Quarterly Economic Update

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Enclosed are your investment returns for the 2nd quarter 2012, along with our privacy notice. The total return of the S&P 500 Index was 9.49% through June 30, 2012. Stocks rallied after the June 17th election in Greece, in which Greeks voted to remain in the Euro, combined with the European Union providing still another bailout. The stock market's near 10% drop from April to early June has hopefully done its job, sweeping away the complacency and over-confidence that had built up among investors since the October, 2011 low (Morningstar, July 2012).

On June 20, 2012 we co-hosted our 7th annual Retirement Plan Investment Seminar, with the Wisconsin Institute of CPAs. We had over 275 attendees. Our speakers included nationally recognized ERISA attorney **Jason Roberts** from the Pension Resource Institute in Manhattan Beach, CA. Roberts presented the new 408(b)2 401(k) fee disclosure rule, which we embrace at Spectrum. We feel that the fee disclosure rule, effective July 1, 2012, was long overdue and will give greater transparency to the industry, ultimately helping the average 401(k) investor.

We were also fortunate to have **Bruce Johnstone**, a veteran market investment strategist from Fidelity Investments, return for the second time in two years to present his entertaining and informative economic review. Johnstone indicated that the US is slogging through the weakest recovery since the Great Depression and will have slow economic growth for the rest of this decade. Despite the slow growth, Johnstone is optimistic that Americans will adapt to changes and create new opportunities. "Don't short the United States," he stated.

In his opinion, we are looking awfully good compared to most of the rest of the world. He explained that other countries would love to have our Silicon Valley, a capitalist system that fosters competition. According to Johnstone, "We are still the intellectual and financial magnet of the world."

Regarding energy, Johnstone is high on the prospect of the US being able to develop its natural gas reserves (especially with the new fracking technology). He said that our country could become "the Saudia Arabia of natural gas". If we can figure out a way to run our cars, trucks and buses on natural gas, it would be a tremendous opportunity.

On the topic of inflation, Johnstone is concerned with the build-up of debt, both in the US and in Europe, which could result in a rapid rise in inflation in the future. "It's a mind-boggling amount of money those guys are spending," said Johnstone. He also believes that corporate profits will continue to grow, but more slowly than they are used to. Both sides of the political spectrum are going to have to compromise in order for the national debt to be reined in. Everyone will need to sacrifice to make it happen, much like the Greatest Generation during World War II. "We are going to have to cut, we're going to have to raise revenues. Everybody's ox is going to have to be gored," stated Johnstone.

Johnstone said, "We are a nation of immigrants. Ninety-eight percent of the ancestors of the forefathers of everybody in this room came from somewhere else and I think that gives us a creativity and a passion and energy you don't get anywhere else on earth." Just as Warren Buffett was in May at the 2012 Berkshire Hathaway Shareholder meeting, Johnstone was positive our nation will get through this; it will just take time. The audience loved Bruce Johnstone's message.

The final speaker at our seminar was **Kevin Elko**, a nationally renowned professional motivation speaker who spoke to the Green Bay Packers the night before they won the Super Bowl. Elko received high praise for his entertaining presentation. To all of you that drove from cities as far away as Chicago, Wausau, Merrill, Madison, Luxemburg and Walworth; thank you.

On July 11, 2012 our Spectrum team also had an opportunity to hear **Dr. David Kelly** from J.P. Morgan at their Chicago office. Dr. Kelly spoke at our WICPA conference in 2011. Dr. Kelly and his team discussed the issues in Europe, saying certain European countries have over-spent, under-taxed, and over-promised with too many entitlements resulting in major structural problems that will take a long time to fix. Dr. Kelly said the problems in Europe are a warning to other nations, including the US, that it is critical to balance federal budgets over the long term. Dr. Kelly was also optimistic that despite our slow growth, the US appears to be decoupling from the rest of the world. The reason for this is that our nation's banks have recapitalized and the US consumer has reduced their debt, increased savings, and **lowered their interest expense by refinancing**. The ratio of mortgage payments to household income is now the lowest since the 1940s, making the consumer more resilient. He closed by saying that the key to surviving the market going forward is a well diversified, balanced portfolio.

A look at eurozone economies

How the largest, and three of the most economically troubled, nations in the 17-nation eurozone compare:

Country	Eurozone GDP share	GDP change[1]	Unemployment rate[2]
Germany	27%	0.5%	5.4%
France	21%	0.0%	10.2%
Italy	17%	-0.8%	10.2%
Spain	11%	-0.3%	24.3%
Netherlands	6%	-0.2%	5.2%
Belgium	4%	0.3%	7.4%
Austria	3%	0.2%	3.9%
Greece[3]	2%	NA	21.7%
Portugal[3]	2%	-0.1%	15.2%
Ireland[3]	2%	NA	14.2%
17-nation eurozone		0.0%	11.0%

1 - 1st Q 2012 vs. 4th Q 2011; 2 - April or latest available month; 3 - Received bailout;
Source: European Commission
Source: USA Today Tuesday, June 19, 2012

At Spectrum we also share Bruce Johnstone's and Dr. David Kelly's optimism about this country; so much so, that we built and moved into our new building on Mequon Road in Mequon, Wisconsin on June 25th. It's a good time to build with lower commodity prices, lower labor costs, and interest rates at a 50-year low. If you are renting, we suggest you take a long hard look at building or buying a home.

We were fortunate enough to land the Mequon-Thiensville Chamber of Commerce as our tenant. One feature of our new building is the ability to host pre and post-retirement educational seminars in our new kitchen/meeting room. Once again, to all of our loyal customers, without you, there is no building; we sincerely thank you.

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

The performance figures shown do not reflect the deduction of investment advisor fees and, if applicable, contract expense charges. Past performance is not necessarily an indication of future results. Please read your prospectus carefully before you invest, which is available on your provider's website. Securities offered through LPL Financial. Member FINRA/SIPC. Investment advice offered through Spectrum Investment Advisors, a registered investment adviser. Spectrum Investment Advisors is not affiliated with LPL Financial.

Wealth Management

Get your finances in move-ready condition

Brian E. White, CFP®
Wealth Manager

As you probably know by now, the employees at Spectrum have been in the process of moving to our new office. Although the new office building project has consumed a considerable amount of our time and energy; managing, monitoring and analyzing your investment portfolio has always been our top priority.

Whether it's a different school, different job, different house or a different office building, there are emotions associated with each move. Moves can bring out the best or the worst in someone. It can test the relationship you have with your spouse, boss, co-workers or family. Moving is exciting, but stressful. Whether or not you plan to move in the near future, take some time to look at your financial picture as if you are moving. Here are two things you can think about regarding your upcoming "move":

A move is a good time to clean UP. When is the last time you had a good, thorough cleaning of your basement? More importantly, when is the last time you've had a good look at your investment portfolio? That Internet stock mutual fund you bought in the late 1990s might not be the best investment in our current environment, especially if you have a significant percentage of your net worth invested in it. In a more positive hypothetical situation, did you invest a small amount into Apple, Google or something else with tremendous growth? With the current capital gains rate set to increase in 2013, it may be a good time to capture those gains by selling your position now. You'll take advantage of the lower rate and you'll be able to lower your risk through diversification.

This may also be a good time to review your current insurance and estate plans. Many laws that affect insurance and estate planning have changed in the last 10 years. Has your living situation changed over that period of time? If so, it might be a good time to sit down with your estate planning attorney to review and clean up your current estate plan. In many cases, you may be able to save money on insurance by shopping around for a different provider or looking at a different insurance product. Do you have an inflation rider on that Long Term Care policy? Is Term Life insurance the best fit? Again, it may be a good idea to meet with your insurance professional to see how you can best clean up those policies.

A move is a good time to clean OUT. The trash pile always seems to increase when you move to a new house. We all have that box (or five) in the basement that we haven't opened since the last move. How about that old 401(k) account (or five) you have lying around? Have you touched it since you changed jobs? You don't need to change jobs or move houses to consolidate your investment accounts. The cornucopia of quarterly statements you file each month could easily be replaced with one or two statements. The mutual fund you bought on a whim or that stock you purchased on a hot tip can be consolidated with the more serious investments you have. In doing this, you'll be able to get a better picture of your overall investment portfolio and net worth.

Keep in mind that the old adage "don't put all your eggs in one basket" does not mean you shouldn't consolidate brokerage accounts. It's entirely possible to have a fully diversified portfolio within one brokerage account. Your assets should be with a brokerage firm or custodian that has Securities Investor Protection Corporation (SIPC®) coverage. The SIPC® does not cover investment losses, but will cover up to $500,000 ($250,000 cash) per account in the case that a brokerage firm with SIPC® coverage has serious financial difficulty. Most brokerage firms and custodians will also carry supplemental insurance coverage for assets above and beyond the $500,000 SIPC® limit. Please visit www.sipc.org for full details or contact your brokerage firm or custodian.

If you have any questions about cleaning up or cleaning out, we would be glad to answer them or direct you to the appropriate person who can. This may not save your back from that sleeper sofa during your next move, but it will definitely help your financial health!

Contact Spectrum Wealth Management if you:

- **Have assets outside of your 401(k) and would like a review or second opinion**
- **Are considering an annuity or other type of alternative investment and need assistance**
- **Are within three years of retirement and aren't sure where to begin**
- **Have investments in numerous locations and need help consolidating them**
- **Need a fee-based approach to investment advice**

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Spectrum Investor® Update 6/30/12

Category Average	2nd Qtr	1 Year	3 Year
Intermediate-Term Bond	1.82%	6.57%	8.31%
Moderate Allocation	-2.20%	0.92%	11.31%
Large Cap Value	-3.61%	0.50%	13.82%
Large Cap Blend	-4.16%	0.94%	14.19%
Large Cap Growth	-5.62%	0.81%	14.83%
Mid Cap Value	-4.79%	-3.42%	16.68%
Mid Cap Blend	-5.48%	-5.10%	15.93%
Mid Cap Growth	-6.01%	-4.31%	17.04%
Small Cap Value	-4.85%	-2.74%	17.37%
Small Cap Blend	-4.89%	-3.71%	17.18%
Small Cap Growth	-5.42%	-5.09%	17.34%
Foreign Large Blend	-6.89%	-13.86%	**6.38%**
Real Estate	**3.36%**	**11.73%**	**31.44%**
Natural Resources	**-10.28%**	**-19.00%**	8.13%

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

DOW: 12,880	**10 Yr T-Note: 1.66%**
NASDAQ: 2935	**Inflation Rate: 1.7%** (5/2012)
S&P 500: 1362	**Unemployment Rate: 8.2%** (6/2012)
Barrel of Oil: $84.96	Source: www.bls.gov *USA Today* 4/2/12

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

In Other Words

Take control of your 401(k) plan

Angie Franzone
Newsletter Editor

Saving for your retirement is an essential part of life. You never know at what age you'll need to stop working due to health problems, job loss or anything in between. Even if you do stay healthy well into your twilight years and have a stable job, who wants to work forever? (Besides Spectrum's president, Jim Marshall; I'm pretty sure he wants to work forever).

According to a survey conducted by the Employee Benefit Research Institute (EBRI), two-thirds of workers (66%) in the 2012 Retirement Confidence Survey reported that they and/or their spouses have saved money for retirement. Not great, but not horrible, right? More than half of workers (60%), however, reported that they and/or their spouses have less than $25,000 in total savings and investments. Wait, there's more!

More than half of workers (56%) have not used a retirement needs calculator and those who have are twice as likely as those who have not to expect that they will need to accumulate at least $1 million before retiring (www.ebri.org). Obviously everyone's financial needs are different but it doesn't take an accounting wiz to realize that $25,000 is a long way from $1 million

These are staggering statistics, but what do they have to do with you? Well for one thing these stats show that if you are not contributing to a retirement savings plan of some kind, such as a 401(k) plan, you're making a huge mistake. Secondly, they tell us that you shouldn't just set up your 401(k) plan and forget about it; especially in recent years when the market has been so tumultuous. Stay on top of it. That doesn't mean checking your balance every day, but it does mean meeting with a financial advisor and knowing what funds you're invested in. Do what you can to help your 401(k) plan grow; $25,000 saved for retirement is not going to cut it!

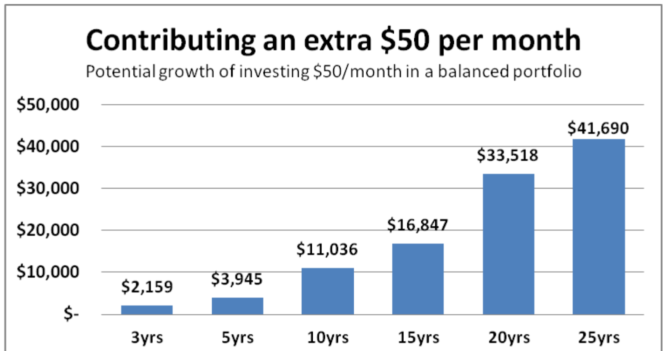
That being said, times are tough and every penny counts. If you're struggling to pay for regular monthly expenses then taking money from your already stretched thin budget and putting it toward a retirement plan may not sound too appealing. That's why you must take advantage of the things that are in your control to help you to have a secure future. As I've said on numerous occasions, if you're company offers a match, contribute at least up to it, whatever it may be. Not contributing up to the match is like turning down free money. In fact, it's not *like* turning it down, it *is* turning it down!

Don't forget about the other tools in your toolbox: 1. **Diversify** using the asset allocation strategy 2. When the market starts making you nervous, **pull back but don't pull out**, 3. **Rebalance**; late April and early May are the best times, and 4. Try to **avoid taking out loans** on your 401(k) unless you're using it to buy a house.

Speaking of buying a house, did you know that being a homeowner is yet another tool to help give your 401(k) plan a boost without feeling the pinch on your pocketbook? It's called **refinancing your mortgage!** Interest rates are extremely low right now and by refinancing you can take a portion of your monthly savings and put it towards your 401(k). Just as with the 2011 Social Security tax reduction on wages, the money you save from refinancing is money you didn't have to begin with, so it's money that won't be missed.
For instance, let's say that you refinanced your mortgage and were able to save $100 a month. You could take $50 of that $100, that way you would still feel as though you had more money in your pocket every month, and invest it in your 401(k) plan. As the below chart indicates, if you contribute that extra $50 a month into a balanced portfolio, after 25 years you could potentially have over $40,000 in your 401(k) that you wouldn't have had if you kept the entire $100 a month to spend on various monthly expenses.

When you take into account that 60% of workers have less than $25,000 saved for retirement, a potential savings of $40,000 from contributing an extra $50 a month should motivate you to look into refinancing. It's a great option for homeowners who can't afford to contribute another dollar from their paycheck.

If you have questions or concerns about your 401(k) plan or aren't sure where to start in the refinancing process, please contact an advisor at our office and they will point you in the right direction. As the saying goes, *Never put off till tomorrow what you can do today*; words to live by when it comes to saving for retirement.



Based on $30,000 salary/monthly contributions. Source: Morningstar- DJ Moderate TR Index from 7/1/87 to 6/30/12. Cannot invest directly in an index. Past performance is not an indication of future results.

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

60% Stocks/40% Bonds Allocation vs. Indices Ending 6/30/12

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Real Est. 9.79%	Real Est. 10.27%	Bonds 6.79%	Real Est. 33.52%	Real Est. 13.29%	Real Estate: DJ US Select REIT Index TR
Mid Cap 9.64%	Nat. Res. 10.15%	60/40 3.71%	Mid Cap 19.36%	Lg. Growth 7.76%	Large Growth: S&P 500 Growth TR
Nat. Res. 7.56%	Mid Cap 8.21%	Lg. Growth 3.04%	Sm. Growth 18.09%	Bonds 7.47%	Large Blend: S&P 500 TR
Sm. Value 7.56%	Sm. Growth 7.39%	Mid Cap 2.55%	Sm. Blend 17.80%	Lg. Blend 5.45%	Int.-Term Bonds: BarCap Aggregate Bond
60/40 7.19%	60/40 7.26%	Sm. Growth 1.99%	Lg. Growth 17.45%	Lg. Value 3.00%	Large Value: S&P 500 Value TR
Bonds 6.27%	Sm. Blend 7.00%	Real Est. 1.97%	Sm. Value 17.43%	60/40 2.39%	60/40: 60% Diversified Stocks, 40% bonds
Sm. Blend 6.14%	Sm. Value 6.50%	Sm. Blend 0.54%	Lg. Blend 16.40%	Sm. Value -1.44%	Small Value: Russell 2000 Value TR
Lg. Blend 4.77%	Lg. Growth 5.77%	Lg. Blend 0.22%	Lg. Value 15.32%	Sm. Blend -2.08%	Small Blend: Russell 2000 TR
Lg. Growth 4.65%	Bonds 5.63%	Nat. Res. -0.78%	60/40 13.53%	Mid Cap -2.33%	Mid Cap Blend: S&P MidCap 400 TR
Lg. Value 4.56%	Lg. Blend 5.33%	Sm. Value -1.05%	Nat. Res. 10.55%	Sm. Growth -2.71%	Small Growth: Russell 2000 Growth TR
Sm. Growth 4.17%	Intl. 5.14%	Lg. Value -2.68%	Bonds 6.93%	Intl. -13.83%	International: MSCI EAFE NR
Intl. 2.86%	Lg. Value 4.79%	Intl. -6.10%	Intl. 5.96%	Nat. Res. -17.44%	Natural Res: S&P North Am. Nat. Resources TR

Annualized returns. The above indices are unmanaged, which cannot be invested into directly. Past performance is not an indication of future results. Diversification cannot protect from market risk. Source: Morningstar. *60/40 Allocation: 40% Bonds, 6% Lg. Value, Blend, & Growth, 12% Mid Cap, 6% Sm. Value & Blend, 6% Intl., Nat. Res., and Real Est. Allocation, excludes Small Growth (Yellow). Rebalanced annually on Apr 1.
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IRS Indexed Limits for 2012 are as follows:
401(k), 403(b) & 457 Employee Deferral limit is $17,000.
Catch-up Contribution limit is $5,500.
Source: Standard Retirement Services, Inc.

Invest In Your Health

Successful Losers – Part 2

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

Last time we looked at the first three common characteristics of people who have lost weight and successfully kept it off. They included **1. Exercising, 2. Eating a relatively low fat and sugar diet and 3. Monitoring themselves and their progress on a regular basis.**

"Instead of jogging, can you just set my pacemaker to beat faster for 30 minutes a day while I watch TV?"

Did you know that reducing your weight by only 10% can improve your health dramatically? If you weigh 200 lbs., that's only a loss of 20 lbs. Now you may want to get back to your original high school weight of 130 lbs, but that's quite an accomplishment. We now know that if you'll simply lose that first 10%, you can lower your blood pressure, your blood sugar, and your blood cholesterol. Besides, if your goal is just 10% of your current body weight, you have a good chance of accomplishing your goal. It's important to achieve some initial success. Let your body get used to that new weight for a while. The focus on some fantasy weight goal takes away from the success that's achieved at much smaller weight loss levels.

Learn how much you can eat and how much you need to exercise to maintain your new weight. By doing so you dramatically increase your chance for additional success the next time you try to lose more. Successful dieters report that they were patient and set small goals along the way that they could meet. Here's what else they do for success:

4: They eat breakfast every day
Try for a mix of a little protein and whole-grain carbohydrate. Shredded wheat, oatmeal, and Wheaties are all great whole-grain choices. Lean meat, hard-boiled egg whites, and peanut butter are all good proteins that you can grab quickly. Ironically, people who skip breakfast tend to eat more total calories in a day than people who eat it regularly. Those who skip breakfast also tend to have more of the bad LDL cholesterol.

Unfortunately, fewer Americans are eating breakfast than they did a generation ago. A recent study showed that when people ate more calories in the morning, they consumed fewer total calories for the entire day. On the other hand, those who ate more calories in the evening consumed more total calories for the entire day. This means that it may take more food to satisfy your appetite in the evening than it does during the morning, so if you skip breakfast and don't eat much during the day, you're setting yourself up to really over-consume calories later on.

5: They keep track of what they eat
You can learn a lot by recording what you eat, when you eat, and why you eat it. Many people eat to help themselves deal with emotional issues. If you're an emotional eater, you can learn a lot by picking up a pen before you pick up a fork. In a survey by the Calorie Control Council, women reported overeating because of emotional issues like loneliness or boredom, while men said they overate in response to external situations, like parties. Regardless of your particular emotional triggers, it's important that you remember that while eating can certainly be an enjoyable experience, it was never meant as a way to deal with stress. You should eat to live, not the other way around. These successful dieters also keep track of their exercise; when you write it down, you have some documentation of your success.

6: They eat an average of five times a day
These people eat more often, but they eat smaller meals, which can boost your energy level and help you from overeating—which might happen if you eat fewer meals but wait too long between each one. Now, this is not an excuse to graze on junk food all day long. What you eat needs to be good quality food with high nutrient content. If your schedule will allow it, you may find you do better by spreading the same number of calories out over more episodes of eating. It's been my observation that many people eat only once or twice a day. Of course, their hunger gets out of hand and they lose control of their intake. Even if they don't eat five times a day, three meals will be an improvement for many people.

7: Moderation, not perfection
I'm going to add one more suggestion here myself: Take it easy. You don't have to do all of this tomorrow. You don't have to become a vegetarian. You don't have to burn 2,800 calories every week, starting next week. Maybe you can try for a total of just 500 calories instead. Remember, perfection is not your goal. Doing more than you're doing right now is a major success. It's also probably more than the average person is doing. Make your exercise fun. Use an iPod and listen to some music. Get on a treadmill and watch television. Learn how to square dance and burn some fat at the same time. You're more likely to exercise if you have a good time while you're doing it. Give yourself some credit for the small victories; that's where big victories come from.

Nutritionist **David Meinz** presents keynotes to businesses and associations around the US and Canada based on his new book *Wealthy, Healthy & Wise: How To Make Sure You and Your Money Last A Long Time.* For information on his speaking services, or to order an autographed copy of his book, visit www.SpeakingOnHealth.com.

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