INVESTMENT MANAGEMENT & CONSULTING GROUP

VIEWPOINTS

2ND QUARTER 2011 — *ADVISORY NEWSLETTER*

MARKET COMMENTARY — FREDRIC W. WILLIAMS

Continuing To Muddle Along…

"It's not having what you want, it's wanting what you have."
Sheryl Crow - "Soak Up The Sun"

The essence of a shrewd marketing campaign is the ability of the seller to make the buyer believe that what is being offered fits exactly with what the buyer says they want, thereby facilitating a successful transaction. Although having what you want may be the focus of a consumer-centric society, Ms. Crow offers up an interesting Zen-like alternative – being happy with what you already have.

In a similar vein, we've heard no end to the list of things the media's talking heads point out that we should want in our economy, but yet that we lack. We take no umbrage at the accuracy of their assertions that we have too few jobs, too little economic growth and too much debt as we struggle back from the depths of the Great Recession. We just feel it's important to recognize that which we do have, and that if viewed through a slightly different lens, how we might actually be happy with it when looked at within an alternate context.

We're not trying to portray an overly optimistic view of some very challenging global economic circumstances, but rather to suggest that perhaps how we've viewed things in the past may not have the same bearing now. A great deal of this lens-realignment can be attributed to a mind set "back in the day" whereby the timeline used to measure how long it should take to have something occur or get done was measured in mere minutes, rather than perhaps months or longer. Chairman Greenspan gave us "irrational exuberance" and we think that should have been coupled with an extra large helping of "impatient expectations" – a case in point being the legion of incredibly "successful" day traders where "long term" was something held past the next meal. The belief that long term rewards, be they material or financial, should have arrived yesterday in an overnight Fed Ex box, is tantamount to this "gotta have it now" mentality that pervades the assessment of where we are on the long road to recovery from a truly harrowing brush with the financial abyss.

All that being said, we'd like to suggest some perspectives that might make us be a little more pragmatic about where we are, as well as perhaps why, in this laborious process:

Housing: The mortgage lending industry gave money to people who didn't have the means to pay it back so they could buy an asset they were convinced was going to go up in price but which instead declined in value. The bad news is that the system is now laden with properties that are worth less than what is owed on them and are owned by people who don't have the ability to pay the mortgage back. The unrealistic expectation was that this would "clear up" in a couple of years, when reality suggests that the inventory out there may take 4-6 years to get worked off so the housing industry can get back to work again. The modestly good news is that recent data from Case-Shiller and CoreLogic indicate month over month price increases that could serve as a bottoming process where aggregate demand (existing organic demand at these prices PLUS demand from new household formation) could sustain these levels and be the basis for modest price improvement as demand begins to erode supply. Think of this as a severe housing hangover – one that's not going to be solved with merely four aspirin and a nap – this is going to take time to work its way out of the system.

Jobs: Until the policy paralysis in Washington's kindergarten sandbox (a.k.a. Congress) gets resolved we're not going to see a meaningful uptick in hiring – corporations and small businesses are not going to add people until they know what those marginal costs are going to be. From taxes to benefits and regulatory requirements, there is not yet a clear picture of what adding people means to the bottom line. What we do know, based on the recent F.O.M.C.'s June meeting release notes, is that "business investment in equipment and software continue to expand", which would indicate that the lack of hiring is not due to lack of funds. Corporate balance sheets are as healthy as they've been in years, and this can be seen in the fact in Q4 2010 13.6% of the 1500 largest domestic corporations increased their dividends. But additional deployment of corporate cash is being curtailed by the lack of clarity on future policies – and this is crimping our economic growth. If GDP is muddling along in the 2% area then it won't make a dent in unemployment as that requires at least a 3-3.5% growth rate to have unemployed workers start being pulled back in to the economy. If we want to get the private sector to get back to work and hiring people then we need politicians to park their egos at the door and start making some thoughtful long term decisions. The good news is that we have seen some improvement in the unemployment rate of late – and it appears that from these levels we may begin the arduous task of slowly climbing toward more acceptable, and necessary, levels of employment as the global economy continues its healing process.

Commodity Prices: We could spend time talking about the entire complex since the actual commodities are an integral part of the cost structure associated with the goods manufactured within our global economy, but we'll focus on oil and the associated futures market to make our point. In 2008, with oil approaching $150 a barrel, we wrote in this space about the influence that the futures market was having on the cash price of the oil itself. Increasing commodity prices have been a headwind to more robust growth as items like heating oil and gasoline take more out of a consumer's wallet thereby constraining other spending that sparks greater GDP expansion. Our concern then was that there was a disconnect between the futures price for oil, which we felt was driven by the long-only speculators, and the actual cost that the producers incurred to bring the crude to market. We pointed out then the changes that had occurred within the futures market which we felt may have contributed to this distortion. Historically 70% of futures markets' participants were "professionals" who produced a commodity (oil, corn, mining metals, etc.) and used the futures market as a means of selling what they produced and hedging those prices into the future. Beginning early in the first decade of this new millennium a trend began to develop whereby we now have 70% of the market being "speculators" who have no vested interest in the commodity [meaning they don't intend to either accept or deliver the actual product] and who buy the futures contracts and then merely roll them forward at expiration. Their presence in the market is overwhelming the sellers (the "professionals" hedging that which they actually produce) and putting constant upward pressure on the commodity's price as expressed in the futures market. Thanks (in a manner of speaking) to WikiLeaks documents released in May 2011 we discover that Saudi Arabia, in 2008 as a response to U.S. requests to increase output to bring prices down, pointed out that these market speculators were the cause of the spike in prices, not the lack of supply. In fact, the Saudi's told the administration [according to the cables] that if they produced more oil they wouldn't be able to find anyone to sell it to (due to a lack of demand) and that they believed these same long only futures players were responsible for about $40 (or more than 25%) of the price of oil to consumers at its peak in 2008. The good news is that if the government regulators and the CFTC were to implement the position limits and margin requirements that are being suggested, we could see much of this upward pressure curtailed. The proof in the pudding here can be seen in the silver markets recently – margin requirements were increased in late May 2011 and we've seen 15% plus decline in the futures price just in the last 45 days. If this type of vigilance was directed at other futures markets we could potentially see the same benefit, turning some commodity prices from headwinds to tailwinds for economic growth.

In the midst of all the uncertainty that surrounds the global recovery there are bright spots that indicate progress is being made, albeit at perhaps not the pace "acceptable" to the aforementioned media talking heads. But framed within the context of an expectation for slower economic growth than we may have been accustomed to in the past, we might find ourselves happy with what we have, rather than disappointed in looking for something that's just not attainable at this point in the process.

EQUITY MARKET OVERVIEW — INVESTMENT POLICY COMMITTEE

Three Yards And A Cloud of Dust…

Reflecting on where the equity markets are as we cross mid-field in 2011, it's instructive to see how much "stuff" has been thrown at them to digest during the first 6 months of the year, not the least of which was the calamity that struck Japan, causing supply chain tremors around the globe.

> *"The U.S. economy showed signs of booming before sagging; uprisings swept the Mideast, but hit stalemates; European debt fears flared and cooled; Obama's approval ratings surged on the bin Laden killing, then slid on the economy – and the Dow moved all of (836) points, or 7.2%. The stock market has been oddly steady. Such is the way for a market becalmed by free money, undergirded by flush balance sheets and sitting at levels first reached 12 years ago."*
>
> *"By sports announcers' logic, the team that hits the locker room at halftime with the most momentum should dominate the 2nd half, too. If so, the bulls have the upper hand, after a*

quick 5% pop in the stock indexes as they crossed the half-year mark. But we've seen the euphoria-to-despair cycle enough times to be wary of momentum claims. And much of the S&P 500's year-to-date gain has come in recent days, while the index has essentially played between the 40-yard lines – a tight range between 1260 and 1360 – this year."

Barron's 6/20/11 & 7/4/2011

As we noted in this space last quarter, our expectation was that the unrelenting climb from the 2009 lows would face some headwinds as the markets' advances had to be recalibrated to the economic realities of slower growth within the context of the deleveraging taking place around the globe. After hitting late-April highs, the domestic equity indexes ground 7.2% lower over a period of six weeks, before rebounding 6% in two weeks to close the quarter effectively breakeven.

The Dow Jones Industrial Average once again outpaced its domestic brethren and inched ahead 0.8% in the 2nd quarter, hitting the 2011 halfway point up 7.2%, while the broader S&P 500 was off 0.4%, but ahead 5% for the year, and leaving the NASDAQ in trailing position, dropping 0.3% in the quarter and only being able to post a 4.5% advance on a year to date basis.

Elsewhere within the developed world, London's FTSE 100 was up 0.6% in the quarter, ahead only 0.8% for the year, Frankfurt's DAX jumped ahead 4.8%, up 6.6% on a year to date basis, while the Paris CAC 40 added 0.4% to hit mid year up 5.3%, and Tokyo's Nikkei was able to reverse course and be up 0.6% for the quarter, leaving it down 4% halfway through its post-tsunami 2011. The common theme in the developed world continues to be a halting recovery from the financial crisis and the impediments to growth that the existing debt burdens represent going forward. Further hampering the recovery was the aforementioned manufacturing supply chain disruptions caused by the earthquake in Japan, despite the fact that it's a one-off event that will eventually recede in its impact.

Within the developing world the challenges have been a bit different. Having become dependent on the seemingly insatiable demand for their products to be exported to the developed world, the financial crisis adversely impacted the volume of goods that they were able to sell to their "favorite" customers. Additional pressures came from central banks nudging rates higher in an attempt to bring some air out of their real estate bubbles - all of which resulted in relative weakness throughout the emerging markets during Q2 2011.

Using the BRIC complex as a proxy for the recent weakness in the developing markets, Brazil and its commodity heavy Bovespa dropped 9% in the quarter, leaving it down 9.1% on a year to date basis. China, continuing to curtail lending by raising their bank reserve requirements, reversed course and dropped 5.7% in the quarter, finishing the mid-year mark off 1.5%, while Russia fell 8.7%, down 1.8% for the year, and India eased 3.1%, off 8.3% through the first two quarters of the year.

The longer term macro story remains intact in that we expect growth in the emerging markets to be greater than in the developed world as a result of favorable demographics and currency reserve surpluses. The recent retracement provides an opportunity to continue gradual allocations in this arena via dividend paying multinationals in addition to more direct deployments diversified across the spectrum of the developing world.

BOND MARKET OVERVIEW — INVESTMENT POLICY COMMITTEE

QE2 Sets Sail…

For the bulk of the 2nd quarter the credit markets defied the "odds" and rallied in the face of initially worsening economic data in the U.S. and concerns about the European sovereign-debt troubles. These headlines turned on the "fear" trade focus as retail investors shunned their first quarter dalliance with the stock market and poured $16.87 and $19.59 billion respectively during April and May into bond mutual funds, versus a relatively paltry $6.78 and $5 billion into stock funds for the same period. During the last half of June these concerns abated as the consensus shifted to expecting the domestic economic soft patch and the Greek challenges to pass with time.

The quarter closed with the "risk" trade back on – where the stock markets were rising and the bond markets giving ground – albeit not enough to reverse the solid total returns posted by the fixed income sector.

The 2-year note closed the quarter yielding 0.45%, down from 0.80% at the end of March, while the 10-year note traded all the way between 3.57% and 2.87% before closing at 3.16%, down from 3.45% at the start of the quarter, and the 30-year bond also saw its yield drift lower from 4.49% to 4.37% as we hit the mid year point in 2011. With yields now back down near where they started the year, the question then becomes what the impetus could be for continued gains:

> *"Now that the Federal Reserve's bond-buying program is over and plenty of bad economic news is already priced into the market, some argue that a lot more terrible data on the economy will be needed for Treasury prices—which move in the opposite direction to yields—to rise much further."* *WSJ 7/1/11*

Our expectations for slow growth don't augur well for continued credit market upside, so with bond returns across the entire fixed income complex rallying in the quarter, and given our expectations for rising interest rates and levels of inflation in the future, we would reiterate our closing comments from last quarter as our continuing outlook going forward:

> *"Now, like it was last quarter, the rub is between the continuing attempts to keep the economy moving forward without over-stimulating it via rapid expansion in the money supply which could lead to cost-push or demand-pull inflationary pressures. We see flickers of inflation within the commodities complex (although these may be influenced by the long-only futures speculators) which can push prices higher, but we have yet to see the full-employment-bidding-up-house-prices demand that could pull prices higher. The Fed's delicate dance will be between wanting to make sure the economy doesn't fall on its face after being weaned off government life-support, and the concern that their accommodative monetary policy doesn't cause the accelerator to stick to the floor and foster unacceptable rates of inflation."*

"Given these concerns, we will continue to focus on keeping our maturities in the short to intermediate range, maintain a laddered structure to spread out our interest rate risk, and plan to add to our inflation protected and floating rate allocations both domestically and abroad as hedges against rising rates and currency fluctuations."

FIDUCIARY CORNER — STEPHEN L. EDDY

Separating the Wheat from the Chaff…

It has been interesting to watch the development of what has become a cottage industry springing up around 401(k) and 403(b) plans. It seems that every broker and financial advisor you come across these days talks about being a fiduciary for retirement plans, or providing fiduciary oversight for retirement plans. Why do they say this? Because if they won't be (or claim to be) a fiduciary of the plan assets, someone else - a real, documented, investment fiduciary like IMCG – will be, and that equates to lost business for the broker.

When I tell a competitor what IMCG does as an investment fiduciary for retirement plans, their immediate response while they furtively look around to see if anyone can hear them is "we do that too". Which is what they tell their clients (our prospects). Which is very misleading, since there are many gray areas that are being taken advantage of by their clever marketers. Which is why brokers fought the application of a universal fiduciary standard so hard. Which is why we have the better path for plan sponsors to take.

The challenge that plan sponsors face when they hear terms like "co-fiduciary", "fiduciary oversight" and "trustee-like" (yes, these are actual terms from actual marketing material from actual Maine-based brokers/investment advisors"), is determining what any of it means. To the prospect/widget-maker (plan sponsor), anyone who works with plan assets - the brokers, Registered Investment Advisors, insurance companies, hedge funds, mutual funds, banks, etc. – is lumped in to the category of "money manager". And, by logical extension, anyone who uses (or misuses) the term fiduciary must be a fiduciary. Quite often, the only information the plan sponsor has at their disposal to help them differentiate between the money managers and investment fiduciaries of the world are the marketing materials and what the salesperson told them.

In our 2010 third quarter newsletter I went to some length to review the different types of retirement plan fiduciaries. At the top of the list was the plan sponsor as the ultimate fiduciary. Also mentioned in the article was the fact that the term "co-fiduciary" had no legal basis; that it is, as well-published ERISA attorney/fiduciary expert W. Scott Simon wrote, *"a marketing gimmick… [an] illusion which is endorsed by leading advertising firms and the marketing departments at many broker/dealers and insurance companies."*

The typical plan sponsor does not know the differences between advisors and doesn't have the resources to wade through their various marketing gimmicks – they are just looking for a cost-effective low-hassle solution to help them provide a retirement plan benefit for their employees. How do they separate the wheat from the chaff? Well, I've come up with IMCG's first annual Wheat vs. Chaff fiduciary checklist! If used properly, it should guide you to an effective investment fiduciary.

Wheat vs. Chaff Fiduciary Checklist

QUESTION	YES	NO
Does the advisor sign a document that legally stipulates their role as an investment fiduciary (i.e. section 3(38) Investment Manager or a Named Fiduciary)? • **What Yes means**: the advisor stands behind their work and will take the burden of investment selection and monitoring from the plan sponsor. IMCG is in this category. • **What No usually means**: if they only verbally implied they would be a co-fiduciary, it was misleading and has no legal standing. If they flat-out refused, they are not willing to take on the fiduciary role, often because they don't operate in a manner in which they could be considered an effective fiduciary.		
Does the provider do their own in-house research when monitoring and selecting funds, and then select the platform based on that output, rather than having the funds offered by a platform dictate their menu choices? • **What Yes means**: the advisor has the experience and expertise in the investment analysis world to make distinctions regarding the best investment options for a plan. IMCG, for example. • **What No usually means**: the advisor relies on the platform to do the research and monitoring, has little or no control over the options offered by the platform (often related to which funds pay the platform best), is product-based vs. service-based, almost always commission-based and does not have the expertise or experience to make the subtle but important distinctions between funds.		
Does the advisor refuse to accept payment from the platform(s) they recommend? • **What Yes means**: the advisor is fee-based, unbiased in platform selection, can usually provide the best platform on the market, and can change platforms for the good of the client without worrying about compensation. IMCG, but you knew that. • **What No usually means**: red flag! The advisor should start each client meeting with the phrase "of the platforms that pay me to sell them, these are the best". It's impossible to be unbiased if you are being paid by the product you are supposed to be independently analyzing.		
Does the advisor utilize institutional share classes of mutual funds wherever available? • **What Yes means**: the advisor is focused on keeping expenses low and is not paid by the platform. You guessed it, IMCG again. • **What No usually means**: the advisor is paid by the platform, and therefore limited in their ability to be a fiduciary.		

Medical Costs in Retirement

Medicare premiums may soon start crushing retiree spending power. Many people are either woefully underfunded for healthcare costs in retirement or have greatly underestimated their potential costs. There have been numerous recent studies with regard to how much money is needed for health care costs in retirement - while the projections vary by study, the underlying fact is they are significant. In recent discussions with clients and retirement plan participants it is clear that this should be a concern. I thought I would share some of the facts and research I have come across recently.

Here are the basic facts:

- Since 1965, the year Medicare was created, the consumer price index has risen at around a 4 percent annual rate.
- Over the same period, the Medicare premium has inflated at around an 8 percent rate.
- The gap appears to be growing.
- The pool of people who will be accessing Medicare benefits is growing larger.
- The Medicare Part A trust fund is projected to become insolvent in 2017.
- There is legislation enacted that limits the percentage rise in Medicare premiums in the coming years, but this also coincides with a percentage reduction of Medicare reimbursement to physicians (which many believe will lead to physicians seeing fewer Medicare patients).

Recently, the discrepancy is even more pronounced. Between 2000 and 2010 the monthly Medicare premium grew from $45.40 to $110.50 (higher for different income levels). That's roughly an 8 percent annual rate of increase. During the same ten-year period the consumer price index rose at around 2.5 percent a year. Medicare costs are now rising over 5 percent a year faster than the general inflation rate.

Some data from a few recent studies (none of these figures include Long Term Care expenses):

- The Center for Research at Boston College found that in over 300,000 simulations the average lifetime health care expenditure for a typical married couple at the age of 65 is $197,000. This figure covers insurance premiums, out-of-pocket costs and home health costs.

- In a May 2008 study, the Employee Benefit Research Institute determined that a couple who retired in 2008 at age 65 would need $400,000 in savings to cover Medicare part B and D premiums, Medigap premiums and out-of-pocket expenses (this is a revised amount as a result of changes to Medicare Part D cost sharing that will be phased in by 2020 due to recently enacted health reform). This study ran scenarios with probabilities of 50%, 75% and 90% with the above amount at the 90% probability rate.

- Fidelity's studies estimate that an average 65 year-old should plan for at least $645 monthly or $7,740 annually in healthcare expenses.

Type of Expense	Annual Cost	Monthly Cost
Medicare "A" premium	$0	$0
Medicare "A" deductible	$300	$25
Medicare "A" co-pay	$60	$5
Medicare "A" skilled care	$96	$8
Medicare "B" premium	$1152	$96
Medicare "B" deductible	$96	$8
Medicare "B" co-pay	$1068	$89
Other misc.	$384	$32
Dental/vision/hearing	$480	$40
Medigap	$2808	$234
Prescriptions	$1296	$108
Total per month	**$7740**	**$645**

- Note: "Medigap" is Medicare Supplement Insurance that provides supplemental health insurance coverage for Medicare beneficiaries. You may select varying levels of Medigap coverage, which could increase or decrease monthly expenses.

Many of us have our health care benefits subsidized partly by our employer. For most, this will not be the case in retirement as yet more studies show that only about 33% of employers subsidize health care benefits in retirement and that percentage is still shrinking. Most people are paying approximately 5% to 10 % of their income for health benefits. That percentage will rise to 15% to 20% for most once they reach retirement. That percentage could be much higher for those with chronic conditions.

So, what does it all mean? Health care reform? Medicare reform? Social Security reform? Maybe, but that will get political.

What can you do?

- **Project accordingly or revise existing projections** - In planning for future expenses we should look at current health condition, hereditary concerns, prescriptions etc… In addition we may want to look at projecting these expenses at a greater percentage versus inflation.
- **Review your Employee Benefits** - Ask your employer if any health care benefits are subsidized in retirement. If you have a pension and benefits are subsidized, ask what benefits are (if any) for the spouse if the pensioner dies.
- **Save more** - Save more in work place retirement accounts, Roth IRA's or Health Savings accounts (HSA's) if applicable.
- **Stay healthy**

If you would like to have a further discussion about the impact of healthcare costs on retirement dollars, please contact your IMCG advisor to schedule a meeting or have a conversation.

Show Me…the Tax Free Interest… ***John Warme***

If you were to watch a cable financial news network for an afternoon, you would hear many opposing predictions regarding the same issue by a number of market experts. One of those who generated a great deal of attention in the last six months is Meredith Whitney. Last December, she made a dire prediction on "60 Minutes" that there will be "hundreds of billions" of dollars in municipal bond defaults starting in 2011. Though this was widely agreed upon as an alarmist and exaggerated call, it certainly brought the discussion to the forefront. The truth of the matter is that historically, municipal bond defaults are extremely low in comparison to corporate bonds and are integral parts of well-constructed portfolios . . . especially for clients in higher tax brackets.

Municipal bonds, or "munis" as they are commonly referred to, are debt obligations of local governments, lower than the state level. They are issued to fund the construction of certain infrastructure needs such as bridges, highways, local government buildings, schools, water utilities and environmental waste needs. Though there are multiple types of munis, we at IMCG invest almost exclusively in general obligation (GO) munis which are secured by the municipality's ability to tax. Because the ability to tax is hypothetically unlimited and the likelihood of default low, these are considered "safer" investments. An added feature, which cannot be ignored, is the fact that by buying munis, you are literally investing in your own community, funding infrastructure that will likely benefit you.

Citing the omnipresent positive correlation between risk and return, these "safe" GO munis are not known for trading at a deep discount and boasting a high yield. That being said, it is not the appreciation factor that we seek in the munis in the portfolios we manage. We are not trading munis for realized gain, but rather building a ladder of maturities which will provide a steady stream of income for the portfolio. At maturity, the principal is re-invested in other GO munis that fill out the ladder. Prior to maturity, the interest income (paid semi-annually) is either reinvested elsewhere in the portfolio or withdrawn from the portfolio altogether to fund the client's cash flow needs.

The most important and attractive feature of municipal bonds is their favorable tax status. Except in unusual cases, munis are exempt from federal, state and local taxes (in the states in which they are issued). This means that a muni bond with a tax-exempt coupon rate of 5.75% would be the equivalent of a corporate bond with a coupon of 9.58% for someone in the 40% tax bracket. Since munis cannot be split into blocks of less than 5000 (or roughly $5000), and tax bracket is a significant factor, this strategy may not make sense for every client.

As mentioned, the historic default rate for muni bonds is extremely low. Below is a table of the historic default rates (in percent) of munis compared to corporates through 2007. Additionally, according to Moody's, there were zero muni defaults in 2010 and they expect "only a few" in 2011. This is far off from the "hundreds of billions" of dollars Whitney suggested on "60 Minutes". Furthermore, when invited to name some municipalities which she felt would default during an appearance on CNBC last month, she declined to be specific.

MUNICIPAL vs. CORPORATE BOND DEFAULT RATES THROUGH 2007

Cumulative historic default rates (in percent):

Rating categories	Moody's Muni	Moody's Corp	S&P Muni	S&P Corp
Aaa/AAA	0.00	0.52	0.00	.60
Aa/AA	0.06	0.52	0.00	1.50
A/A	0.03	1.29	0.23	2.91
Baa/BBB	0.13	4.64	0.32	10.29
Ba/BB	2.65	19.12	1.74	29.93
B/B	11.86	43.34	8.48	53.72
Caa-C/CCC-C	16.58	69.18	44.81	69.19
Investment grade	0.07	2.09	0.20	4.14
Non-invest grade	4.29	31.37	7.37	42.35
All	0.10	9.70	0.29	12.98

Ultimately, municipal bonds play an important role in portfolio construction for many clients. The investment-grade (BBB or better), general obligation munis that we invest in at IMCG are an excellent way to diversify a portfolio and complement the portfolio's other investments with a steady, tax-free income stream . . . all while possibly investing in your own community.

Financial planning…The roadmap to financial independence ***Ben W. Daigle***

If you wanted to go to a particular location and didn't know how to get there, you would buy a map (or these days, you would use the GPS in your iPhone or log on to MapQuest) and use it to plan the best route. It's therefore common sense that if you have certain financial or retirement goals in life (most people do), you should also have a map. That's where IMCG and a well-developed and properly executed financial plan can give direction and guidance as you encounter some of the biggest financial hurdles in life – attaining a comfortable retirement income, buying a home, paying for college education, your daughter's wedding, a new car, or sudden medical expenses.

If you are one of the "map-less" people, financial planning is a process that can help you organize and prioritize your financial goals and then lay the framework for how to achieve these goals over time. There are several critical steps to successful creation and implementation of a comprehensive financial plan.

1. Build the Team – find an advisor who you feel comfortable with – someone who wants to know about you and your goals, not someone who wants to sell you product. View it as a partnership. Involve others as needed – your estate planning attorney, your accountant, insurance and investment experts, etc.

2. Take the Snapshot - review your current financial situation, including assets, liabilities, incomes, expenses, insurance coverage, investment portfolios and estate plans. This will provide a foundation for your plan and guidance on where to focus your efforts.
3. The Strategic Plan - Create and prioritize the different financial goals you might have and then assign specific timeframes for each of these goals. Review the various strategies for each with your advisor.
4. Execute the Plan - Choose specific products, services and investment strategies that can be implemented to help you stay on track with your goals.
5. Review, Revisit and Review - Continually review your progress. Goals, time frames, financial resources and other circumstances may change over time.

Although the future is unknown, you can be comforted by the fact that following these steps and working with your team puts you on the right path to financial independence. If you are map-less, if you would like to start a new journey or if you would just like to review your current roadmap, please contact us. Comprehensive planning is just one of the things we do for our clients at IMCG.

College Planning Corner ***Chris Walker***

No one should turn down free money. Especially when it is part of an effort designed to encourage students to take advantage of the opportunities afforded by a higher education. One of Maine's great philanthropists, Harold Alfond, believed that higher education was critical for Maine children, their future and for the state of Maine's future. As a result of this belief, Mr. Alfond established **The Harold Alfond College Challenge Grant**. **This program provides a $500 grant to every Maine baby to start a college investing account.** It is run through NextGen and the Finance Authority of Maine. Details are:

- All Maine babies born on or after January 1, 2009 are eligible for the grant.
- There are no income limits with the plan and no additional money is needed to open the NextGen account.
- The account must be opened prior to the child's first birthday.
- The child must be a Maine resident at the time the Grant Acceptance is submitted to the Finance Authority of Maine and only one Alfond Grant is available per child.
- The account owner does not need to be the child's parent and the owner does not need to live in the State of Maine but they do need to be at least 18 years old.
- The college does not have to be located in Maine and it does not have to be a four-year college.
- It can be used for certificate programs, associate, bachelor, masters, doctoral and professional degrees.
- It can be used at any U.S. accredited post-secondary school in the country including trade schools.
- If it is not used by the time the child reaches the age of 28, the money, including any earnings, will be forfeited back to the Harold Alfond Fund.

Another grant that is not as well known is **The Nextstep Matching Grant**. This grant is for Maine accounts opened after January 1, 2011. This grant provides a one-third match on contributions made to the account within the first 24 months of the account opening, up to **a maximum total award of $400.00**. Unlike the Alfond Grant, the beneficiary does not need to be a Maine resident at the time the Nextstep Matching Grant is awarded (either the owner or beneficiary needs to be a Maine resident at the time the Nextstep Matching Grant is awarded but not both).

The owner may choose to fund the account initially upfront with $1200 to get the full $400 grant match or at any time up to the 24 month opening of the account. Contributions must be at least $50.00 in a calendar year. As with the Alfond Grant, there are no income limitations with the plan.

Some other things to consider with the NextGen account are that individuals who file Maine state income taxes and make contributions to any state's 529 plan during the year may deduct up to $250 per beneficiary. The taxpayer must have a federal adjusted gross income of $100,000 or less ($200,000 or less for joint filers or heads of household). The account maintenance fee is waived and an amount equal to the Maine Administrative Fee will be automatically rebated when either the account owner or beneficiary is a Maine resident.

These are just two of many Maine grants available to help pay for post-secondary education but they are two grants that provide a great foundation to the start of a successful college funding plan.

IMCG NEWS

FRED WILLIAMS – Was recently elected Chairman of the Board of The Community Schools at Opportunity Farm and Camden effective with their merger in June. The Community Schools offer relational learning programs that transform the nature of a high school education by providing students with the skills and experience necessary to discover their strengths, connect with their families, practice personal responsibility, and contribute to their communities, and which culminates in awarding a high school diploma from the State of Maine. The newly merged organizations will be running multiple programs from both campuses.

STEVE EDDY – This spring, Steve helped coach the Scarborough High School Girls Tennis Team to the Western Maine Class A title, their first ever. Additionally, he is encouraged by the 2011/2012 recruiting classes for the Men's and Women's tennis teams at the University of Southern Maine, where he also coaches.

SAVE THE DATES:

We're in that time of year when a variety of non-profit organizations are in the midst of their fundraising efforts. In these challenging economic times financing the continuation of their programs and services requires even more effort from their dedicated volunteers. Although by no means complete, the events below are but a sampling of the organizations with which our firm, employees, colleagues and clients are involved:

Greg Francoeur Memorial Golf Tournament – The 8th annual event to benefit the scholarship fund managed by the Maine Community Foundation which provides support to students enrolled at Carrabassett Valley Academy who would not be able to take advantage of educational and training opportunities without financial assistance. Contact Gary Francoeur at garyfrancoeur@comcast.net for more information about the event to be held Friday morning July 22nd at the Val Halla Golf Course in Cumberland, Maine.

The Little Dolphin School **-** Is having its **5th Annual Golf Tournament** on September 16th at Val Halla Golf Course in Cumberland. The Little Dolphin School Foundation has been a national leader in early childhood education since 1977, and the Foundation's scholarship and tuition assistance program is dedicated to solving a currently existing crisis of finding high-quality childcare services for low to moderate income families. A Maine-based non-profit organization, their learning centers in Scarborough and Westbrook, serve over 200 families per year in the Greater Portland Area. Additional information can be found at www.littledolphinschool.org.

The Community Schools at Opportunity Farm and Camden - Will host their annual **Fall Harvest Gala and Fundraising Auction** on Friday, September 30, 2011 at The Abromson Center at USM, Portland Campus from 6 p.m. to 10 p.m. All of the funds will support the mission of the newly merged school with campuses in Camden and New Gloucester. For more information, go to www.thecommunityschool.org where auction information will be posted and updated throughout the coming months.