a reminder to stay diversified in a balanced portfolio rather than to attempt to time the market. For more information about long-term diversification, see "In Other Words" on Page 3 of this newsletter.

On June 22, 2011 Spectrum co-hosted its 6th annual Retirement Plan Investment Seminar with the Wisconsin Institute of CPAs. Over 300 people were in attendance representing over 180 companies. Our first speaker was Charles Ruffel, founder of *PLANSPONSOR* magazine, who spoke of the need for 401(k) participant investment education and the trend toward auto-enrollment. Spectrum once again had the good fortune to be on *PLANSPONSOR*'s list of the Top 100 401(k) investment advisors in the country (Feb. 2011 issue).

Our second speaker was Dr. David Kelly, chief market strategist for JP Morgan. We were very fortunate to have Dr. Kelly accept our invitation. He appears in major media outlets like CNBC, CNN, *The Wall Street Journal*, *USA Today*, and the *Milwaukee Journal Sentinel* an average of 11 times per month. **Dr. Kelly indicated the U.S. is unlikely to see a double-dip recession** since the segments hit hardest in the recession – auto sales, home building, and business equipment investment – are still below their historic norms. "It's very hard for these sectors to collapse when they're already in the basement," he said at our seminar. Dr. Kelly explained that autos can be repaired only so many times before consumers buy new ones; companies will need to invest in new equipment, and even the housing market with its huge over supply will eventually turn around. If everything goes well it will take us four years to get the unemployment rate down to 5%.

Kelly's views were echoed by Dexter Williams, Sr. VP with American Funds, at a meeting we attended in New York in early June. Dexter expected the real estate market will likely recover by 2014, which would closely coincide with Dr. Kelly's viewpoint on the reduction in U.S. unemployment. According to American Funds, despite 78 million baby boomers moving toward retirement in this country, **a positive long-term trend for the markets is that more than 2 billion people will be entering the global middle class by the year 2025.** American Funds defines the global middle class is an average annual income of $6000 per year, including developing markets. With $6000 per year, the basic needs of food, shelter and clothing are generally taken care of. Beyond that, the first item a consumer typically buys worldwide is a cell phone.

The last speaker at our seminar was Lt. Colonel Rob "Waldo" Waldman, an F-16 fighter pilot who flew 65 combat missions in Iraq and Serbia. Waldo, a very passionate speaker, wrote the New York Times best-selling book *Never Fly Solo*. The book speaks to the importance of a **"wingman"** in flight (to check your six), and how that transcends to our workplace as well: the need to have a strong wingman in succession planning, managing a company, or running a department. Lt. Colonel Waldman had a powerful message. When my brother Ron thanked him after the meeting for fighting for our country Waldo returned Ron's comment with a wonderful statement. "**Be an American worth fighting for."**

For an electronic copy of this newsletter and our ADV Part II, please visit our website at www.spectruminvestor.com. We appreciate your business.

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Wealth Management

Lessons from the NFL Lockout

Brian E. White, CFP®
Wealth Manager

As this article is being written, the NFL Players Association (NFLPA) and the NFL team owners are still in a dispute over the collective bargaining contract. Since this is a union vs. owner dispute and a sensitive topic, Spectrum Investment Advisors is not going to get into politics or choose sides. However, the impact of this lockout is tremendous. According to the Associated Press, the economy of Green Bay received almost $7.5 million from preseason camp in 2009 (6/11/11). If that's preseason camp, think about the entire regular season and how much revenue could be lost! Although the closest most of us will ever come to being involved in professional football is sitting in the stands cheering on our favorite team, the NFL lockout can be used as a cautionary tale when it comes to the management of our own personal wealth.

Live within or below your means. Before you start to bash the lifestyle of the NFL owners or players, let's take a step back. Sure, these owners and players don't *need* their mansions or luxury cars. They don't *need* to rack up $3,000 tabs at clubs or park their yachts in Miami. You also don't *need* your daily double non-fat caramel mocha latte at Starbucks, either. Whether you're making $40,000 or $4,000,000, it's crucial to live within your means. **If you can successfully live within your means and spend less than you make, you'll be able to weather the storms life throws your way.** The first step to achieving this is to develop a budget. The next (and more difficult) step is to stick to that budget. Having no budget and no guidelines often leads to unnecessary purchases.

Have an emergency fund. An emergency fund goes hand-in-hand with living your life within or below your means. The NFLPA advised all players to save their last three paychecks from the season in case of a lockout. The size of an emergency fund for the rest of us depends on different factors. Is your income stream steady or does it fluctuate depending on sales, commissions or bonuses? Also, how many dependents are there in the household? Suggested emergency fund amounts vary between 3 and 18 months of living expenses. If you have no kids and two steady incomes, you'll probably need less. However, if your income stream is highly unstable (i.e. a professional athlete), you should probably be closer to the 18 month number. These funds should be fairly liquid and readily available for your use. Consider laddering bank CDs for a portion of that emergency fund so that your money works smarter for you.

Do your homework. Did you know that NFL players are being offered "Bridge Loans"? According to *Bloomberg Businessweek*, there are several organizations offering loans to NFL players. These loans can be up to $250,000 and have interest rates of up to 22%. Yikes! The rest of the country probably doesn't have the opportunity to participate in these types of loans, but we do have credit cards with high interest payments. Consider paying those off, especially if you're sitting on a large amount of cash earning 0.10% in a checking account. Also, shop around for the best rates and deals. Banks and other financial services firms are eager to compete for your business, whether that business is a mortgage, CD or simple savings account.

Don't forget about health insurance. Many NFL players are a little more careful these days since they are either paying more for health insurance or don't have it at all. They have a chance to go on COBRA for up to 18 months, but it's not cheap. According to *MSN Money*, COBRA will cost one NFL player around $1,300 a month (2/11/11). For those of us who don't wear shoulder pads during the week and are closer to retirement, health insurance can be a big question mark. Yes, you can receive Social Security payments at 62, but Medicare doesn't start until age 65. **If you're thinking about retirement at 62 because your friends and co-workers are, make sure you have a plan in place to secure health insurance for the three years until you hit 65 (or longer if your spouse is younger than you).** Also, keep in mind that 2014 is a year when a large portion of the Patient Protection and Affordable Care Act becomes effective, significantly changing the health care landscape.

Thankfully, most of us don't have careers that involve concussions and broken bones. We also may not have the paycheck these players bring home. However, we all have the chance to build our personal wealth through smart decisions and discipline. As an investment advisor, our job is to protect your wealth and meet your personal investment goals. If you're wondering if you're on track or not to meet your goals, contact us and we'd be glad to review your investments.

As always, past performance does not indicate future returns. We truly appreciate your business.

Spectrum Investor® Update 6/30/11

Category Average	2nd Qtr	1 Year	3 Year
Intermediate-Term Bond	1.84%	**5.33%**	6.69%
Moderate Allocation	0.37%	20.43%	4.09%
Large Cap Value	-0.36%	28.85%	2.47%
Large Cap Blend	-0.19%	29.68%	2.61%
Large Cap Growth	0.10%	33.09%	3.02%
Mid Cap Value	-0.80%	32.90%	6.39%
Mid Cap Blend	-0.77%	35.48%	5.12%
Mid Cap Growth	0.27%	39.53%	5.17%
Small Cap Value	-2.16%	32.27%	**8.72%**
Small Cap Blend	-1.51%	36.84%	7.35%
Small Cap Growth	0.13%	**42.55%**	7.81%
Foreign Large Blend	1.18%	30.82%	-1.65%
Real Estate	**3.46%**	32.51%	4.77%
Natural Resources	**-5.19%**	39.33%	**-4.84%**

Source: Morningstar, 3 yr return is annualized by Morningstar. Past performance is not an indication of future results.

DOW: 12,414
NASDAQ: 2773
S&P 500: 1320
Barrel of Oil: $95.42

10 Yr T-Note: 3.17%
Inflation Rate: 3.4% (5/2011)
Unemployment Rate: 9.2% (6/2011)
Source: www.bls.gov
Source: *USA Today* 7/1/11

In Other Words

Why Should I Diversify?

Angie Franzone
Newsletter Editor

As complicated and confusing as investing can be, one simple and often used saying lies at the core of a successful investment portfolio – Don't put all your eggs in one basket. In other words, **Diversify!** Diversification is a portfolio strategy used to reduce risk by allocating your assets among a variety of investments like stocks, bonds and real estate for example.

The reason for choosing several different investment vehicles is because you want to make sure that as some investments are going down, the others are going up. This is known as correlation, and without getting too bogged down by financial jargon, it is simply "A measure of how the returns of two investments move together, i.e. whether the returns move in the same or opposite direction and how often" (*Fidelity Viewpoints*, 6/11/09).

Since correlations can change dramatically in volatile markets, as we've seen over the last few years, it is important to speak with an advisor about which investments are right for your specific needs as well as to rebalance periodically to ensure that the asset mix you've chosen continues to align with your investment goals.

Going back to the "eggs in one basket" expression, you would never carry all your money around with you in a briefcase, right? Of course not, because if something happened to that briefcase you would have nothing. So why would you think that it's okay to put all your retirement money in one or two different investments?

Some of you may be saying, I was diversified and my portfolio still got clobbered! That's because diversification can help reduce risk, but it can never eliminate it completely and it does not guarantee against loss. While it may seem that diversifying your portfolio didn't work, more than likely it did, by cushioning the blow and containing portfolio losses. The truth of the matter is, you may have lost much more if you hadn't diversified.

A *Wall Street Journal* article explains that in the 4th quarter of 2008, when the financial crisis was at its worst, "Investors flocked in droves to the safety of U.S. Treasury Bonds, pulling money from, and driving down the value of, virtually every other instrument" (Randy Myers). The author points out that this was a highly unusual occurrence and goes on to say:

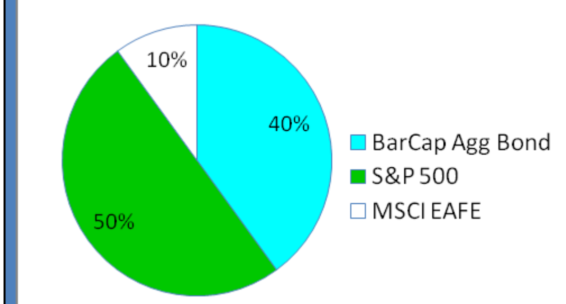
To believe that diversification doesn't work because of that one quarter (4th qtr '08) would be like concluding that the forward pass does not work in football just because your favorite quarterback was intercepted three times in last year's big game.

To get a better idea about how diversifying your portfolio will benefit you long-term, let's take a look at the following chart, which compares a portfolio containing only a few investments, with a more diversified portfolio made up of several different investment options.

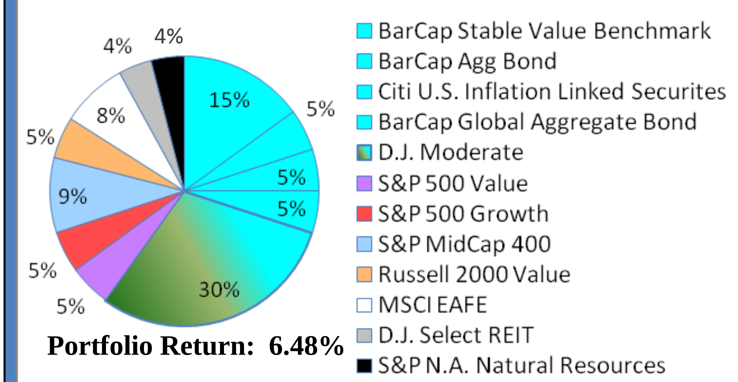
Why should I diversify?

(10 year annualized returns as of 6/30/11)

The example below shows two 60/40 moderate portfolios:
The lower portfolio is more diversified using multiple stock and bond categories.



Portfolio Return: 4.32%



Portfolio Return: 6.48%

Diversification is not a guarantee against loss. Past performance is not an indication of future results. Cannot invest directly in an index.
Source: Morningstar

As the above chart illustrates, the portfolio containing a variety of different investment options outperformed the non-diversified portfolio by an average of 2.16% each year on an annualized basis. Two percent may not seem like a lot at first glance, but over the course of 10, 20, or 30 years, two percent a year really adds up!

Reading words on a page can only go so far in convincing someone to spread their investments out over several different categories, but the visual is pretty compelling. The first portfolio had half of its assets in the S&P 500 Index, which was one of the worst investment categories over the past 10 years. By diversifying you don't need to rely so heavily on just one category as the first portfolio does.

When it comes to all your eggs, especially your nest egg, reduce your risk (and your stress level) by spreading the wealth.

If you are concerned about your investments or need help rebalancing, please contact our office and speak with an advisor.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk.

IRS Indexed Limits for 2010 and 2011 are as follows:
401(k), 403(b) & 457 Employee Deferral limit is $16,500.
Catch-up Contribution limit is $5,500.
Source: Standard Retirement Services, Inc.

Invest In Your Health

The Health of Your State

David Meinz, MS, RD, FADA, CSP
America's Personal Health Humorist

We normally talk about improving the state of your personal health. This time, let's turn that around and talk about the health of your state. Just how well are you and your neighbors doing, health-wise? Well, the people that study that sort of thing do an annual review of all 50 states and the latest results are in. Vermont comes in on top, again, and the folks in Louisiana have got some work to do. Find your state and see how you did:

	State	Score		State	Score
1	VT	24.8	**26**	MD	3.4
2	HI	21.6	**27**	MI	2.0
3	NH	19.9	**28**	PA	2.0
4	MN	18.8	**29**	NM	1.7
5	UT	18.2	**30**	AK	1.3
6	MA	17.7	**31**	IL	0.8
7	CT	17.5	**32**	OH	0.7
8	ID	16.1	**33**	AZ	0.4
9	ME	15.3	**34**	IN	-0.6
10	WA	14.9	**35**	DE	-1.6
11	RI	14.0	**36**	NC	-3.2
12	ND	12.5	**37**	KY	-3.6
13	NE	12.0	**38**	MO	-4.9
14	WY	11.8	**39**	WV	-5.0
15	IA	11.6	**40**	AL	-7.0
16	OR	11.3	**41**	GA	-7.8
17	**WI**	10.3	**42**	NV	-7.9
18	NJ	9.8	**43**	AR	-8.1
19	CO	9.7	**44**	OK	-8.1
20	VA	9.0	**45**	FL	-8.9
21	SD	7.5	**46**	TX	-9.0
22	KS	6.7	**47**	TN	-9.7
23	MT	6.5	**48**	SC	-10.7
24	CA	5.3	**49**	MS	-15.0
25	NY	3.8	**50**	LA	-15.2

By the way, the 'score' column indicates the percentage a state is above or below the national norm. For example, Wisconsin **is 10.3% above the national average** and Georgia is 7.8% below. So how are the rankings determined? A number of variables that affect health are considered. Vermont did so well because they have a high rate of high school graduation **(the more education you have, the healthier and longer you tend to live)**, public health funding was high, they have a low prevalence of obesity, and primary care was easily accessible. Interestingly, they have a problem with a high percentage of the population (17%) reporting binge drinking. Maybe it's just boring being around all those healthy people!

On the other end of the spectrum, Louisiana actually does not have a problem with binge drinking. Unfortunately, they do have problems with high obesity, a high percentage of children in poverty, a high incidence of infectious disease and preventable hospitalizations, and a low rate of high school graduations.

But Louisiana isn't alone. Many of the Southern states ended up toward the bottom of the rankings. That part of the country has some of the highest rates of obesity, which increases risk of heart disease, stroke, diabetes and some forms of cancer. There's also a high rate of smoking down south, which causes cancer, heart disease, lung disease and other problems.

What if your personal state didn't do too well? You don't have to wait for the rest of them to get their act together. Regardless of how your neighbors are doing, you can personally do great. Remember, there's still plenty of healthy people in Louisiana!

"My belly is a vital part of my 401(k) plan. I may have to live off this fat when I retire!"

Since most of you don't smoke, without question, the single best, most effective, best bang-for-your-buck, bottom line way to improve your health is to take excess weight off your body. **Almost 70% of Americans are now overweight.** Yes 70%. Mississippi leads the nation with the highest rate of obesity and Colorado has the lowest. That excess weight, ***especially if it's around your mid-section***, increases your risk for all kinds of problems including diabetes, high-blood pressure, heart disease, stroke, some forms of cancer, dementia, and even asthma. To take the body fat off you'll need to keep your dietary fat at no more than about 50 grams per day, eat a lot less sugar, get about four to five, 30 minute exercise sessions a week, and concentrate on losing inches, not just pounds. And be patient. You didn't put the weight on overnight. It's only fair that it takes a while to come off.

Or you could just move to Vermont.

Nutritionist **David Meinz** of www.SpeakingOnHealth.com, speaks to groups around the US and Canada on the relationship between personal health and professional productivity. He is also the author of the book *Survival of the Fittest*. David was the featured speaker at the 2009 Retirement Plan Seminar co-sponsored by Spectrum Investment Advisors and the Wisconsin Institute of CPAs. David was also a speaker at the 2010 Community Banker's of Wisconsin Convention in September. David Meinz is not affiliated With LPL Financial or Spectrum Investment Advisors.