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INVESTMENT ADVISORS
Spectrum Investor® Newsletter 3rd Quarter | 2011

Quarterly Economic Update

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Enclosed are your investment returns for the 3rd quarter 2011. According to Morningstar, the S&P 500 stock index suffered a decline of 14% in the third quarter. The EAFE (International) Index was down 19.6% for the quarter. Even gold, usually a good destination in times of turmoil, suffered a loss of 12% in September after hitting a record high of $1,880 on August 22nd. The yield on the 10 year US Treasury fell to 1.71%, the lowest yield since the 1940s. The bottom line; there were very few places to hide. The 3rd quarter has taught us that, more and more, we are a global economy.

The Bad News. According to Mohamed El-Erian, CEO of PIMCO, "the world is now subject to both a synchronized slowdown and de-leveraging" (*Reuters*, 10/3/11). A Reuters survey shows economist now expect the world economy to grow by 3.8% this year, and 3.6% in 2012, down from the July survey of of 4.1% and 4.3%, respectively (*IBD*, 10/14/11).

The worldwide debt concerns are most prominent in Greece. Greece represents only 2% of the European Union, but its debt to GDP ratio (165%) is twice that of the euro-zone average. The 10-year government interest rate in Greece now exceeds 20%, up from 5% just three years ago (*WSJ*, 9/30/11).

Now that it's part of the Eurozone, with the Euro as its currency, Greece cannot devalue its own currency to boost exports or attract tourists as we can. Early retirement age in Europe also doesn't help. For example, when Prime Minister Nicolas Sarkozy raised the normal retirement age in France from 60 to 62, his popularity sank by 20% (*USA Today*, 10/12/11). The upside in Europe is that unlike Greece, the Portuguese and Irish austerity plans seem to be working without killing their economies, according to economist Ed Yardeni (*IBD*, 9/27/11).

The total bailout package in Europe now exceeds one trillion dollars. Adding to the uncertainty is that each bailout package needs unanimous approval of 17 countries. This is difficult for countries like Slovakia and forces more dependency on Germany. Germany is on the hook for one quarter of the total bailouts, putting tremendous pressure on German Chancellor Angela Merkel (*USA Today*, 10/12/11).

The Good News. Auto sales are up, manufacturing is up and our GDP is up. Total rail volumes (Warren Buffett's favorite economic indicator) were up 1.1% over one year ago. During the last week of September 2011, U.S. railroads originated 312,770 carloads of freight, which is more carload traffic than any week since November 2008 (*Rail Time Indicators*, 10/7/11). We are not seeing declines in rail volumes that are synonymous with a recession, according to Art Hatfield, transportation analyst at Morgan Keegan & Co. (*MJS*, 9/26/11).

According to *Profitable Investing*, analysts still expect companies in the S&P 500 to post a 16.6% profit gain in the third quarter vs. one-year ago (8/4/11). The 3rd quarter is typically the worst of the year. Going back to 1928, the fourth quarter has been the strongest averaging 2.4% and 4.6% in the last 20 years (Bespoke Investment Group, 10/3/11). To reflect back, it was three years ago (10/16/08) that Warren Buffet wrote his, "Buy American, I am" article in the *New York Times*. **Buffett encouraged investors to be fearful when others are greedy and to be greedy when others are fearful.** Since Buffett wrote his letter, the S&P 500 has gained 30.7% through Friday, 10/17/11 (*BTN Research*, *NYT*).

Record Low Mortgage Rates. Mortgages rarely have been this low since rates were made available to WWII veterans in the late 40s at 4%. Thirty year fixed rate mortgages dipped below 4% the last week of September. Fifteen year fixed rates are in the low 3.3%-3.5% range. Even if you have already refinanced, or if your mortgage interest rate is .75% to 1% higher than either of the above rates, **refinance again**.

Four steps to consider (*The Oxford Club*, 8/11).
1. **Think Strategy**. Remember your strategy and why it was selected to help you achieve your goals. If you don't have a strategy or are questioning the one you have in place, speak to one of our advisors for a personal review.
2. **Expect the unexpected.** Waiting behind every bull market is a bear market and vice versa, which is why it is so important to stay diversified.
3. **Take the long view.** Look 10 years out vs. what happens this week, this month or this year.
4. **Understand that we are hard wired to react emotionally.** A fear response in the financial markets is not generally helpful. As investment legend Peter Lynch used to say, "If you are going to panic, do it early."

To help you understand why we at Spectrum so often suggest balanced portfolios, **we created a new chart on Page 3 of this newsletter called "60% Stocks/40% Bonds vs. Indices".** The chart illustrates that having bonds in your portfolio can help you soften the downside, while stocks are struggling, but a balance of diversified stocks can help you outperform bonds during rising stock markets.

For example, over the past 10 years ending 9/30/11, a 60/40 balanced portfolio had a return of 6.32% while the S&P 500 (the green category) had a return of 2.82%. This does not take into consideration fees, taxes, inflation and other factors that could impact returns. As you can see, long-term, it is very difficult to select any particular color (investment style) since each winning and losing style varies from year to year through market cycles. Rather than chasing any particular style (color) we suggest investing in a balanced blend of styles to try to smooth out the ride through market cycles.

We mentioned in our first quarter, 2011 newsletter that **rebalancing in May**, especially for those close to retirement, would be prudent. If you haven't rebalanced in the last year, it's never too late to do so. Should you need assistance, visit our website or call our office at 800-242-4735.

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

Back to School

Brian E. White, CFP®
Wealth Manager

As September comes to a close, children everywhere are slowly getting adjusted to their surroundings at school. Whether it's pre-school or graduate school, classrooms are full of students (sometimes) ready and willing to learn.

If the word "college" makes you cringe, I don't blame you. The prospect of paying for college, especially a private university, is quite scary. If you don't have children, grandchildren or relatives in college now, you probably will in the future. According to finaid.org, a leading financial aid website, **the average annual tuition inflation rate is about 8%**. **At that rate, the cost of tuition doubles every nine years!** With numbers like those, the earlier you start saving for college, the better. The following pointers can help you along the way.

Brown Bag It (and save some money). According to an article in the *Wall Street Journal* entitled, "A Three Year Countdown to Saving for College", the typical family pays for 33% of college through grants and scholarships and 30% from the parent's savings. The rest consists of student loans/borrowing (15%), student savings/income (11%), parent borrowing (7%) and friends/relatives (4%) (8/28/11). Make sure your children apply for all the grants and scholarships they can. More importantly, start saving for their education and start saving as soon as you can.

The two most popular and most tax efficient methods of saving for education are the **Coverdell Education Savings Account (ESA)** and the **529 college savings plan**. The ESA has income limits and only allows $2,000 in contributions per child per year. However, your investment options are virtually limitless with an ESA. The 529 plan is different for each state and has different state tax benefits. You're also limited to the investments that the particular state's provider selects. The contribution limits are much higher per child and some states like Wisconsin allow for up to $330,000 per child. When you get above a $13,000 contribution per year, you'll run into gifting consequences, and for that you need to check with your tax advisor. All qualified distributions from both of these plans are likely federally, and possibly, state tax-free.

There are other methods of savings, including savings accounts, life insurance policies, zero coupon treasury bonds and pre-paid tuition. Think of these as second-tier destinations for your money when you've maxed out savings for the previously mentioned plans. Unlike the ESA or the 529 plans, the growth of these savings methods is likely taxable. However, if the account is under the child's name, it will also be taxed at their income rate.

Don't be a bully (to your retirement plan). One of our favorite quotes on investing comes from Warren Buffett. "An investor needs to do very few things right as long as he or she avoids big mistakes." **One of those big mistakes is to rob from your own retirement plan to pay for your children's education.** Your 401(k) is for your retirement and should not be thought of as a rainy day account. As advisors, we often see individuals raiding their 401(k) plan for such an occasion. Any withdrawals are subject to income taxes as well as possible penalties. Loans from a 401(k) aren't taxed at the onset, but can be subject to income taxes if you lose your job.

Teach your children. Many parents who've had kids that have attended college have said that the best thing they did was teach their kids the responsibility of paying for things on their own. They learn to balance work and school as well as the responsibility of student loans when they graduate. We're not talking about back-breaking student loans, but a reasonable amount that can be paid off post-college. Student loans are often at much lower rates than any personal loans and can be postponed through graduate school. A student won't learn anything about fiscal responsibility if they earn nothing and are given everything they want all the time. A little student debt gives them a big stake in their success.

We can all hope for our children, grandchildren and other relatives to land an athletic scholarship to a major university. According to the NCAA, less than 2% of high school athletes score a full or partial scholarship. Odds are you'll need to start saving for your children's college education costs. Since everyone is different, there isn't one solution. Do your research at websites like www.finaid.org or speak with Spectrum about your unique situation.

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

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 9/30/11

Category Average	3rd Qtr	1 Year	3 Year
Intermediate-Term Bond	**1.53%**	**3.52%**	**8.56%**
Moderate Allocation	-10.43%	-0.40%	3.44%
Large Cap Value	-16.16%	-2.41%	-0.67%
Large Cap Blend	-15.85%	-1.78%	0.29%
Large Cap Growth	-15.61%	-0.40%	2.43%
Mid Cap Value	-19.52%	-4.01%	2.00%
Mid Cap Blend	-20.27%	-3.27%	1.91%
Mid Cap Growth	-19.61%	-1.14%	3.59%
Small Cap Value	-20.98%	-5.21%	0.74%
Small Cap Blend	-21.77%	-3.70%	0.62%
Small Cap Growth	-22.33%	-0.92%	2.48%
Foreign Large Blend	-20.92%	**-11.64%**	**-1.79%**
Real Estate	-14.94%	-0.12%	-1.34%
Natural Resources	**-23.90%**	-8.19%	-1.55%

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

DOW: 10,913	**10 Yr T-Note: 1.91%**
NASDAQ: 2415	**Inflation Rate: 3.8%** (8/2011)
S&P 500: 1131	**Unemployment Rate: 9.1%** (9/2011)
Barrel of Oil: $79.20	Source: www.bls.gov
	Source: *USA Today* 9/30/11

In Other Words

The 401(k) Blues

Angie Franzone
Newsletter Editor

If I had to guess, I'd say a lot of you aren't anxiously awaiting your 401(k) statement this quarter. The S&P 500 Index ending the quarter down nearly 14% doesn't do a whole lot to boost one's confidence in the stock market, but it's times like these when it's crucial not to let your emotions drive your investment decisions.

It's okay to pull back by paring down your stock exposure, for example, from 60% equities to 50% equities, but don't pull out all together. Buy low and sell high is a simple concept but one people often do the opposite of out of fear. Take this recent stock market roller coaster ride for example. On August 8th, 2011 the DOW dropped 5.5%, the next day it was up 4%, then down 4.6%, then up over 6% over the following three days to end up 0.5% higher than it all started on August 8th. That was a whole lot of ups and downs, just to end up around the same place. However, if you had let your emotions take over after that first decline and taken your money completely out of equities you would have missed out on the upside and done your 401(k) portfolio a great disservice because when you eventually got back in, you probably would have sold low and bought high.

One way to protect yourself from impulsive reactions to the market is to have a strategy known as **asset allocation**. The purpose of asset allocation is to balance risk and reward by spreading your assets in a diverse number of investments based on your personal goals, risk tolerance and time horizon.

It's not easy to figure out what asset allocation is right for you, which is why our advisors are here to help. Our color-coded investment system is, at its purest, just another way of saying "In other words".

60% Stocks/40% Bonds Allocation vs. Indices

15 Year	10 Year	5 Year	3 Year	1 Year	9/30/11
Mid Cap 9.52%	Nat. Res. 10.10%	Bonds 7.97%	Bonds 6.70%	Bonds 5.26%	Bonds 6.65%
Real Est. 9.47%	Real Est. 9.07%	Nat. Res. 3.18%	Lg. Growth 4.47%	Lg. Growth 4.85%	Real Est. -5.20%
Nat. Res. 8.58%	Mid Cap 7.50%	60/40 2.55%	Mid Cap 4.05%	Real Est. 1.87%	Lg. Growth -5.56%
Sm. Value 7.60%	Sm. Value 6.47%	Mid Cap 2.20%	60/40 3.70%	Lg. Blend 1.14%	60/40 -5.63%
60/40 7.33%	60/40 6.32%	Lg. Growth 1.41%	Sm. Growth 2.07%	60/40 1.03%	Lg. Blend -8.68%
Bonds 6.46%	Sm. Blend 6.12%	Sm. Growth 0.96%	Lg. Blend 1.23%	Sm. Growth -1.12%	Lg. Value -11.92%
Sm. Blend 5.59%	Bonds 5.66%	Sm. Blend -1.02%	Sm. Blend -0.37%	Mid Cap -1.28%	Mid Cap -13.02%
Lg. Growth 5.30%	Sm. Growth 5.45%	Lg. Blend -1.18%	Nat. Res -0.65%	Nat. Res. -1.63%	Intl. -14.98%
Lg. Blend 5.23%	Intl. 5.03%	Sm. Value -3.08%	Intl. -1.13%	Lg. Value -2.66%	Sm. Growth -15.57%
Lg. Value 4.81%	Lg. Growth 3.05%	Real Est. -3.17%	Real Est. -2.16%	Sm. Blend -3.53%	Sm. Blend -17.02%
Intl. 3.28%	Lg. Blend 2.82%	Intl. -3.46%	Lg. Value -2.19%	Sm. Value -5.99%	Sm. Value -18.51%
Sm. Growth 3.00%	Lg. Value 2.41%	Lg. Value -3.88%	Sm. Value -2.78%	Intl. -9.36%	Nat. Res. -18.90%

Past performance does not indicate future results. For illustration only. Not actual account performance. Diversification is not guaranteed protection from market risk. The above indices are unmanaged, which cannot be invested into directly.
Source: Morningstar. ©2011 Spectrum Investment Advisors, Inc.

In order to simplify investing, each investment in your portfolio is assigned a color based on its category. For example, **aqua** represents **bonds**, **purple** represents **large cap value** investments, **white** represents **international** investments and so on. If you've met with an advisor you've probably seen the color-coded communication materials in your Spectrum Investor® handout.

This quarter, those investors who had more aqua in their portfolios (bonds) fared better than those who didn't because bonds outperformed stocks. However, that does not mean that you should look at what investments did best and put all your assets into those portfolios, also known as chasing returns or market timing. As our August memo explains, trying to time the market has proven to be impossible. **Staying the course with a diversified, balanced portfolio is your best bet**, as was illustrated with the two week market fluctuations in August as well as the chart in the left hand column. As you can see, if you try to pick one color, or style, to invest in you won't have much luck because they're all over the place; but by choosing a balanced portfolio, like the 60/40 model, you get a more consistent return, and as an added bonus, a better night's sleep!

Diversification is an essential part of your asset allocation strategy. You want to make sure to spread the wealth among many different investments as we discussed in our second quarter newsletter. With that being said, those international investment options in your 401(k) may be looking pretty suspect, but by pulling out of international all together you will be eliminating an investment option that makes up over 70% of the global economy! Once again, **the key is to pull back, but not pull out.**

Balanced portfolios can often provide a little confidence for investors who start feeling the urge to pull out when the stock market goes down, because they are made up of a combination of stocks and bonds.

If your 401(k) is giving you the blues, give it right back by increasing the percentage of bonds (aqua), or moderate allocation/balanced choices in your portfolio and don't forget to rebalance! 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 asset allocation or diversification will enhance overall returns, outperform a non-diversified portfolio, nor ensure a profit or protect against a loss.

IRS Indexed Limits for 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.

Investment Style	Representative Index
Intermediate-Term Bonds	Barclays Capital Aggregate Bond Index
Large Cap Value	S&P/BARRA 500 Value Index/Citigroup*
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/BARRA 500 Growth Index/Citigroup*
Mid Cap Blend	S&P MidCap 400
Small Cap Value	Russell 2000 Value Index
Small Cap Blend	Russell 2000 Index
Small Cap Growth	Russell 2000 Growth Index
International	MSCI EAFE Index
Real Estate	DJ Wilshire REIT Index
Natural Resources	S&P North American Natural Resources

Cannot invest directly in an index.

60/40 Allocation used: 40% Bonds, 6% in Large Value, Blend, and Growth, 12% in Mid Cap, 6% in Small Value and Blend, 6% in International, Natural Resources, and Real Estate. This allocation excludes Small Growth (Yellow). Rebalanced annually on October 1.

Invest In Your Health

Eating Your Way Through The Holidays

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

Here's a few suggestions on how you can get rid of some of the fat in your favorite holiday foods:

1. Remember that what you choose can make a difference. Pumpkin or Pecan pie? Go with a slice of pumpkin. You'll save 14 grams of fat and at least 150 calories by choosing the pumpkin. Remember, for the same calories as you get in a cup of peanuts, you can have 48 cups of Orville Redenbacher's lite microwave popcorn; 48 cups, for the same number of calories as in one cup of peanuts! That's amazing!

Now you might just end up eating less than 48 cups of popcorn, but you could probably easily go through a cup of peanuts just by yourself. Snacks like pretzels and fat-free Tostitos, served with some salsa, make great alternatives to traditional high fat potato chips.

2. Substitute traditional ingredients with healthier ones. When you're making mashed potatoes mash them with evaporated skim milk rather than whole milk and try olive oil and roasted fresh garlic instead of butter. And of course for gravy, take your drippings and put them in the refrigerator overnight. The next morning you can skim the fat off and then make a much lower fat gravy. You can use reduced salt chicken broth and skim milk plus seasonings to make your gravy as well.

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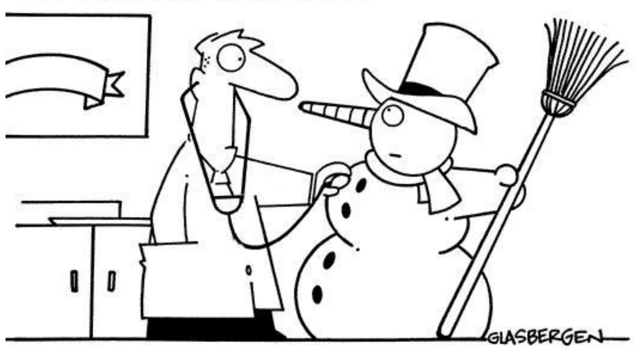


"Thumpity-thump-thump, thumpity-thump-thump...."

3. Keep in mind that in many of your holiday recipes you can often get rid of up to half of the sugar called for and that includes honey and other sweeteners as well. Cake recipes can also stand to have their sugar cut, but probably not as much as you can for items like muffins, pie fillings, and puddings. You should be able to decrease the sugar in most cake recipes by about one third. Experiment a little with cookies, but you'll find that you can't dramatically cut the sugar in those recipes.

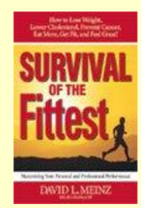
4. You'll also find that you can reduce fats like shortening, oil, butter, and margarine by half in many recipes. In its place, to put moisture back in you can add mashed bananas, applesauce, or fruit puree. Also look for a relatively new product in the grocery store. It's made by Smucker's and it's called "Baking Healthy." It's a ready-to-use fruit puree substitute which allows you to make your favorite holiday desserts, but without all the fat. You'll find it in the same aisle as the flour and other baking ingredients. Give it a try!

5. Remember, in a typical piece of pie the crust is contributing about half the calories and almost all the fat. For a lower fat piecrust, take one cup of graham cracker crumbs and two non-fat breakfast cereal bars and grind them together in a food processor or blender. Then use Pam or some light vegetable oil spray in a glass pie dish, press the crumbs into the dish and bake that crust at 350 degrees for about three to five minutes.

For a crust that goes well with pumpkin pie, add a half a cup of graham cracker crumbs to a half a cup of crushed ginger snap cookies. Combine those together with two tablespoons of melted light margarine and press that into a non-stick pie pan coated with vegetable cooking spray. Bake it in a pre-heated oven at 350 degrees for seven minutes and let it cool on a wire rack.
You'll like it.

Happy and healthy holidays to you and your family!

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.



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