THE FULL SPECTRUM

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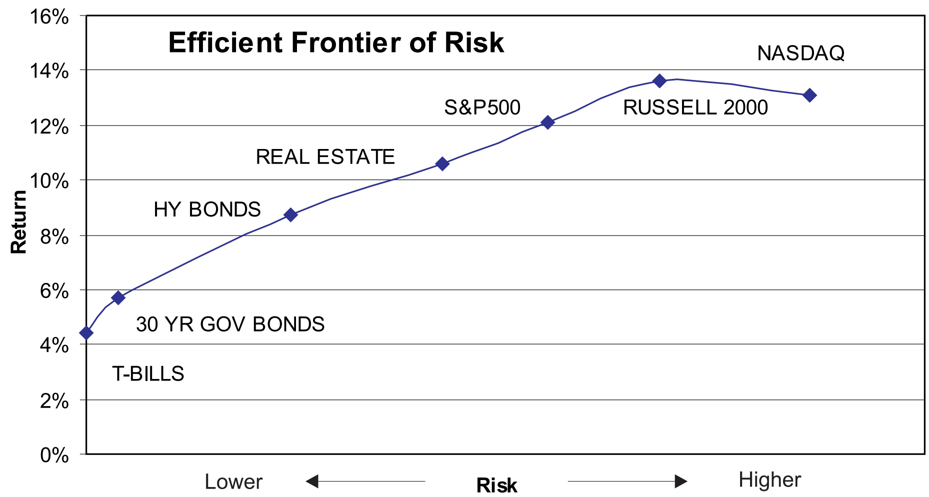
GENERAL MARKET COMMENTARY

Stocks had one of the best quarters in recent years, as the economy continued to expand and the Federal Reserve got a new chairman, who continued to raise short-term interest rates. If rate increases are over, as many investors anticipate, better stock prices are likely later this year.

The chart to the right illustrates historical norms between return and risk for various asset classes over a long period of time. It is important to note that for shorter periods, this chart can change greatly, with different asset classes performing better than others. However, over time, they maintain the norm and "catchup". For example, over the past decade, the REIT Real Estate Index has outperformed the S&P 500 Index by an average of 7% per year. This obviously cannot continue, and stocks will once again overtake real estate as historical norms validate themselves once more.

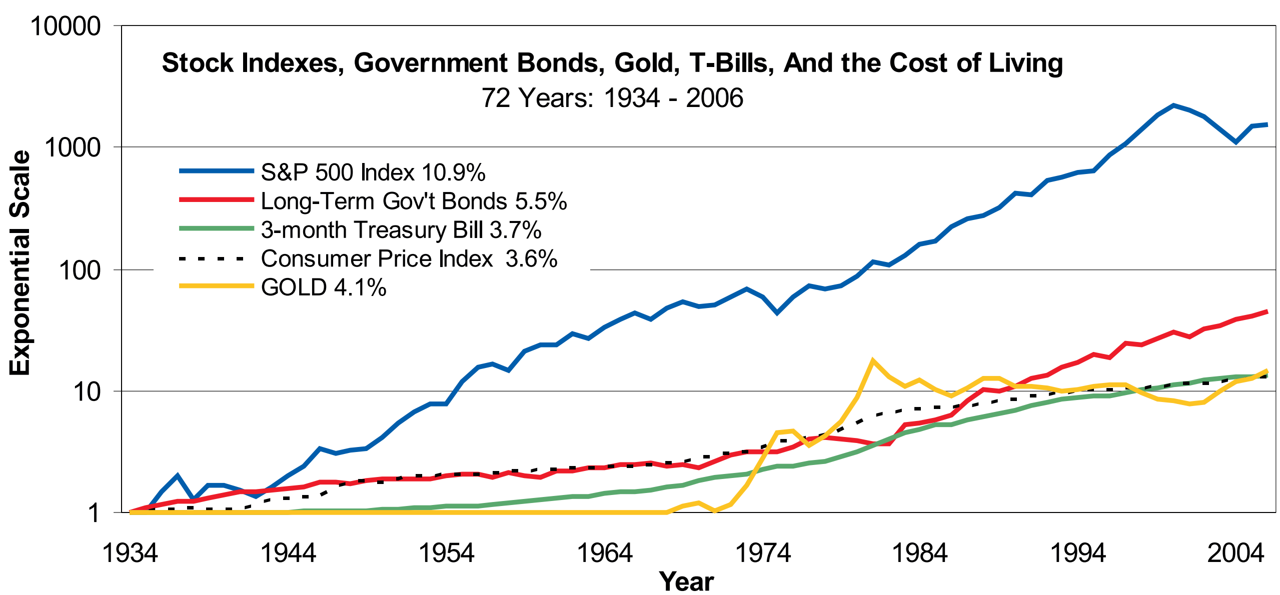


HISTORICAL RETURNS, STOCKS, BONDS, GOLD, T-BILLS, AND INFLATION

This chart illustrates that the long-term trend of the stock market for the past 72 years has been steadily higher in spite of all those bear markets, world wars, pandemic threats, terrorist attacks, and recessions.

The chart illustrates long-term rates of return for various investments. The 11% average annual returns for stocks has outperformed the inflation rate by about 7% per year, and long-term government bonds beat inflation by about 2% per year. After income taxes and adjusting for inflation, bonds, gold, and T-bills did not produce positive returns except for short periods of time.

Projecting these rates of return into the future would mean that stock investments might double in about seven years, whereas bonds may take about 13 years. Over the long term, gold has never been a good investment, only approximating the rate of inflation. I have heard it said, "A custom tailored suit has always cost about the price of an ounce of gold."



COMPOUND INTEREST

Albert Einstein once said that compound interest is the greatest mathematical discovery of all time, not $E = mc^2$. It is a secret to wealth that very few people understand, but what is so amazing about it is that anyone can become rich by understanding it and by taking action. However, to have compounding work for you, you need time.

Here is an example that everyone should study before purchasing their first car:

Assume that investor "B" opens an IRA account at age 19, and invests $2000 into it each year for only seven years, making no more contributions. A second investor "A" begins his $2000 annual contribution at age 26, and continues funding it every year until he is age 65 (40 years). Assuming a 10% annual rate of return (which historically is lower than stock market returns have been), which investor will have a higher net earnings in his retirement plan at age 65? The chart on the right may surprise you. This knowledge should be a requirement for a high school diploma.

One other very important factor in this equation is to avoid any large losses by taking high risks. A 50% loss will require a 100% gain just to get back to "even". So diversify and be a patient "steady plodder" investor and eventually you will be financially independent.

	Investor A		Investor B	
Age	Contrib	Yr-End Value	Contrib	Yr-End Value
19	0	0	2000	2200
20	0	0	2000	4620
21	0	0	2000	7282
22	0	0	2000	10210
23	0	0	2000	13431
24	0	0	2000	16974
25	0	0	2000	20872
26	2000	2200	0	22959
27	2000	4620	0	25255
28	2000	7282	0	27780
29	2000	10210	0	30558
30	2000	13431	0	33614
31	2000	16974	0	36976
32	2000	20872	0	40673
.	.	.	.	.
.	.	.	.	.
53	2000	295262	0	300992
54	2000	326988	0	331091
55	2000	361887	0	364200
56	2000	400276	0	400620
57	2000	442503	0	440682
58	2000	488953	0	484750
59	2000	540049	0	533225
60	2000	596254	0	586548
61	2000	658079	0	645203
62	2000	726087	0	709723
63	2000	800896	0	780695
64	2000	883185	0	858765
65	2000	973704	0	944641
Less Total Invested:		-80000		-14000
Equals Net Earnings:	$	893,704	$	930,641
Money Grew:		11-fold		66-fold

PERSONAL PERSPECTIVE *by* Ralph Doudera

Publishing my new book, **Wealth Conundrum**, has given me many more opportunities to speak publicly than I have ever imagined. Public speaking has never been a favorite activity of mine, but it seems the more I do it the easier it becomes, except for preparation which remains the most difficult part. Issues of money have deep roots within us and hold different meanings and emotional strings for each person. Preparation and study help me to continue to evaluate my own money issues and discover more ways to apply what I learn to my own life.

Consider the story of the rich businessman fool who accumulated much wealth in Luke 12:13-15. Someone asked Jesus a question about wealth: *"Teacher, tell my brother to divide the inheritance with me." Jesus replied, "Man, who appointed me a judge or an arbiter between you?" Then he said to them, "Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions."*

So I began to notice that there may be many forms of greed or covetousness. How do they surface in my own life? They are sneaky, since the warning "*Watch out*" is not used very often.

The dictionary defines covet, "to desire inordinately; to long for that which is unlawful to obtain or possess." It is reaching for that which we do not have the right to have at that time, or letting an unhealthy desire consume us so that it becomes our god.

"*Thou shalt not covet*" stands as the last of the Ten Commandments, and may look like the least important one. It is, in fact, a base upon which all the others rest. Every one of the preceding nine commandments is broken through covetousness. No one will keep the first nine who does not observe the tenth.

So why do I feel bad when the market moves against me? Why is it easier on me to make it than to lose it? If all I own belongs to God, then I should be a bit more mellow when the losses come.

I am learning from Job, who had it all, then lost everything he had.

"Then Job arose, tore his robe, and shaved his head; and he fell to the ground and worshiped. And he said: "Naked I came from my mother's womb, And naked shall I return there. The LORD gave, and the LORD has taken away; Blessed be the name of the LORD." (Job 1: 20-21). Yes, it was a good quarter, but I want to have the same response that Job had when the next one takes it all back.

Squirrels and ants store up enough to get through the winter, but we humans seem to be uncomfortable if we do not have a lifetime of supply stored up. How much is enough? Am I still the rich fool mentioned in Luke 12? Maybe less of a fool than last year. And hopefully more than next.

To order a copy of **Wealth Conundrum**, visit www.wealthconundrum.com

"Steady plodding brings prosperity; hasty speculation brings poverty" (Proverbs 21:5, LB)

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