INVESTMENT MANAGEMENT & CONSULTING GROUP

VIEWPOINTS

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MARKET COMMENTARY

FREDRIC W. WILLIAMS

Technology's Double Edged Sword…

There's no doubt that technological advancement and the ubiquitous availability of information have had a profound impact on the art, science and discipline of investing. From hardware to apps, and from tablets to smartphones, the nearly instantaneous access to data, as well as its inevitable media "interpretation", has created a very different set of investment dynamics than even just a few decades ago. The question, of course, is – has this all been for the betterment of the individual investor?

Remembering that CNBC (with the original moniker of the Consumer News and Business Channel before its takeover of the Financial News Network in 1991) only became part of our media world in 1989, we can recall that economic and investment news was solemnly delivered every evening by the likes of Huntley & Brinkley or Walter Cronkite – whose collective heart rates were just north of those of hibernating bears. Now we have *Squawk Box, Fast Money* and *Mad Money* (featuring an overly-caffeinated Jim Cramer roaming around a kitsch-filled set exclaiming "boo-yah!" at apparently attractive investment ideas) with CNBC broadcasting 24/7/365, including live news broadcasts from 4 AM to 8 PM daily.

Similarly, when I was a young pup in this business back in the late '70s, stock exchange data was pushed through phone lines to small green cathode tubes (referred to as Quotrons or Bunker Ramos), while news came over a wider version of the old ticker tapes where thermal printing provided streaming paper rolls of analog information…just a tad different than today's internet connectivity to web sites like Bloomberg, MarketWatch and Briefing, to name but a few.

The emergence of this technology initially leveled the playing field in favor of individual investors as it was an integral part of breaking the monopoly that the wirehouses (so named for their branches and their connectivity to the various stock exchanges) had on data access and trading costs. On May 1st, 1975, the U.S. Congress deregulated the stock brokerage industry by taking away the power of the New York Stock Exchange to determine the commission rates charged by its members – an event that opened the door to discount brokers and made negotiated commissions available to individual investors. These two developments allowed Quick & Reilly to burst on the scene (initially with a staff of four) offering 40%

discounts to the public, followed by Charles Schwab (which originally started earlier in the decade as a investment newsletter outfit) and First Omaha Securities, which eventually morphed into TD Ameritrade.

The investing public benefited from a more competitive industry, supported by enhanced technological access to the markets and the economic information that drove them, and which in turn provided improved transparency and a broader array of investment options to choose from. We went from fixed rate stock commissions in excess or $100 per trade and mutual funds with 8% sales charges, to stock trades for less than $10 and mutual funds with no sales charges at all…both of which left more money in the pockets of the investors themselves.

All of these developments have been net positives, but this benevolence may have come at the cost of how individuals look at the concept of investing. From the introduction of options and futures on commodities, to the day trading frenzy of the late-90s dot.com bubble, the long time adage of "buy-and-hold" has become perceived as quaint and old fashioned in the face of the media's talking heads where a long term investment is something they hold on to through lunch. A perusal of the aforementioned CNBC programs also seems to suggest that arguing on the air with your guests, or speaking sternly to your portfolio, is somehow going to yield improved investment performance.

Such a peripatetic view seems to have created an A.D.D.-challenged investing public whose lens is focused on the short term activity promoted in the media, and is blind to the disciplined longer term benefits of a structured approach to buying quality, income producing assets…and holding on to them.

As we noted in this space in 2007, we're back to the environment where traders, and not fundamentals or the reality of supply/demand dynamics, are driving portions of the markets. As it was then, the long-only speculators now represent two-thirds of the futures market for oil, with only one-third being held by the professionals that are hedging inventory holdings or intent on actually taking delivery – something which is completely opposite of the longer term averages.

What's supportive of that old "buy-and-hold" concept is some recent research by Roger Ibbotson from the Yale School of Management (the original author of the annually updated industry tome "Stocks, Bonds, Bills and Inflation"). From a background perspective, his work over the years has shown that value beats growth from an equity style standpoint, and that intermediate bonds provide a better risk-adjusted return than long term bonds. His most recent updates are now showing that low-turnover companies (those companies whose shares trade at relatively lower volumes) tend to provide better long-term returns – suggesting that investors don't need to rely on frenetic trading to be successful.

Combine this with the Jeremy Siegel's data on low P/E and high dividend companies beating the indices (this was back tested to 1957 and includes the "lost decade" at the start of this millennium) and you have a compelling case for an approach to investing that would be the antithesis of most of CNBC's programming line up.

Which might mean that successful investors may have to reclassify CNBC from a cable news network to, perhaps, purely another entertainment channel replete with a varied array of both dramatic and comedic programming.

EQUITY MARKET OVERVIEW INVESTMENT POLICY COMMITTEE

Off to the Races…(or not?)…

Signs of an improving domestic economy and the lessening of financial stresses in Europe provided the backdrop to one of the best quarterly stock market performances in more than a decade. After 2011's mid-year trip to the abyss and back, the first quarter of 2012 continued the upward march in the global equity markets, albeit absent some of the volatility experienced in the last twelve months. Unlike previous years' "risk on or risk off" stampedes that had manic investors vacillating between the safe havens of cash and the titillating promise of higher returns in riskier assets, the new year has seen a decline in asset correlations as the relative merit of individual investment classes moved to center stage.

> *"Full-fledged optimism is in short supply, but compared to the start of the year, investors are at least feeling safe enough to poke their heads out of their bunkers. The euro zone has stepped back from the brink of collapse, the U.S. economy is showing continued signs of life, particularly on the employment front, and central banks have extended efforts to support economic growth.*
>
> *"Still, as investors worried less about Europe, stocks were driven more by their underlying fundamentals over the past three months.*
>
> *"To some degree that was reflected in a sharp decline in volatility. During the first quarter the Standard & Poor's 500-stock index closed up or down more than 1% just seven times. It didn't have a single session with a move of more than 2%. In contrast, the fourth quarter of 2011 saw 36 days with 1% moves and 14 sessions with 2% or greater moves."*
>
> *WSJ 4/2/2012*

No doubt it's still a tad early to simply assume clear sailing ahead given the plethora of lingering headwinds still to be navigated. From a slowing China, the likely recession in Europe and the lingering financial challenges of the PIIGS, to the domestic unemployment and housing challenges, and the predictable political gridlock leading up to our presidential election, there's a substantial wall of worry to be addressed over the near term.

Signs of these concerns have surfaced in overall quarterly trading volume, off 14% from Q1 2011, as well as in fund flows. Last year represented the fifth year in a row of more money departing retail domestic equity mutual funds than came in, while January, February & March represented the 9th, 10th and 11th consecutive month of continued net outflows.

> *"Still, sentiment is better than it was three months ago. Much of the credit goes to the European Central Bank's long-term refinancing operations—LTRO for short—which provided some $1.2 trillion in cheap loans to European banks. Some of the LTRO money found its way to the severely stressed bond markets of countries such as Italy and Spain, resulting in a significant rally. The yield on Italian 10-year notes fell to 5.3% from north of 7% in late 2011."* *WSJ 4//2/2012*

Unlike the divergences of last year, the first quarter of 2012 saw the world's bourses seemingly breathe a collective sigh of relief regarding the patient's ability to survive the financial emergency room of 2011 and move at least perceptibly toward some sort of gradual recovery.

Despite all this continuing uncertainty, the domestic equity markets posted some impressive numbers with the Dow Jones Industrial Average up 8.1% in the 1st quarter, and the broader S&P 500 was up 12%, while the NASDAQ reversed last year's decline and shot ahead 18.7% to start 2012.

The relative abatement of the euro-zone challenges spurred on other developed world bourses, with London's FTSE 100 up 3.5% in the quarter, Frankfurt's DAX advancing 17.4%, while the Paris CAC 40 moved ahead 8.4% to open the year. Somewhat fittingly, given the anniversary of its earthquake and subsequent tsunami, Japan was the star out of the blocks for 2012 as Tokyo's Nikkei moved ahead 19.3%, more than enough to overcome all of last year's index losses.

This relatively benign backdrop also allowed the developing world to partially reverse last year's relative drubbing, having been provided the relief to know that their ultimate customer in the developed world would continue to be a buyer of their goods and services. Using the BRIC complex as a proxy for the developing markets, Brazil saw the Bovespa recover 13.7% of last year's 18.1% decline. China was only up 2.9% in the quarter given the concern about its potentially slowing economy, while Russia added 14.2% to start the year, and India added 12.6%, or about half of its 2011 loss.

We continue to believe that the marginally improving macro-economic picture, coupled with attractive equity valuations are providing selective opportunities for patient investors to add to dividend paying domestic and multinational companies, all within the context of the longer term macro story where we expect growth in the emerging markets to be greater than in the developed world as a result of a younger population and an expanding middle class.

BOND MARKET OVERVIEW — INVESTMENT POLICY COMMITTEE

The Big "Back Up"…

After being the belle at the ball in 2011, domestic Treasuries gave back some of their luster as rates backed up in the first quarter of 2012, thereby taking back some of the price gains notched last year. As concerns about the euro zone abated somewhat, and more favorable economic data began to emerge here at home, credit market investors renewed their hunt for current yield, abandoning somewhat the "fear on-fright flight" trade that drove rates to near historic lows as assets sought out the perceived safety of U.S. government bonds.

This dynamic lead to the worst quarter since Q4 2010 for the Treasury market, with the beneficiary of this fund flow being the corporate bond market: aggregate Treasuries were off 1.29% in the quarter while the aggregate bond market (according to Barclays) was up 2.58%. More telling of this dichotomy was the fact that Treasuries with maturities of more than 10 years were off 5.56% while investment grade and high-yield corporate debt was up 3.22% for the first three months of the new year.

Since maintaining this low-interest rate environment is an important component of supporting our nascent recovery, to say nothing of being critical to keeping our government's borrowing costs "manageable" during this period of fiscal/policy stimulus, the Fed took the unusual step of a series of interviews and speaking engagements in an attempt to keep the long end of the bond market in check:

> "*While Federal Reserve Chairman Ben Bernanke stepped up his public-relations campaign to reassure markets that the central bank will maintain its ultra-accommodative monetary policy, long-term Treasury yields continued their climb.*
>
> *"Bernanke in the past two weeks has spoken in a variety of venues, some nearly unprecedented, in part of an apparent campaign not only to increase the transparency of Fed policy, but also to deliver the message that the monetary authorities have learned from history. In a novel series of lectures to economics students at the George Washington University, Bernanke imparted the conclusion of his academic work and that of Milton Friedman: that the Fed's blunders caused the Great Depression and its second phase, the downturn after 1937. The lesson learned was applied in the extraordinary measures taken after the financial crisis of 2008 and, prospectively, the Fed won't tighten prematurely."*
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> *R. Forsyth, Barron's 3/31/2012*

Despite the Chairman's tour-de-force, the 2-year note closed the quarter yielding 0.33%, up from 0.24% at the end of December, while the 10-year note touched 2.36% in March before closing at 2.21%, up from 1.88% at the start of the year, and the "nostalgic" 30-year bond also saw its yield back up from 2.89% to 3.34% as we exited the first quarter of 2012.

> *"Investors have been appeased so far in 2012 as central banks from Europe to the U.S. and Asia try to speed the recovery from the first global recession since World War II. The Federal Reserve pledged to keep rates near zero through at least late 2014, while the European Central Bank gave banks more than $1 trillion of three-year loans. The Bank of Japan unexpectedly added 10 trillion yen ($120 billion) to an asset-purchase program in February."* *Bloomberg 4/2/2012*

With Europe off near term life-support as a result of European governments' crafting of an 800 billion euro fire wall late in the quarter that augmented the 1 trillion euro LTRO (Longer Term Refinancing Operation) launched by the ECB in December of last year, the focus migrated to how well "managed" the slowdown in China could be, and how that might impact the global recovery. When compared to last year's fears of another financial meltdown being just around the corner, the first three months of 2012 appeared to be net-positive and improving, continuing to offer select credit market opportunities:

> *"The fixed-income world's guarded confidence hinges on the fact most tossed out the manual a while ago, no longer expecting bonds to behave a certain way and stocks to assume the counter position for a reasonable amount of time. Targeted domestic bond investing in search of yield, yet mindful of duration risk and credit quality, and a preference for emerging market paper over sovereign issuance are strategies that have paid off and will continue to do so."* *MarketWatch 3/31/2012*

The Investment Policy Statement for 401(k) and 403(b) Plans

Just as a strong financial plan shapes the direction of a prudent wealth management strategy, so does the Investment Policy Statement (IPS) anchor a successful foundation for your retirement plan. The IPS comes in many shapes and sizes. Some are detailed, some are vague. Some are long-winded, some are brief. Some are custom-drafted, some are mass-produced. All should be specific to the direction of the Plan Investment Committee. Traditionally, the IPS was for the defined benefit and profit sharing plans of the world, a document for the investment manager to follow when allocating money between stocks, bonds and cash. Very little thought went into creating an IPS for participant-directed plans like 401(k) and 403(b) plans. New disclosure and benchmarking rules are changing that, although a surprising number of these salary deferral plans have no IPS.

The IPS lays out the roadmap for plan investments. Benchmarking, screening, and accountability can all be covered. Like any map, if you deviate from the directions you can get lost. The consequences can be pretty intimidating. The primary difference is this: if you don't follow the map laid out by the IPS, instead of driving strange roads in unfamiliar neighborhoods you may wind up with a scary meeting with the Department of Labor and/or the Securities and Exchange Commission. In order to help you avoid that potential unpleasantness, IMCG is offering our "how to" guide for creating a bulletproof investment process for your plan. The IPS is the cornerstone of that process.

Let me paraphrase an ERISA attorney friend of mine from a recent panel discussion we participated in: "Document, document, document. Oh, and when you think you're done, document some more". The more you physically record about the process you follow and the decisions you make, the less room participants and governmental agencies have to find holes they can exploit. The key to ongoing documentation is the IPS. It is the lynchpin for committee meetings, whether it drives a small plan's administrative committee, or a large plan's investment committee. Investment decisions are made based on IPS guidelines. Process is followed based on IPS structure. Accountability is based on duties assigned in the IPS.

The following is a list of what any good IPS covers, and a brief summary of what comprises each part of the policy:

- **PURPOSE AND OBJECTIVES**. A section that briefly discusses what the plan is intended to achieve and how the IPS is intended to govern the Plan.

- **TITLED ROLES**. A general list of the roles that may exist for those entities and individuals that may be appointed for oversight of Plan investment activities. Examples would include Plan Administrator, Independent Investment Fiduciary, Plan Investment Committee and Plan Trustee among others. These roles are referenced throughout the IPS.

- **<u>DUTIES</u>**. A comprehensive list of the various duties performed by those in Titled Roles. These can cover the spectrum from "Conduct a periodic review of the IPS" (Plan Investment Committee) to "Provide participant education information and supporting materials" (Plan Administrator, supported by Platform) to "Conduct a comparative fee/cost assessment" (Retirement Plan Committee supported by Independent Investment Fiduciary). Each duty should have a clear delineation as to which Titled Role entity is expected to coordinate it and which Titled Role entity is to provide it.

- **<u>INVESTMENT OBJECTIVE</u>** and **<u>INVESTMENT PROGRAM</u>**. Another section that briefly covers macro/big-picture investment objectives of the Plan, such as a) providing the opportunity to maximize returns given a prudent level of risk and b) negotiating and controlling Plan-related costs and fees.

- **<u>DEFINITIONS</u>**. A glossary that defines the various terms used in the IPS. This is a very useful resource for a committee that has little familiarity with investment terminology.

- **<u>PLAN INVESTMENT CATEGORIES</u>**. Depending on how granular the committee wants to be, this exhibit should list the intended investment categories to be utilized by the Plan, for example: LARGE GROWTH, LARGE BLEND, SMALL VALUE, EMERGING MARKETS, etc.

- **<u>SELECTION & MONITORING STANDARDS</u>**. This exhibit should list the selection and monitoring standards used by the Titled Role entity that is screening the funds for the Plan. Selection standards are broadly defined (i.e. risk assessment, adjustment and measurement) while monitoring standards are more specific (i.e. Total Return – 3 and 10 Year = Top 50% of Funds, Expense Ratio = Lowest 35%).

- **<u>RESPONSIBLE PARTIES</u>**. This lists the name and contact information for the Titled Roles that are serving the Plan, such as the Independent Investment Fiduciary, the ERISA Attorney, etc. If IMCG was named as the Independent Investment Fiduciary, we would be listed here including contact name, physical street address, phone number and email.

As you can imagine, the IPS is a fluid document that needs to be periodically reviewed and updated. By keeping the document current with your investment process, you should be able to answer any questions that a DOL or SEC examiner raises. If you need help establishing an investment policy or reviewing your existing policy for gaps, please contact us at IMCG as we would be happy to help you.

Happy Anniversary! ***John Warme***

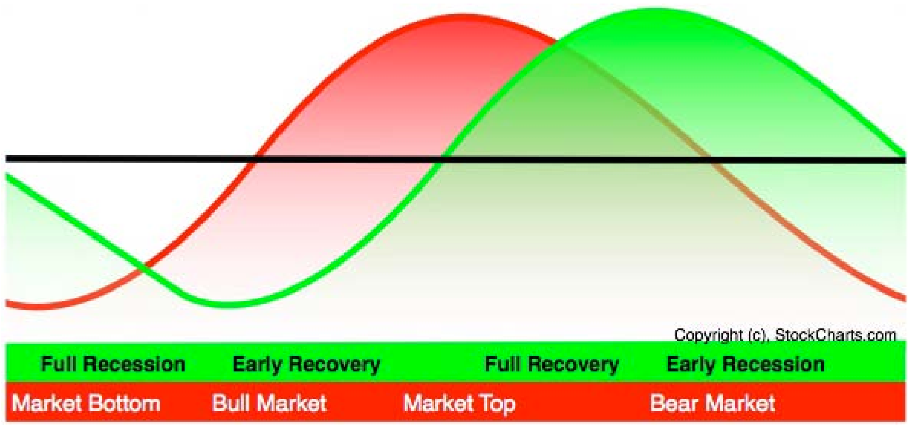
This quarter we happily marked the 3-year anniversary of the "Haines Bottom", the moment on March 10, 2009, when the late Mark Haines serendipitously remarked that the previous day was the bottoming of the market and things would begin to turn around. Thankfully he was right because if you were to listen to most of the mainstream media at the time, the four horsemen were on their way and the apocalypse was nigh. With visions of Great Depression soup lines dancing through everyone's head and television screen, it is easy to understand why investors, especially retail investors defending their nest egg, became very fearful. In fact, they were overcome with fear. This instigated a rush to cash and treasuries as investors fled the equity markets. All of this selling obviously perpetuated the decline through a vicious-cycle, putting ever more downward pressure on (most) assets. In their minds, these investors were taking what they could salvage and jumping a sinking ship.

An unfortunate fact is that a good percentage, especially of the aforementioned retail investors, has stayed out of the market after selling near the low. These investors, many of whom lost more than half of the value of their investment accounts leading up to March of 2009, have not enjoyed the 100% rebound in the markets and most recently; the best start to a year since 1998. Flat-out fear, in place of cautious respect, is among an investor's worst enemies. It makes them rationalize irrational actions. The same can be said on the other side of the coin for "irrational exuberance" rather than sound investing. As Warren Buffett famously said, "Be fearful when others are greedy and greedy when others are fearful".

This emphasizes the need for educated and unemotional portfolio management. Furthermore, it is a confirmation of IMCG's value-based approach which focuses on fundamentals, both in a macro-economic sense and also in regard to individual securities. When it appeared in the spring of 2009 that world was going to end, the global financial system was actually starting to turn around. The market bottomed that March and the National Bureau of Economic Research declared that June saw the trough of the business cycle which ended the 18-month recession. True to form, as evidenced by the graph below, the business cycle slightly lagged the market cycle into recovery.

That being said, it must be noted that this cyclical bull market that we are arguably in is being stoked heavily by the Federal Reserve. The Fed's open market operations over the last few years (QE, QE2, Operation Twist) have been designed to inflate asset prices and add liquidity into the markets. They have lowered the yields on "safe investments" like bonds in an attempt to move investors further out on the risk spectrum into "risk" assets like stocks and riskier high-yield bonds. Accordingly, this demand has raised asset prices and thus stimulates the economy with the so-called "wealth effect". When people see their investment portfolios grow, they feel wealthier and are inspired to spend. This ideally starts a virtuous cycle of increased economic growth.

So Happy Anniversary to the bottoming of the market. We are in a much better place now than we were then. There are still many structural issues that need to be addressed and the recovery is not clad in armor. The threats are many and varied but one thing we learned from teetering on the abyss is that fear will make you do irrational things. It will make you be reactive in your decision-making, not proactive. A steadfast yet responsive investment strategy, like ours at IMCG, will see you through the highs and lows of the market with unemotional, disciplined portfolio management.



College Planning Curveball ***Ben W. Daigle***

Are you one of those parents who from the moment your little bundle of joy was born was worried about the rising costs of education? Did you start saving early into a college 529 savings plan?

Well, after eighteen years, I'm sure you have built up a sizable college fund and now are preparing to send your son or daughter off to college. What happens to your well laid out college plan when your child throws you a curveball and decides that they won't be pursuing a post-secondary education? I'm sure the first thought is to close the 529 plan and take a full distribution to go buy yourself something expensive to make up for all the opportunities you gave up to save for someone else's college experience. Before you make any irrational decisions, make sure you know the consequences and other available options.

If you were to cash out the entire 529 plan, you would start by paying a 10% penalty on the total distribution. Then on top of the penalty you would owe Federal and State income taxes on any of the **earnings** that occurred over the past eighteen years. Going this route would eat in to a sizeable portion of the savings.

Another option to look at is to name a new beneficiary on the account. Assets in the account remain the same and then the new beneficiary can use the money, tax and penalty free, to pay for qualifying college expenses. Please note that you can't just transfer the money to anybody - the new beneficiary must be related to the old beneficiary. Luckily, the Government's definition of being related is much more extended then you would think and will allow you to transfer the money to any of the following:

- Sibling or Step-Sibling
- First Cousin

- Child
- Niece or Nephew
- Parent or Step-Parent
- Grandchild
- Aunt of Uncle
- Son or Daughter-in-Law
- Brother or Sister-in-Law
- Mother or Father-in-Law

If none of these options are viable you might consider leaving the account as-is for a few years because the "real world" might sound like a great idea now but once your child encounters a couple of hurdles or unexpected costs, they may change their mind on the whole "attending college" thing and decide that it suddenly appeals to them. It's only after exhausting this entire list that you'll be forced to face the prospect of paying the penalty and taxes…using the proceeds to pay for a well deserved vacation instead.

STOCK Act ***Chris Walker***

On March 22nd of this year, the Senate passed the STOCK Act bill, otherwise known as the Stop Trading on Congressional Knowledge Act. Having passed both the House and Senate at the time of this writing, the bill has been forwarded on to President Obama for his signature. What does the STOCK Act accomplish?

The STOCK Act is designed to prohibit members and employees of Congress from using any nonpublic information derived from the individual's position or gained through performance of the individual's duties, for personal benefit. It essentially is attempting to stop insider trading by members of Congress. It remains unclear whether a member of Congress has a fiduciary duty to the United States, whether a member of Congress is actually an "employee" of the federal government or whether the information on which the Member trades is "material". Is there a "substantial likelihood" that a reasonable investor would consider it important in making an investment decision? Lastly, what constitutes "nonpublic information?" To quote writer James Groth, "The proposed STOCK Act has enough loopholes to drive a truck through."

The STOCK Act will require members and employees of Congress as well as all employees in the Executive and Judicial branches of the federal government to publicly file and disclose any financial transaction of stocks, bonds, commodities, futures and other securities within 30 days on their websites rather than once a year as they currently do. It also requires officials to disclose the mortgages on their primary residences. Up until now this has been exempt from reporting requirements and is in direct response to public outrage over some loans that were given by Countrywide to members of Congress and other V.I.P.'s. Countrywide documents show these loans were also known as being given to "F.O.A.'s". This is a reference to Friends of Angelo or friends of then C.E.O., Angelo Mozilo. These loans were far superior to what an "average borrower" could receive. Conveniently left out of the STOCK Act is any reporting requirement for additional real estate holdings outside of the primary residence. At the present time, the #1 holding of all investment classes by members of Congress is real estate.

The bill would also prohibit senior executives of mortgage giants Fannie Mae or Freddie Mac from receiving bonuses while the companies are under government control. Denial of federal retirement benefits to the President, Vice-President or an elected official of a state or local government convicted of certain felonies was also included.

More important than what is in the STOCK Act may be what was eliminated from the initial bill that was presented during the first week of February. Led by House Representative Eric Cantor, the Republican from Virginia and Senate Representative Harry Reid, the Democrat from Nevada, Congress was able to eliminate two key provisions from the STOCK Act.

The first provision that was eliminated was authored by Senator Patrick Leahy, the Democrat from Vermont and Senator John Cornyn, the Republican from Texas. This proposal would have expanded federal laws against bribery, theft of public money and other types of public corruption.

The second provision that was eliminated was authored by Senator Chuck Grassley, the Republican from Iowa. This provision in essence would have required "political intelligence consultants" to register as lobbyists and would have required greater disclosure when they were seeking information from Congress or the Executive branch to trade stocks. Senator Grassley put it best when he spoke on the Senate Floor on March 22, 2012 when he blasted Congress for passing the watered down bill. The below excerpt says it all.

> *"I won't ascribe motives to anyone in this body, but I know that today's actions only serve the desires of obscure and powerful Wall Street interests and undercut the will of an overwhelming majority of Congress. There are over 2,000 people working in the completely unregulated world of political intelligence, or political espionage as I call it. Right now, they are celebrating. They are celebrating because they know it is business as usual. They can continue to pass along tips they get from Members of Congress, Senators and staff and no one will be the wiser. They pass along these tips to hedge funds, private equity firms and other investors who pay them top dollar. The lobbyists get rich, Wall Street traders get rich and the American people lose."*

Eric Cantor had the following explanation on why this provision was eliminated.

> *"That provision raises an awful lot of questions. There is a lot of discussion and debate about who and what would qualify and fall under the suggested language that came from the Senate. That is why we are calling for a study."*

So, a one-year "study" of this provision was passed in the STOCK act and the American Public will be anxious to see how things change in Washington with this new legislation.

To quote the Piano Man himself, Billy Joel, "And so it goes, and so it goes……"

Divorce: a resumption of diplomatic relations and rectification of boundaries.
Ambrose Bierce

Divorce can be a tragedy, staying together can be worse. The anger and upheaval in the early stages of divorce can lead to larger and more expensive troubles down the road. But this is the moment to be rational and consider mediated divorce rather than ligation. It is the best course if one hopes for polite dealings in the future.

As a certified divorce financial planner, I normally do not meet with clients until they are well into the process of separation. Usually it has already been determined whether mediation is an option. My experience has shown that the benefits of a low conflict divorce through mediation are compelling, financially and spiritually.

Many studies have been done on the efficacy of mediation vs. going to court. These have consistently shown that mediation produces better outcomes. One analysis found that only 20% of couples that went through litigation felt the outcome was fair, while 93% of couples that used mediation would recommend that process to others. I think "fair" is really the best result one can achieve.

When a couple separates, the greatest concern is to limit any damage done to the children involved. A high conflict litigated divorce is stressful not just to the couple, but especially so for their children. Research suggests that more long term harm is done to the children by the clash between parents than by their actual separation. Children from a low conflict divorce resolution do as well in emotional and intellectual testing as children from non-divorced households.

Researcher Lori Shaw in her study entitled "Divorce Mediation Outcome Research: A Meta-Analysis," published in the summer 2010 issue of the *Conflict Resolution Quarterly*, surveyed divorced couples. The responses showed that the couples that used mediation: felt more comfort with the overall process of divorce; felt the outcome was acceptable; maintained more harmonious post-divorce relations with the ex-spouse and believed that the children's needs were addressed fully.

These results may stem from control. During mediation, the couple has direct input into the negotiations. When divorce proceedings go to court, the attorneys take the lead. The lawyer's role is to represent the client and put there needs first. This may not necessarily produce the result that best serves the family unit.

Then there is the financial consideration. A study quoted in the July 2005 issue of *Money*, put average divorce costs at $3,000-10,000 for mediation, $35,000 for traditional attorney to attorney litigation with an additional $20,000-$50,000 minimum for a trial.

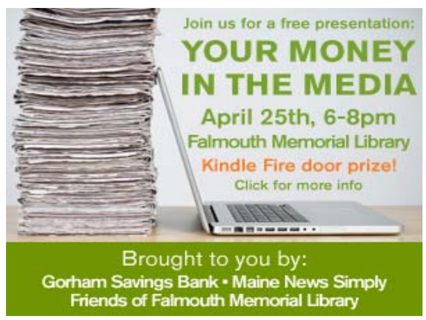
Lawyers play an important role in mediated settlements. They provide input, review the final agreement and can suggest measures to assure that it is carried out correctly. My role as a CDFA is to explain complicated financial issues (ESOPs, stock options, closely held companies, etc.), produce reports that can project the future, real world results of the financial settlement, or find when a settlement may not be as fair as it appears on the surface.

When it is practical, mediation should be the first option to reach a settlement. That means giving up any thoughts of revenge. In return it offers a better path to harmony for the couple and a feeling of safety and order for the children.

IMCG NEWS

FRED WILLIAMS – Once again this year Mr. Williams attended the Morningstar Ibbotson Conference in early March as well as TD Ameritrade's annual convention in February. Ibbotson's analyst's symposium continues the tradition of bringing academic theory to industry practice, with thought leadership on asset allocation, investment research, economic analysis and portfolio strategy - this year's gathering featured a presentation by founder Roger Ibbotson, who spoke on the advantages of valuation analysis in security selection. TD Ameritrade's gathering had The Wharton School's Jeremy Siegel speaking about his research into the long term outperformance of low P/E and high dividend companies in portfolio results.

> **Money Smart Week (April 21-28th) at The Falmouth Memorial Library:** Co-sponsored by The Library and Gorham Savings Bank, Fred will be speaking as part of a panel presentation on "Your Money in the Media" Wednesday the 25th from 6-8 PM.



STEVE EDDY - Was a panelist at the most recent Maine Employee Benefits Council meeting which discussed the "New DOL Fee Disclosure Rules: A Guide to Compliance, Committees and Benchmarking". About 65 people from the legal, accounting, participant administration and retirement plan consulting professions attended the March 27th seminar.

SAVE THE DATES:

We're entering the time of year when a variety of non-profit organizations begin 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 that our firm, employees, colleagues and clients are involved with:

Walk MS – The annual spring walk to benefit the MS society will take place on April 28th at Scarborough High School starting at 9:00 AM. Participation provides help for today and hope for tomorrow through education, support, advocacy, and research funded by the National Multiple Sclerosis Society through its Greater New England Chapter. Details can be found at www.walkmam.nationalmssociety.org.

19th Annual Child's Play Golf Benefit – The Dream Factory of Maine is celebrating its 25th anniversary of granting dreams to the children of Maine and is holding a special "Silver Anniversary Child's Play" tournament. Scheduled for Friday June 1st at Sable Oaks and starting at noon, The Dream Factory grants dreams for critically and chronically ill children nationwide, is based in Louisville, and has 2 chapters in Maine. Additional information can be found at www.dreamfactoryincmep.org.

21st Annual Pet & People Walk – The Center for Grieving Children holds its annual family fundraiser on Saturday June 9th starting at 9:00 AM in Payson Park off of Baxter Boulevard. Additional information can be found at www.cgcmaine.org.

9th Annual Camp Ketcha Golf Tournament – To benefit the Camp's programming, youth development and community support services, this event is scheduled for June 12th at the Prout's Neck Country Club – registration begins at 10:00 AM. Additional information can be found at http://campketcha.com.

2nd Annual MAPS Stepping Stones Dinner and Auction – On June 15th from 5:00 to 9:30 PM at the Portland Harbor Hotel Maine Adoption Placement Services will hold its event to benefit homeless, pregnant, parenting, and at-risk young people. Additional information can be found at www.maps-worldwide.org or by emailing meghano@maps-worldwide.org.

Fore The Kids Golf Classic – Big Brothers Big Sisters of Southern Maine's annual fundraiser will be held June 20th at The Woodlands Club. Additional information on this popular two-ball/best-ball event can be found at www.SoMeBigs.org.

Greg Francoeur Memorial Golf Tournament – The 9th 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 13th at the Val Halla Golf Club in Cumberland, Maine.