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We're Moving!

It's official! After looking for the ideal space for more than a year, we believe that we found it.

95 College Street in Burlington's business district will be our new business home effective mid-June. It is a great building with plenty of room for expansion in a wonderful part of town. For those of you familiar with the area we will be 2 blocks up from the waterfront just East of the Pomerleau building. There is ample parking on the street and restaurants within walking distance for those of you who come to town.



Sokolowski Investment Advisors
New Burlington Office

We will be sorry to leave Shelburne; it has been an enjoyable community to be a part of and we'll miss the easy commute. However, Burlington has its advantages. Our new office is in close proximity to lawyers, accountants and other professionals not to mention some great shopping! We think that it will enable us to recruit some talented financial professionals which will help us to grow and develop our business and better serve you. Please make a point to stop in to see us this summer.

Market Psychology

Things may not be what they seem— beware the fear and greed trade.

Shaken as we have been by local business failures, the new unemployment that may have hit close to us, or the foreclosure sale on a home in our neighborhood, we have all had our optimism severely rattled. To some extent, we are all captives to the parochial lives we tend to lead on a day to day basis; it is difficult to embrace a larger world view when our own economic well being is threatened at home and in our own backyard. I'm not an anthropologist, but I'm sure that from an evolutionary

point of view our ability as humans to better grasp the local situation was a distinct benefit (watch out for that saber tooth tiger behind the tree!). From an investment point of view in our modern age of global markets and near instantaneous global information, however, a parochial view can be dangerous indeed and a global view more useful (watch out for that Greek bond!).

To borrow a line from Tip O'Neill, "all personal economics is local". Local economic conditions can't help but color our emotions when it comes to invest-

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Special points of interest:

- Markets closed— Memorial Day (May 31)
- Our move is scheduled for June. We'll let you know when the date is finalized.
- **Offices closed April 19-23 while we attend FPA Retreat (See page 2).**

First Quarter 2010 Market Wrap

Market Indexes	% Change in Q1
S&P 500	+4.9%
DJIA	+4.1%
NASDAQ Comp	+5.7%
MSCI EAFE	+0.2%
Russell 2000	+8.5%

Mutual Fund Yardsticks	% Change in Q1
Equity Income	+4.69%
Large Cap Growth	+4.15%
Balanced	+3.44%
Gen US Taxable	+3.08%
Intermediate Corp Bond	+2.42%



Fiduciary Standard vs. Suitability

In case you missed it, the Senate Banking Committee recently approved financial regulatory reform legislation: “Restoring American Financial Stability Act of 2010. “ We had hoped that this bill would *strengthen* the consumer protections and make all investment professionals adhere to the “fiduciary standard” as well as adopting ethical and educational standards for people who call themselves financial planners. Unfortunately, the bill that passed the Senate is a greatly watered down version. Here is an excerpt from a recent *Wall Street Journal* article by Jason Zweig, entitled **Brokers Win, Investors Lose Key Reform**:

“Why should you care? As of now, the roughly 630,000 brokers, bankers and insurance agents registered to sell securities must determine whether

investments are “suitable”—based on how wealthy you are, what else you have invested in, your tax status and your investment objectives.

Securities salespeople generally aren’t obligated to act in your best interest. They needn’t tell you that they make extra money pushing one particular investment or that cheaper alternatives might provide you a higher return.

On the other hand, financial advisers—who are regulated as “fiduciaries” under the federal Investment Advisers Act—are obligated to put you first. They must explain their fees, disclose conflicts of interest and disclose past infractions. If they get paid extra to recommend a fund or sell an insurance product, they have to tell you.”

The original Senate bill outlined in November 2009 by Senator Chris Dodd (D-CT) looked promising. Under the section “SEC and Improving Investor Protections” it recommended mandating uniform standards for anyone providing customers investment advice, eliminating different standards for broker-dealers and investment advisors. The current version is as one columnist put it, “a lobbyist-co-opted, impotent shadow of its former self”.

It appears that while some Senators have been working hard for the consumer, many others have been working on behalf of the insurance companies, banks and brokerages.

The action items have been replaced by recommendations for prolonged “study” of these issues. In fact, the SEC has been

studying this topic for more than 15 years and has issued many substantive reports dating back to 1995.

The regulation and reform of “financial planning” has met a similar fate. Senator Herbert Kohl (D-WI) had been working to add legislation to the bill to require ethical and competency standards for those who hold themselves out as financial planners. Today virtually *anyone* can call themselves a planner. This reform was strongly supported by the Financial Planning Coalition (comprised of the CFP Board, the Financial Planning Association and NAPFA) who have championed the effort to add some teeth to these consumer protections. However, following opposition from certain industry groups the Senate decided to engage in a detailed study of the issue.

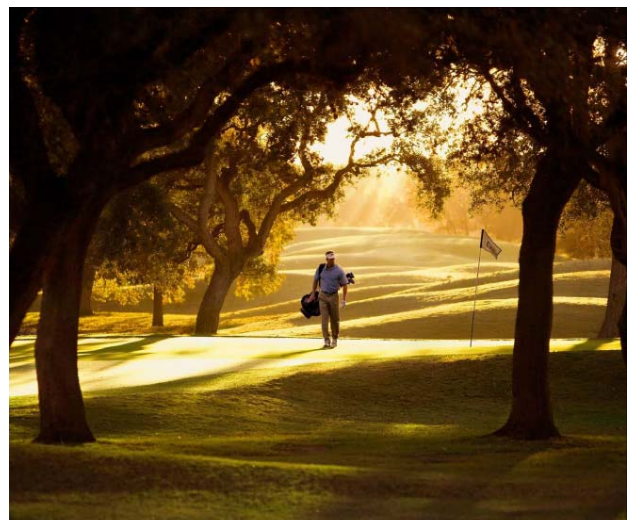


Financial Planning Association Retreat: April 2010

The Financial Planning Association holds an annual retreat designed specifically for a small number of planners (typically about 350) from around the country to get together for educational programs and discussions about both the technical and personal aspects of financial planning. We are excited to be attending this year’s retreat in San Antonio, Texas April 21-25.

This year’s topics range from psychological (“Happiness Risk/Reward Pyramid”), to legal (“Implementing and Utilizing Estate Planning Strategies in the Real World”), to the always challenging economy (“Challenges Facing the Macro-Economy”) just to name a few from the more than 30 choices of educational seminars taught by some really talented individuals.

We hope to return re-energized and ready to put some new ideas into practice. Oh, and Roy may play some golf while we are there.



MARKET TALK

Sokolowski Investment Advisors
77 Falls Rd., Suite #1
Shelburne, VT 05482

Phone: 802-985-8400
Mobile: 802-233-1365
Fax: 802-985-8433
Email: rws@siawealthadvisors.com
pns@siawealthadvisors.com



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The Role of Insurance in Personal Risk Management

You probably don't want to hear about this, but bad things can happen in your life - death, disability, lawsuits, divorce, unemployment just to name a few. I dare say that many of our clients have experienced one or more of these events over the past year.

The good news is that you have the ability to protect yourself against the financial impact of these risks through the proper use of insurance. Insurance transfers the risk *from* you *to* the insurer. It is a wonderful concept! However, since none of us like to think about these things we procrastinate. Just like other areas of your financial life, your insurance coverage should be inventoried and reviewed on a regular basis to determine if it is adequate. When we do an initial financial plan we take an inventory of insurance coverage, but this needs to be monitored as things in your life change. For example, most people need more life insurance in their child rearing years than they do before or after. What about the beneficiaries? Life changes such as the death of a spouse, or divorce necessitate review of your policy.

So here is a short list of the various types of insurance coverage and some of the things that you should consider and review periodically. *Call if you would like our help.*

- ◆ Life: Review the amount of coverage, type of insurance, the policy ownership, beneficiaries and strength of the insurer. Want to reduce your permanent life insurance costs? Consider a paid up policy option.
- ◆ Disability: Has your disability insurance kept pace with your income? Is your policy portable if you change jobs? What is the elimination period before you can receive benefits? Know what you have before you need it.

- ◆ Health: If you are offered insurance through your employer do you understand the pros and cons of the various options? Is a high deductible plan right for you? How can you benefit from a Health Savings Account?
- ◆ Long-term Care: For existing policy holders review the current daily benefit, the inflation protection and the elimination period. Is the insurance company financially strong?
- ◆ Property: Review your homeowner's coverage to make sure that it reflects your current replacement cost. Home improvement projects may have raised the value beyond your current limits of coverage. To trim your premiums consider opting for a higher deductible.
- ◆ Umbrella: Last but not least, review your umbrella coverage. This is an excess liability policy (generally written in amounts of \$1,000,000 or more) that coordinates with your home and auto insurance and offers increased asset protection. It is inexpensive and provides a big bang for the buck.



Please remember to contact Sokolowski Investment Advisors, LLC if there are any changes in your financial situation or investment objectives or if you wish to impose, add, or modify any reasonable restrictions to our investment management services. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.

Market Psychology (cont)

ing. As I've repeated many times, there are only two emotions in investing—fear and greed. The longer I'm in this business the more I believe this to be true. I have also witnessed time after time that approaching an investment decision from either the fear or greed side is inherently a weak position.

Let me illustrate this with two recent market events—September 2000 and 2009, taken from Dirk Hofschire's interesting March 2010 article for Fidelity Management and Research Co., "Stocks Anyone?" As we all remember, the phenomenal tech stock bubble of the late 90's burst in the fall of 2000. But did you know that the most money ever invested in stock mutual funds over a one year period ended in September 2000? That's right, **\$338 billion** found its way into equity mutual funds in the year just before a two year correction began in September 2000 that crushed 49% out of stocks. That was the easy trade in 1999 and 2000, it felt good and greed was in the air but it led to disaster. Conversely, after one of the largest stock sell-offs in history that ended a year ago and despite the 70%

or so market rise since then, we find that a new net inflow record has been achieved—into bonds! In the past year, investors took money out of stocks on a net basis and invested a record **\$385 billion** into bond funds (the fear trade). This despite the fact stocks outperformed bonds in 2009 by the widest margin in decades. The easy trade in 2000 was to stocks, which then collapsed. What does this potentially tell us about the easy trade to bonds in 2009?

When I think about all the conversations I've had lately with our clients, our friends, acquaintances and people we run into, I'd have to say that there is a lot of fear being voiced and not much greed (although I've spoken with a few people who are both fearful and greedy!). I think most of us are viewing the world through our own parochial prism that seems for most of us to be glum. I think its hard to be optimistic right now—I've felt this myself, but I've learned through the years that I can't let myself get on the fear or greed bandwagon; I'll end up being wrong.

So despite the economic negativity

that we've felt in our little corner of the world, over the past year I've been actively looking for good news and good solid companies with a great story going forward. While I have to admit that I came to it grudgingly at first, I must say that there is in fact quite a bit of positive news around the world if one looks for it. I've also found some lean and mean American companies that are benefiting from the changes in the world—selling in China and India and South America and focusing less on sluggish domestic markets. If history holds true, I will also take advantage of the fear trade by doing the opposite and being selectively optimistic. I can't wait for that \$385 billion bond fund bubble to burst and send all that money our way!

Beware the easy herd mentality trade; it can be a wolf in sheep's clothing.



To our "Asset Allocation" Clients, before you pick up the phone and ask...

The bonds we hold in our asset allocation or balanced portfolios are held for specific and always valid purposes: to provide income, reduce volatility, or provide a stream of principal at maturity. What I describe above is the current very crowded trade in bonds that represents a fear or "flight to quality" trade and has little to do with our long-term rationale for your balanced portfolio.

Rest assured that while our long-term asset allocation models remain valid, we recognize and are making every effort to minimize the effects of the "herd trade" in our bond portfolios.