January 15, 2010

D3 Business Update:

We are ahead of schedule in the process of reconciling your year end statements with our software, so that we can generate the semi-annual performance reports. Patty will be calling to set up meetings. Here's the agenda that we're planning for the meetings:

1. Review portfolio performance relative to the required rate of return in your financial plan.
2. Gather your tax documents, if taxes are included in your service package with us.
3. Gather any executed estate documents that you would like us to have a copy of.
4. Show you how to access your financial planning information in our software.

The SEC requires that we send our privacy policy to our clients annually, so we're including it with your first quarter invoice. You do not need to return it. The SEC also requires that for all of our investment management clients, we inform you that our Advisor Registration Form, Form ADV Part 2, is updated and available, at your request. This document describes our business practices and our qualifications. Let know if you want this and we will email it to you.

For our clients who have chosen to have their fees automatically deducted from their accounts, you do not need to do anything with the invoice, other than review it. For everyone else, please either authorize us to debit your account by signing and returning the invoice, or send us a check.

D3 Market Comments:

We continue to retain our large holdings of bond funds in client accounts (labeled "Short-Term" or "Low Duration"), because of our concern that interest rates could unexpectedly, and, dramatically, rise. The Federal Reserve is forcing short-term rates to remain at historically low levels, near 0.25% to 0.50%. We question if the Fed can keep rates at these low levels with the Treasury Department committed to issuing almost $2 trillion of new bonds this year. We're not sure if investors will continue to buy all those Treasury bonds at very low rates. Also, a surprising increase in economic activity or hiring could cause rates to rise. Historically, rapidly rising interest rates can cause the prices of bonds in *long-term* bond funds to drop significantly.

When the Federal Reserve surprised the market by raising interest rates in 1994, the prices of some bonds fell by 25%. The prices of the investments in short-term bond funds have, historically, fallen much less when rates do rise and their yields typically increase. Consequently, we think it's appropriate to accept the lower yields earned on the short-term bond funds in exchange for a lower risk of potentially falling bond prices.

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Lastly, new legislation and Federal Reserve rules will go into effect in February and next summer that force banks and credit card companies to give more notice of significant changes in credit card terms. But the new rules will also require everyone to decide to opt in or out of rate increases, and programs such as "overdraft protection. Please read the article we're including, which describes the new rules in detail.

As always, thank you for your confidence in us! You should know that we are accepting new clients. Please keep us in mind if you know someone that needs financial help, or has questions about investments or retirement planning.

See you soon.

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Peter Marchese MBA CFA™
Michael Meyers MBA CFP®

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