



STRATEGIC WEALTH MANAGEMENT GROUP, INC

701 Colorado Avenue
Stuart, FL 34994
772.283.2300

Forwarding and return postage guaranteed
Address correction requested

First Class Mail

Kim Martin, ChFC, CLU

Investment Advisor
Representative
kmartin@RGCNcpa.com

Amy Duffett Chappel, CPA

Investment Advisor
Representative
achappel@RGCNcpa.com

Here's Your Copy of
STRATEGICNEWS

www.RGCNcpa.com Compliments of Strategic Wealth Management



SEC (SECURITIES EXCHANGE COMMISSION) DISCLOSURE REGULATION UPDATE

The SEC has adopted amendments requiring us to provide a current
ADV Firm Brochure to clients.

Strategic Wealth Management's current ADV Firm Brochure, as filed
with the Securities Exchange Commission (SEC), has been
sent to all clients by mail or email.

Our Brochure is available on our website at www.rgncpa.com and on
the SEC's website at www.adviserinfo.sec.gov, free of charge.

The rational approach to
portfolio management...

STRATEGICNEWS

STRATEGIC WEALTH MANAGEMENT GROUP, INC.

in
association
with

2nd Quarter, June 2011

772-283-2300 - www.RGCNcpa.com

INSIDE

The power of
patience

page 1

Buy and hold
investing lives on

page 2

Pre-retirees should
consider long-term
care insurance

page 3

Social Security
benefits will
continue

page 3

SEC Disclosure
Regulation update

page 4

Points of Interest:

Top mutual funds often
go through extended
periods of underper-
formance.

Strategic asset
allocators set up a
diversified portfolio
and each year
rebalance it back to
its original allocation.



BUYING AND HOLDING MUTUAL FUNDS IS VERY MUCH IN STYLE

In this go-go financial era when investors buy and sell exchange traded funds by the hour, the notion of holding a mutual fund for the long term seems quaint.

Yet the best academic research, combined with compelling anecdotal evidence, indicates that buying and holding a portfolio of mutual funds for a long time is probably the best and easiest avenue to investment success.

For a super long-term example, look at the fortunes of some of the oldest mutual funds in America—the Pioneer Fund and Massachusetts Investment Trust.

Investors who purchased those funds back in 1924 (MIT fund) and 1928 (Pioneer) were amply rewarded for hanging onto the funds through thick and thin, depression, recession, panics, world war, and revolution.

The power of patience

Pioneer is the third-oldest U.S. mutual fund. From its founding through 2010, it has grown an astonishing 938,000 percent.

A \$1,000 investment in 1928 would have grown to almost \$10 million by the end of 2010.

Its average annual return was 11.8 percent after expenses.

MIT fund did almost as well, returning 8.9% annually since 1924.

Of course, not every mutual fund has this experience. Many funds that were in existence years ago have gone out of business and been folded into other funds due to poor performance.

Pioneer and MIT share consistent value-oriented investment philosophies with an emphasis on low stock turnover.

That shows investors must pay attention to simple factors such as consistency, cost, and investment turnover when selecting funds.

Learning not to fold

Meanwhile, investors who are convinced they are in the right funds must learn not to give up during inevitable periods of market underperformance.

A new study by Robert W. Baird & Co. looked at 370 mutual funds that had beaten their benchmarks over the last 10 years with lower volatility than the benchmarks.

It found that one-quarter of the funds suffered one-year periods when they lagged behind their benchmarks by approximately more than 15 percent. More than half of the funds lagged behind their benchmarks by at least 10 percent for a year.

“There are always going to be short periods when portfolio managers can look foolish, but the value is added over longer periods of time,” said Aaron Reynolds, senior portfolio analyst for Baird.

(Continued on page 2)



Investors who buy and hold well-run mutual funds for the very long term can achieve astonishing growth.

“StrategicNews” is published quarterly by Strategic Wealth Management Group, Inc., Registered Investment Advisors, in association with Roegiers Goldin Chappel Nall & Associates, 701 Colorado Avenue, Stuart, Florida 34994. (772) 283-2300. All rights reserved. Information has been obtained from sources believed to be reliable, but accuracy, completeness, and the opinions based thereon, are not guaranteed and no responsibility is assumed for errors and omissions. Nothing in this publication should be deemed as individual investment advice. Consult your personal financial advisor and investment prospectus before making an investment decision. Any performance data published herein are not predictive of future performance.

AVOID BUYING HIGH AND SELLING LOW; STICK WITH A GOOD PORTFOLIO

(Continued from page 1)

Baird's study showed that when one of the funds underperformed the market money flowed out, and then when it had good performance again money flowed in. Investors who bailed on the funds and later returned bought high and sold low.

Investors who own a portfolio of mutual funds, rather than holding just one fund, may find it easier to stick with each fund even though its current performance may be below par.



It is better to have a portfolio of funds.

If the funds invest in different types of assets—such as large and small stocks, foreign and domestic stocks, government and corporate bonds—then it is likely that during most periods some funds will do well and offset the performance of those doing poorly.

This would encourage them to hold the portfolio for the long term and make it easier to ride out rough periods in the markets.

THE VIRTUES OF BUYING AND HOLDING

Two of America's eminent investment researchers were recently asked whether the hyperactive markets of the last few years indicate that the concept of buy-and-hold investing is outdated.

Their answer? Absolutely not, reports the Journal of Indexes in its May-June issue.

"Obviously, it would be much better if we knew when the market was going to go down 40 percent, and we could sell out at the top and buy at the bottom," said Princeton Economics Professor Burton Malkiel. "But nobody can do that."

Chasing the money

In real life, amateur and professional investors alike seem to chase trends, rather than make smart moves in anticipation of market swings, he said.

"More money went into equity mutual funds in the first quarter of 2000, at the height of the bubble, than ever before," he noted. Then, at the end of that bad market, during the third quarter of 2002, "more money went out than ever before." Those who were trying to time the market were instead buying high and selling low.

Malkiel said that pension funds, which are managed by the smart professionals, tend to carry more cash when markets are a bargain and less cash when markets are expensive. That is exactly the opposite of what a successful market timer should do.

Short-term performance should not be an incentive to invest, he said. "My own work suggests that there is very little persistence in performance, and today's hot funds are more likely than not to be tomorrow's turkeys," he said.

William Bernstein, author of "The Four Pillars of Investing" and "The Investor's Manifesto," said investors don't often understand the concept of buy-and-hold.

Rebalancing is vital

"What they forget is that the name of the game is not buy-and-hold—it's buy, hold and rebalance," he said. Investors who set an investment allocation, and then stick to it by selling asset classes that have appreciated and buying those that have declined, have done very well over the past 20 years.

Such a strategy would have forced an investor to sell some stocks at the heights of the markets in the late 1990s and in 2007, and to buy some when they were at their low points in 2002 and early 2009. "That has been a fairly successful strategy," Bernstein said.



Frenetic traders who try to time the ups and downs of the markets are doomed to fall behind those who buy and hold and rebalance regularly.

DON'T WANT TO BURDEN YOUR KIDS? BUY LONG-TERM CARE INSURANCE

Retirees and those planning to retire say they are very fearful of uninsured health care costs, according to a number of financial surveys.

And the big worry for many is that they will end up being "a burden on my family," says Genworth Financial, which did a survey in 2010. That fear even outranked the fear of ending up in a nursing home.

Even though they openly worry about long-term care costs, relatively few Americans have made provisions for them, says the American Association for Long-Term Care Insurance.

Coverage crisis

The best antidote may be the purchase of long-term care insurance, but confusion over coverage and the perception of high costs discourage potential purchasers.

Adding to the disincentive is current turmoil in the marketplace as some companies have stopped selling the insurance, while others are asking state regulators for large rate increases.

Ironically, the market's problems illustrate the value of the insurance: insurance companies are finding that more long-term care policy owners hold onto their policies than expected, even in the face of rate increases. They have also

found that they underestimated the claims that owners would make.

Apply early

Anyone who intends to consider long-term care insurance should apply for it years ahead of retirement, the Long-Term Care Association advises.

Older applicants get turned down for coverage more frequently due to health conditions they have developed. Only 14 percent of applicants between age 50 and 59 are rejected, while 45 percent of those between age 70 and 79 are turned down.

Applicants who are married can keep costs down by applying for joint policies. The Association estimates it costs an average of \$2,350 a year for a 55-year-old couple to buy \$338,000 of combined benefits. If they buy an inflation rider, those benefits can grow to a potential \$800,000 by age 80.

Still not convinced you need this coverage? The Association estimates that 40 percent of those over age 65 will need two years of care, while 20 percent will need more than five years of care.



Long-term care insurance can take the bite out of nursing home costs.

WILL FUTURE RETIREES BE ABLE TO DEPEND ON SOCIAL SECURITY?

With the release of the recent report by the trustees of Social Security about its future, scary headlines once again are proclaiming that its reserves will be exhausted in a few decades.

The latest report estimates that the reserves may be gone by 2036, one year earlier than previously estimated. The date was moved up due to the economic crisis of recent years, which reduced payroll tax collections used to fund Social Security.

How should this be viewed by those who are currently retired, planning on retiring in 10 years, and those planning on retiring in more than 10 years?

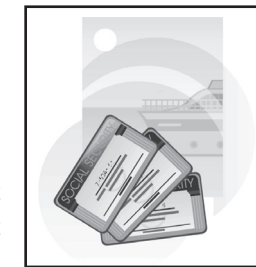
First of all, there is no need to panic. The depletion of the trust funds merely means that there won't be enough money to pay 100 percent of promised benefits to retirees after 2036. Instead, Social Security will have to rely entirely on current payroll tax collections to pay benefits.

The latest estimates are that in 2036 it will pay 77 percent of promised benefits, and that by 2085 it will still be able to pay 74 percent of benefits. That means that even if the system is not reformed before then, everyone should be able to count on receiving benefits. It is unlikely any other private or public pension system can count on that level of benefits that far into the future.

Second, it is likely that the closer we get to 2036 that Congress will enact reforms to keep the system operating at full capacity.

Back in 1983 when the system was threatened, a reform was instituted that extended full benefits for many years. At that time, the age of full benefit entitlement for younger workers was raised from 65 to 67 and Social Security payroll taxes were increased.

Without those reforms it was estimated at that time the system would go broke within a few years.



Social Security will need reform in order to pay full benefits past 2036, recent estimates show.