

The Retirement Advisor

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Charts courtesy of StockCharts.com

Looking Forward and Back

As we enter the holiday season and 2009 comes to a close, we are extremely pleased with how our Model Portfolios have performed. Using a conservative, low cost approach to investing, our model portfolios have produced excellent gains in a low interest rate environment that was extremely volatile year for equities.

The Retirement Advisor Portfolios	Dollar Value on 11/30/09	Change
Model Portfolio 1	\$212,716	6.4%
Model Portfolio 2	\$224,330	12.2%
Model Portfolio 3	\$240,903	20.5%
DJIA 12,501.52 on 1/1/2007	\$9,712	(17.3%)
S&P500 1,418.30 on 1/1/2007	\$1,057.08	(22.8%)

The Retirement Advisor Model Portfolios all began with \$200,000 on 1/1/2007

When we started our newsletter three years ago, we went against the grain of chasing performance, trying to find the next “hot” stock or fund. Instead, we focused on a diversified and “boring” way to create a retirement portfolio that can weather the ups and downs of economies, stock markets and interest rates.

At *The Retirement Advisor*, we will always publish our annual returns and cumulative returns. We don’t pick and choose time frames to try and make our portfolios appear to be doing better just during a short period of time. That’s not the way it works in real life. People don’t just adopt a portfolio during the best months of a year and then exit during the worst months.

So far, 2009 has been a great year for all our model portfolios. Even our most aggressive portfolio (Model Portfolio 1) has only 50% equities and our Model Portfolio II has only about half that in equities, yet both produced double-digit returns year-to-date.

The Retirement Advisor Portfolios	2009 YTD	2008	2007
Model Portfolio 1	18.7%	(18.2%)	9.5%
Model Portfolio 2	13.3%	(8.7%)	8.5%
Model Portfolio 3	7.2%	3.7%	8.3%

Our bond funds have also performed exceptionally well as they benefited from the Fed buying nearly 1.25 trillion dollars of government debt. We may again lower our allocation to bond funds and increase our weighting in CDs as we wait for the Fed to raise interest rates and sell rather than purchase US debt instruments.

We will announce our new asset allocations via email for our model portfolios to subscribers before 2009 ends so you can make changes at the start of the year.

Model Portfolio Cumulative Performance Cont.

We will rebalance our model portfolios back to our target asset allocations at the start of 2010. Given equities are up so much compared to our fixed income holding, this will mean selling some of the equities we bought at the start of the year on our last rebalance and moving the money into bonds and CDs.

We started **The Retirement Advisor** Model Portfolios on January 1, 2007. During that calendar year, the stock market recorded a record all-time high in October, and then went on to undergo the worst bear market since the great depression. The Federal Reserve Fed Funds rate was up to 5.25% and the one-year CDs we were recommending were paying over 5% and the 5-year CDs were paying over 6%. The benchmark S&P 500 is still down over 20% since then, but our most conservative portfolio is up 20.5% since then. The last three years have reintroduced investors to the concept of risk inherent in investing. We have always been mindful of that concept, and even in the wake of this incredible bull market since March, and what seems to be an everlasting era of low interest rates, these will come to an end as well. We position our Model Portfolios to take into account those inevitable cycles.

Alternative Portfolios: Save Money by Shopping Around.

The model portfolios we recommend **at The Retirement Advisor** use "investor class shares" from the Vanguard fund family. We decided to keep the portfolio at one fund family for simplicity. You can lower your expenses (save money) by shopping around for lower cost index funds.

For example, we could have recommended the S&P500 index fund from Fidelity (FSMKX) which charges 10 basis points a year versus the 18 basis points that Vanguard charges for their index fund (VFINX.)

For accounts less than \$100,000, the "investor class shares" at Fidelity save you \$8 a year for each \$10,000 invested in the fund. If you have \$80,000 in the S&P500 index fund, then this \$72 per year may be worth the effort.

Admiral and Advantage Class Portfolios

For those with very large portfolios, it makes sense to get your index fund at the fund family with the lowest annual expenses for funds with \$100,000 or more in them.

Vanguard's Admiral (VFIAX) charges just 9 basis points (0.09% for its S&P500 index fund. Fidelity also has their Advantage Class S&P500 fund (FSMAX) with the lowest expense ratio that might exist of just 0.07%.

Combine Asset Classes for Smaller Portfolios.

Most index funds have minimum investment levels so if we recommend 2% into a REIT fund with a \$3,000 minimum, that would assume your minimum portfolio size is \$150,000 just to meet the minimum required investment. We recognize that our subscribers are at different levels in terms of wealth accumulation. If you have modest savings, you can still follow the principles behind our model portfolios. For example, you could combine the money you would otherwise invest in our four high quality bond funds into the "Total Bond Fund" on our recommended list.

Likewise, you could combine the money we recommend for the three international funds into the "Total International Fund" on our recommended list and combine the US funds into the "Total Stock Market Fund." If the money designated for international funds is still below the \$3,000 minimum, then combine it with the Total US Stock Market fund. For small portfolios, combine the international and US funds. Below are \$10,000 suggested portfolio alternatives for our three model portfolios.

\$10,000 Aggressive Growth and Income Portfolio 1

Fund Type	Ticker	Allocation	Amount
Total Bond Fund	VBMFX	50%	\$5,000
Total US Stock Market	VTSMX	50%	\$5,000

Inflation protection in this portfolio comes from VTSMX. We recommend saving new money to make an initial \$3,000 investment into the international fund, VGTSX while adding to VBMFX to keep you at 50% equities.

\$10,000 Moderate Growth and Income Portfolio 2

Fund Type	Ticker	Allocation	Amount
Total Bond	VBMFX	40%	\$4,000
Inflation Protection	VIPSX	30%	\$3,000
Total US Stock Market	VTSMX	30%	\$3,000

Key here is 30% in the inflation protected bond fund gives you lower long term returns at than portfolio 1 above but it has less volatility.

\$10,000 Conservative Capital Preservation Portfolio 3

Fund Type	Ticker	Allocation	Amount
Short-Term Bond Fund	VBISX	40%	\$4,000
Intermediate-Term Bond	VBIIIX	30%	\$3,000
Inflation Protected Bond Fund	VIPSX	30%	\$3,000

With low interest rates, this portfolio will not have great long-term returns, but it should preserve capital while giving you some inflation protection.

Warning: Interest rates have plunged this year so all these portfolios and our recommended model portfolios have done very well since they hold high quality bond funds. If interest rates go up, then the bond funds will probably under perform our recommended money market fund.

CERTIFICATES OF DEPOSIT

Rates on short-term Certificates of Deposit are at historic lows. The average yield for a one-year CD is just 0.83%. Longer-term yields have continued to ease with the average yield on the 5-year CD is 2.17%. For jumbo CDs that require a significant deposit, the rates aren't that much better. The average one-year jumbo CD is 0.91% and the average 5-year jumbo CD is 2.19%. Despite these low rates, deposits at FDIC-insured banks have risen considerably over the past year as savers flock to the safety and security of CDs.

Notwithstanding the foregoing, we believe our subscribers can do far better than the average CD rate. Each month, we search for nationwide CDs that are yielding much higher rates than average and include them at the table on the bottom of this page. We recommend only purchasing CDs up to the FDIC or NCUA-insured limit.

Emigrant Bank is currently offering a 2.25% APY on a 16-month CD through its division, Dollar Savings Direct. Note: This rate is not listed on its web site, but we checked with them and as of the publication of this newsletter, it is still being offered. To take advantage of the rate, you have to open an online savings account. This is a rate that will probably not last much longer. Subscribers interested, can learn more at this URL:

<https://www.dollarsavingsdirect.com/>

In the past, we have recommended CDs (called Certificates) from Pentagon Federal Credit Union (PenFed). *The Retirement Advisor* has learned that PenFed will have a new rollover certificate promotion for January, and the yields will be the same as their original promotion that was canceled early. We will post an update in our next newsletter when the news is formally announced. In the meantime, PenFed is a quality organization that always has promotions with great rates. Learn more at this URL:

<https://www.penfed.org/>

MAXIMIZING THE RETURNS ON YOUR CASH

Across-the-board, banks and other financial institutions have dramatically cut the rates they offer on savings accounts. Likewise, the rates on money market funds have been slashed.

Best CD Rates as of 12/6/09

CD Term	FDIC Bank / Institution	Rate %	APY %	Minimum	Web Site for More Information
6-month	Ascencia Bank	1.50	1.51	\$500	http://tinyurl.com/9xrmc
1-year	H&R Block Bank	1.98	2.00	\$25,000	http://tinyurl.com/ykijaed
2-year	Main Street Bank	2.18	2.20	\$10,000	http://tinyurl.com/ykdrgps
3-year	Alliance Bank	2.72	2.75	\$10,000	http://tinyurl.com/yzqxohc
4-year	Acacia Federal Savings Bank	2.96	3.0	\$500	http://tinyurl.com/m4dhql
5-year	Acacia Federal Savings Bank	3.35	3.40	\$500	http://tinyurl.com/m4dhql

The Vanguard Prime Money Market Fund (symbol: VMMXX) is a convenient place to park very short-term cash reserves if you have money with Vanguard fund. The fund is safe, however, it is now paying literally close to nothing. As of December 6, 2009, the fund's yield is just 10 basis points, or 0.10%.

For subscribers who want to earn more money on their cash these days, some of the most attractive offerings are through high yield checking account. Many people are reluctant to switch from a bank they are familiar with and have used for years. However, there is no need to take all of your money out. You can keep a portion in your local bank for savings, but bank over the Internet and earn much higher yields.

We looked at the highest yielding FDIC-insured checking accounts in the United States and were surprised to see that there are many banks still offering yields of 4%. Those kinds of rates can make the hassle of switching checking accounts worthwhile. You can find a list of high yield checking accounts by State at this URL:

<http://www.highyieldcheckingdeals.com/>

If you are looking for a good online savings account, we found a web site that is worth considering. It is called Smartypig.com. Don't let the name of this site fool you. This is a legitimate FDIC-insured endeavor. Smartypig has been a rate leader for online savings accounts for the last 20 months with an attractive savings rate of 2.0%. (Note: that rate is subject to change). Learn more at this URL:

<http://www.smartypig.com/>

Smartypig also has a program that offers up to a 12% cash boost if you use gift cards that partner with their site. Smartypig gives an example of saving for a new living room set. After an initial deposit of \$25 putting away \$300 a month over twelve months you will have saved \$3,625 and will have earned approximately \$25 in interest over the course of that year, bringing the goal balance to \$3,650. Then if you take your savings out on a Macy's gift card, SmartyPig will give you a cash boost of 12% (nearly \$440), bringing your goal plus interest plus boost to \$4,090. That is quite a savings. Learn more at this URL:

<http://tinyurl.com/yfqf5ak>

SOCIAL SECURITY

Since our last publication, the Commissioner of Social Security announced that the online Retirement Estimator now provides immediate and personalized benefit estimates to people who have enrolled in Medicare but have not yet filed for Social Security benefits. Previously, these "Medicare only" beneficiaries needed to contact a local office in order to obtain an estimate of their benefits. Currently, about a half-million people file for Medicare each year and delay filing for Social Security benefits.

The Retirement Estimator is interactive and allows users to compare different retirement options. For example, a person can change retirement dates or expected future earnings to better determine the impact on their future benefits and decide the best time to retire. The Retirement Estimator presently is the highest-rated government online service in customer satisfaction and, according to the University of Michigan's American Customer Satisfaction Index, it exceeds the ratings of private sector online innovators like Netflix and Amazon.

To learn more about the Retirement Estimator go to this URL:

<http://www.socialsecurity.gov/estimator/>

YEAR END TAX TIPS

As we enter the last few weeks of the year, subscribers are reminded that capital losses can be matched dollar-for-dollar against long-term capital gains. Taxpayers may deduct up to \$3,000 in losses per year against ordinary income with any excess amounts carried forward for use in future years as long as the assets were held in non-tax deferred accounts. Consider whether you want to take a loss. Keep in mind the tax code's *wash sale* rule which prohibits purchasing a losing position for 30 days either before or after a sale.

Subscribers who purchase a new car before Jan. 1, 2010, may deduct sales and excise taxes and other fees on as much as \$49,500 of the purchase price. This provision has generous phase-outs: It disappears between \$250,000 and \$260,000 of modified adjust gross income for married couples and \$125,000 and \$135,000 for singles.

A little talked about tax break that is very helpful is the American Opportunity Credit. This is a tax credit for as much as \$2,500, generated by spending on tuition and other education expenses (books, possibly a computer) up to \$4,000. Currently this credit is available for 2009 and 2010 to single taxpayers with less than \$80,000 of modified adjusted gross income and married couples earning less than \$160,000. Amounts paid in 2009 for the spring of 2010 are eligible for a 2009 credit.

For some additional year-end tax saving ideas, read the article at the following URL:

<http://tinyurl.com/yeh4u8k>

MEDICARE

Hospital Compare

Medicare offers a new tool entitled "Hospital Compare." This service provides information on how well hospitals care for patients with certain medical conditions or surgical procedures, and results from a survey of patients about the quality of care they received during a recent hospital stay. The information will help you compare the quality of care hospitals provide.

Hospital Compare was created through the efforts of the Centers for Medicare & Medicaid Services (CMS), the Department of Health and Human Services, and other members of the Hospital Quality Alliance: Improving Care Through Information (HQA). To learn more go to this URL:

<http://tinyurl.com/yjbro79>

Prescription Drug Plan Finder

Effective November 15, you can submit an online enrollment on the Medicare Prescription Drug Plan Finder Tool. As you are deciding on the best plan for your needs, check out the 5-Star Plan Ratings information. You can find more information about the data represented by the star ratings and how quality and performance are measured by selecting the "Click here to view more details on Plan Ratings" link close to the star ratings in the Medicare Prescription Drug Plan Finder and Medicare Options Compare Tools at the following URL:

<http://tinyurl.com/yycprae9>

MORTGAGE RATES

This year might provide the best opportunity of a lifetime to purchase a home with mortgage rates are hovering at historic lows. This week rates for 30-year mortgages averaged 4.71% and that matched the lowest level on 30-year mortgages since Freddie Mac started tracking them since 1971. The average rate on 15-year mortgage fell to 4.27%. That is the lowest level since Freddie Mac began tracking in 1991. If you are a first time home buyer, tack on a tax credit, depressed home prices, and you are looking at a pretty good deal. A great web site to compare rates on mortgages and other loan information is the HSH Associates Financial Publishers. Here is the url:

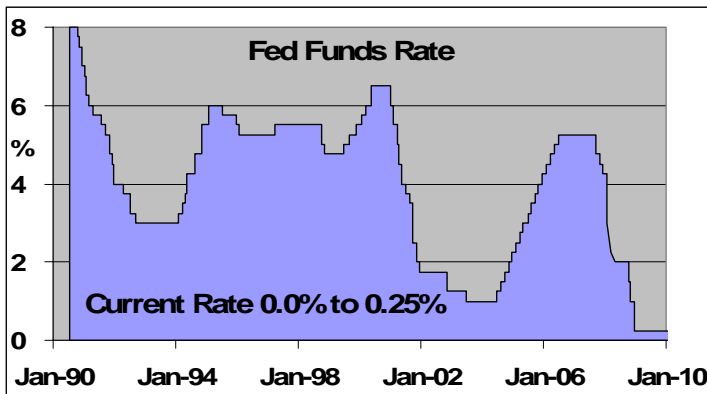
<http://www.hsh.com/>

To illustrate just how low mortgage rates have fallen, this month we compare the current rates to just one year ago when:

Product	Rate	1-year Ago
30 yr fixed	4.71%	5.53%
15 yr fixed	4.27%	5.77%
5/1 ARM	4.25%	5.02%

FEDERAL RESERVE AND ECRI UPDATES

Federal Reserve: On November 4, the Federal Reserve's Open Market Committee (FOMC) announced its decision to leave the Fed Funds rate to a range between zero and 0.25%. The FOMC meets next on Dec. 15-16, 2009.



*The **federal funds rate** is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The minutes from the FOMC meeting, released Nov. 24, said overall economic activity continued to go up slowly due to higher consumer spending, increased industrial production and a gradual recovery in single-family home construction and sales. Labor (jobs) continued to go down but at a slowing rate. They noted inflation remained "subdued" as higher energy prices were mostly offset by lower food prices. The Fed's balance sheet stands at roughly \$2.2 trillion with over \$300 billion in US Treasuries purchased. They are on pace to buy \$175B more agency debt before the program to buy debt ends in Q1 of 2010.

Economic Cycle Research Institute (ECRI) Update:

ECRI monitors over 100 cyclical indexes for major economies and uses the data in effort to make economic forecasts. At *The Retirement Advisor*, we track the ECRI's US Weekly Leading Index, WLI, which is composed of a balance of seven major economic indicators. WLI is used to predict business cycles, recessions and recoveries. We also track the ECRI's U.S. Future Inflation Gauge, US-FIG, which is designed to anticipate cyclical swings in the rate of inflation.

For future economic growth, ECRI's WLI and WLI growth indicators remain well above the lows set in December and March, respectively. On December 4, 2009, Lakshman Achuthan, managing director at ECRI said the data is "consistent with increasing economic activity in the months ahead."

On Dec. 4, ECRI's US-FIG rose again from its March 2009 51-year low to a 14-month high. Commenting on the eighth straight month this indicator has gone up, Achuthan said "U.S. inflation pressures are "beginning to simmer."

A pot simmers before it reaches a boil. The Fed has a tough job ahead to encourage economic growth without high inflation. Inflation is a tax on the rich whom many believe is anyone who saves rather than spends all they make. Voters may decide they prefer jobs to low inflation so the political pressure to keep rates low and create jobs will be high. There is little reward now for taking interest rate risk. Short-term interest rates can't go much lower and longer term rates are near historical lows where you can get a 30-year mortgage for less than 5%. Recent and future changes to our model portfolios are designed to reduce, but not eliminate, inflation and interest rate risk.

The "second estimate" of the US economic activity for the third quarter of 2009 was released on November 24, 2009. Real gross domestic product (GDP - the output of goods and services produced by labor and property located in the United States) grew at a 2.8% annualized rate in Q3-2009. The Q2 GDP estimate stayed the same at negative 0.7%.

Quarter	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09
GDP Growth %	4.9	(0.2)	0.9	3.3	(0.5)	(5.4)	(6.4)	(0.7)	2.8

National Average of Municipal Bond Yields

We ONLY recommend Triple-A rated, tax-exempt, general obligation (GO) municipal bonds. Given all the uncertainty in municipalities being able to pay their bills including generous pension payments, we prefer to take risk with stocks. We think retirement years are best spent enjoying them rather than following the fiscal health of small municipalities.

Term	Current Yield	28% Taxable Equivalent Yield	Yield 1 week ago	Yield 1 month ago	Yield 6 Months ago
2-Year	0.58%	0.81%	0.66%	0.82%	1.00%
5-Year	1.49%	2.07%	1.63%	1.98%	2.05%
7-Year	2.15%	2.99%	2.27%	2.64%	2.51%
10-Year	3.08%	4.28%	3.15%	3.36%	3.27%
15-Year	3.83%	5.32%	3.88%	3.94%	4.03%
20-Year	4.09%	5.68%	4.12%	4.17%	4.44%
30-Year	4.47%	6.21%	4.49%	4.51%	4.74%

Current Municipal Bond yield Data from Bloomberg.com as of 10/31/09

"Taxable equivalent yield" is the "tax-free rate" divided by "one minus your federal tax bracket." For example, if you are in the 28% tax bracket and can get an AAA rated GO bond paying 3.08%, then this is equivalent to getting 4.28% in a fully taxable AAA rated bond. [Calculation: $3.08\% / (1 - 0.28) = 4.28\%$]

ECONOMIC UPDATE

The "second estimate" of US Gross Domestic Product (GDP) growth for the third quarter of 2009 showed the economy grew at an annualized rate of 2.8%. This Q3 increase in GDP is the highest growth since Q3 of 2007. This upturn, behind Q2's 0.7% contraction of GDP, has 1.45% from motor vehicle sales or "Cash for Clunkers."

Inflation: The seasonally adjusted October (CPI-U) was 0.3% higher than September 2009 but 0.2% lower than October 2008. CPI-U shows very low deflation on an annual basis from lower energy costs. Without food and energy, Core CPI-U was up 0.2% for the month and 1.7% higher than a year ago. Moderate inflation has returned!

A healthy economy should have a moderate amount of inflation. Too much inflation is bad because it erodes buying power and discourages saving and investment. No inflation is bad because it can easily become deflation which leads to depressions. For the six month period ending in Sept. used to set I Bond rates, CPI-U was up at a 3.06% annual rate. Thus for the next six months, Series-I Bonds will pay between 3.16% and 6.72%, depending on their base rate. For a table of I-Bond rates for the next six months, see

I-Bond Rates <http://tinyurl.com/ragte8>

The price index for PCE, the Federal Reserve's preferred measure of inflation, gained 0.3% in October compared to gain of 0.1% in September 2009. The PCE price index, excluding food and energy, increased 0.2%, compared with an increase of 0.1% in September 2009.

The U.S. labor market continues to weaken but the pace of decline has slowed significantly from its peak. Employment, a lagging economic indicator, may be on the verge of creating jobs again after losing only 11,000 jobs in all of November. The economy should be producing jobs in the first half of 2010 or it could run into some trouble. The recession is over but the recovery has only begun.

Energy Price Update

Peak Oil Price per barrel:	\$147.90
Last Month (10/31/09)	\$77.00
Current (11/30/09) Oil Price per barrel:	\$77.17
Monthly Change	0.2%
Decline from peak price =	\$70.73
Decline from peak price in percent =	47.8%



SAVINGS BOND UPDATE (as of 12/05/09)

Series EE bonds currently pay 1.20% up 0.50% from the 0.70% rate they paid for the prior six-month period ended October 31, 2009. This new, higher rate is effective through April 30, 2010. We like higher paying CDs with FDIC or NCUA insurance better than EE bonds at this time.

I Bonds currently pay a composite rate of 3.36% for new purchases with a base rate of 0.30%. This rate is effective through April 30, 2010.

I-Bonds are a low risk way to get inflation protection. Gains are tax deferred until you redeem your I-Bonds. **Our first choice for inflation protection for new money is with TIPS or a TIPS mutual fund in an IRA or 401K** since they currently pay a higher base rate for all terms. **We recommend holding your older i-Bonds with high base rates** to hedge for future inflation. We like the current rate for taxable accounts if you want to defer taxable income.

5, 10, 20 and 30-year **TIPS** all currently pay a higher fixed (base) rate than I bonds so their total interest payments will be higher for any inflation adjustment. The base rate or "coupon" is set at the time of purchase but it changes with market demand just like Treasuries that have net asset value fluctuation. The principal amount is adjusted for inflation and paid at maturity. If there is deflation, then you get your original investment back. For full details, see <http://xrl.us/TIPSInfo>

TIPS	Coupon	Maturity Date	Current Base Rate
5-Year	1.250%	04/15/2014	0.30%
10-Year	1.875%	07/15/2019	1.28%
20-Year	2.500%	01/15/2029	1.92%
30-Year	3.375%	04/15/2032	1.94%

TIPS are doing well this year which has brought the base rate down from their peak. Our recommended TIPS fund, VIPSX, is up 13.3% YTD. The 10-yr TIPS base rate peaked at 3.13% in Nov. 2008. At 1.28%, it remains above its recent low of 0.96%. We recommend TIPS in your IRAs over I-Bonds due to the significantly higher base rates. But I Bonds are fine if you wish to defer income.

UPCOMING TREASURY AUCTIONS

(Tentative Calendar as of 12/05/09)

Issue	Auction Date	Current Rate.
3-month bill	weekly	0.04%
6-month bill	weekly	0.17%
52-week bill	Dec 15 & Jan 20, 2010	0.33%
2-year note	Dec 28 & Jan 26	0.83%
3-year note	Dec 8 & Jan 12	1.31%
5-year note	Dec 29 & Jan 27	2.24%
7-year note	Dec 30 & Jan 28	3.00%
10-year note	Dec 9 & Jan 13	3.47%
30-year bond	Dec 10 & Feb 11	4.39%
5-year TIPS	April 26, 2010	0.30%
10-year TIPS	Jan 11, 2010	1.28%
20-year TIPS	Jan 25, 2010	1.94%
30-year TIPS	Feb 22, 2010	1.94%

RETIREMENT ADVISOR MODEL PORTFOLIOS

(Note *The Retirement Advisor Model Portfolios* all began with \$200,000 on 1/1/2007)

A primary goal of *The Retirement Advisor* is to help our subscribers achieve their financial or retirement goals in a suitable timeframe and reasonable fashion. Our Retirement Advisor Model Portfolios were constructed with that goal and one other important goal in mind: Simplicity. Studies have shown that the most effective way to save and invest for retirement is to construct and maintain a diversified portfolio of low-cost index funds matched to one's retirement needs and risk tolerances. There is no need (and in fact, this may be detrimental to your financial health) to invest in the hottest technology fund, or buy actively managed mutual funds where annual expenses could be over five times as high as low-cost index funds.

Each month, subscribers to *The Retirement Advisor* will receive updates to three different Model Portfolios. These updates will include any portfolio changes based on our latest outlook of the economy, interest rates, and inflation, as well as portfolio rebalancing as different asset classes deviate from target weightings. In addition, the performance of individual funds will also be updated on a monthly basis.

We designed our three different model portfolios for individuals who are in retirement or who are pondering retirement, taking into account 1) their current stage in life, and 2) their risk tolerance (i.e. how much risks they can incur without losing sleep at night). In presenting our three different model portfolios, we have ordered them starting with the most aggressive portfolio to the most conservative.

We designed our first model portfolio, the **Aggressive Growth and Income Model Portfolio 1**, for someone approaching retirement who is interested in a "balanced" approach to investing, which combines a mixture of stocks and bonds. Its 50% stock market weighting gives it the potential to increase your standard of living over time when rebalanced at key time points.

We designed our second model portfolio, the **Moderate Growth and Income Model Portfolio 2**, for individuals in retirement who believe sleeping better at night with less stock market volatility is worth giving up some of the potential for gains in standard of living to get lower volatility.

We designed our third model portfolio, the **Conservative Capital Preservation Model Portfolio 3**, for investors who invest solely in fixed income securities without any stock market exposure..

The *Retirement Advisor Aggressive Growth and Income Model Portfolio 1* is designed for someone approaching retirement who is interested in a portfolio allocation designed to provide both income and capital appreciation while avoiding excessive risk. We structured the stock portion of the portfolio to provide growth, while the bond portion provides income and stability. This portfolio is ideal for someone who is willing to have up to 50% of his portfolio in stocks in an effort to grow the portfolio while maintaining a steady income stream.

Performance as of November 30, 2009		Expense Ratio	Allocation		Current Value	2009 YTD	Yield	Duration	10-Yr Beta	Quality	ETF Alternative
Index Fund Name	Symbol		Target	Current							
Vanguard Short Term Bond Index Fund	VBISX	0.17%	20.0%	18.2%	\$37,779	5.45%	1.43%	2.60	0.00	AA	BSV
Vanguard Intermediate Bond Index Fund	VBIIIX	0.17%	10.0%	9.5%	\$19,628	9.57%	3.72%	6.30	0.00	AA	BIV
Southeast Federal Credit Union 6-mo, 2% CD	NA	0.00%	5.0%	4.2%	\$8,716	N/A	2.00%	0.00	0.00	AAA	N/A
Vanguard Inflation Protected Securities Fund	VIPSX	0.20%	15.0%	14.7%	\$30,452	13.33%	0.79%	3.40	0.00	AAA	TIP
Vanguard S&P 500 Index Fund	VFINX	0.18%	22.0%	23.5%	\$48,895	24.07%	1.90%	N/A	1.00	N/A	SPY
Vanguard Extended Market Index Fund	VEXMX	0.25%	9.0%	9.9%	\$20,626	27.94%	1.18%	N/A	1.14	N/A	VXF
Vanguard European Stock Index Fund	VEURX	0.27%	7.0%	7.9%	\$16,465	31.31%	N/A	N/A	1.07	N/A	VGK
Vanguard Pacific Stock Index Fund	VPACX	0.27%	7.0%	7.2%	\$14,941	19.15%	N/A	N/A	0.88	N/A	VPL
Vanguard Emerging Market Stock Index Fund	VEIEX	0.42%	5.0%	7.2%	\$15,215	69.87%	N/A	N/A	0.00	N/A	VVO
Weighted Total		0.21%	100.0%	100.0%	\$212,716	18.75%			0.49		
Percent of Portfolio in Equities			50.0%	54.6%							

The *Retirement Advisor* **Moderate Growth and Income Model Portfolio 2** is designed for someone who has retired and seeks to maintain their current standard of living, even with inflation. This portfolio has a smaller percentage of its holdings in stocks, with the bulk of the portfolio in fixed income securities and seeks to maintain an investor's current standard of living for many decades.

Performance as of November 30, 2009												
Index Fund Name	Symbol	Expense Ratio	Allocation		Current Value	2009 YTD	Yield	Duration	10-Yr Beta	Quality	ETF Alternative	
			Target	Current								
Vanguard Short Term Bond Index Fund	VBISX	0.17%	28.0%	26.1%	\$58,457	5.45%	1.43%	2.60	0.00	AA	BSV	
Vanguard Intermediate Bond Index Fund	VBII	0.17%	15.0%	14.5%	\$32,540	9.57%	3.72%	6.30	0.00	AA	BIV	
Southeast Federal Credit Union 6-mo, 2% CD	NA	0.00%	10.0%	8.6%	\$19,267	N/A	2.00%	0.00	0.00	AAA	N/A	
Vanguard Inflation Protected Securities Fund	VIPSX	0.20%	18.0%	18.0%	\$40,388	13.33%	0.79%	3.40	0.00	AAA	TIP	
Vanguard S&P 500 Index Fund	VFINX	0.18%	13.0%	14.2%	\$31,933	24.07%	1.90%	N/A	1.00	N/A	SPY	
Vanguard Extended Market Index Fund	VEXMX	0.25%	5.5%	6.2%	\$13,932	27.94%	1.18%	N/A	1.14	N/A	VXF	
Vanguard European Stock Index Fund	VEURX	0.27%	4.3%	5.0%	\$11,179	31.31%	N/A	N/A	1.07	N/A	VGK	
Vanguard Pacific Stock Index Fund	VPACX	0.27%	4.2%	4.4%	\$9,908	19.15%	N/A	N/A	0.88	N/A	VPL	
Vanguard Emerging Market Stock Index Fund	VEIEX	0.42%	2.0%	3.0%	\$6,726	69.87%	N/A	N/A	1.28	N/A	VWO	
Weighted Total		0.18%	100.0%	100.0%	\$224,330	13.31%			0.34			
Percent of Portfolio in Equities			29.0%	32.8%								

The *Retirement Advisor* **Conservative Capital Preservation Model Portfolio 3** is designed for someone in the later stages of retirement who wants to avoid any losses in their portfolio and who does not need a lot of inflation protection. This portfolio contains no stock market exposure and has the goal of capital preservation in both up and down markets.

Performance as of November 30, 2009												
Index Fund Name	Symbol	Expense Ratio	Allocation		Current Value	2009 YTD	Yield	Duration	10-Yr Beta	Quality	ETF Alternative	
			Target	Current								
Vanguard Short Term Bond Index Fund	VBISX	0.17%	35.0%	34.4%	\$82,935	5.45%	1.43%	2.60	0.00	AA	SHY	
Vanguard Intermediate Bond Index Fund	VBII	0.17%	25.0%	25.6%	\$61,554	9.57%	3.72%	6.30	0.00	AA	IEF	
Southeast Federal Credit Union 6-mo, 2% CD	NA	0.00%	15.0%	13.6%	\$32,748	N/A	2.00%	0.00	0.00	AAA	N/A	
Vanguard Inflation Protected Securities Fund	VIPSX	0.20%	25.0%	26.4%	\$63,666	13.3%	0.79%	3.40	0.00	AAA	TIP	
Weighted Total		0.15%	100.0%	100.0%	\$240,903	7.21%	1.92%	3.40	0.00			

ETF is Exchange Traded Fund. ETFs are like index funds in how they attempt to track various indexes with very low annual expenses. They trade like stocks.

Recommended Mutual Funds

Fund Name	Symbol	Expense Ratio [1]	Fund Performance through November 30, 2009						Yield [2]	Duration [3]	10-Yr Beta [4]	Quality	\$ Min. [5]
			2009 YTD	2008	2007	2006	2005	Combined from 2005					
--- Vanguard (reviewed January 2007) 800-662-7447 www.vanguard.com - Admiral Shares with lower expenses are recommended if you have the \$100,000 minimum.													
Prime Money Market	VMMXX	0.28%	0.53%	2.8%	5.1%	4.9%	3.0%	17.4%	0.11%	N/A	0.00	AA	2,500
Short Term Bond Index	VBISX	0.22%	5.45%	5.4%	7.2%	4.1%	1.3%	25.7%	1.43%	2.60	0.00	AA	3,000
Intermediate Bond Index	VBIIIX	0.22%	9.57%	4.9%	7.6%	3.9%	1.8%	30.8%	3.72%	6.30	0.00	AA	3,000
Long Term Bond Index - SELL [10]	VBLTX	0.22%	5.43%	8.7%	6.6%	2.7%	5.3%	32.1%	4.96%	12.10	0.00	AA	3,000
Inflation Protected Securities	VIPSX	0.25%	13.33%	(2.9%)	11.6%	0.4%	2.6%	26.6%	0.79%	3.40	0.00	AAA	3,000
S&P 500 Index	VFINX	0.18%	24.07%	(37.0%)	5.4%	15.6%	4.8%	(0.2%)	1.90%	N/A	1.00	N/A	3,000
Extended Market Index	VEXMX	0.30%	27.94%	(38.7%)	4.3%	14.3%	10.3%	3.1%	1.18%	N/A	1.09	N/A	3,000
European Stock Index [6]	VEURX	0.29%	31.31%	(44.7%)	13.8%	33.5%	9.3%	20.5%		N/A	0.99	N/A	3,000
Pacific Stock Index [6]	VPACX	0.27%	19.15%	(34.4%)	4.8%	12.0%	22.6%	12.5%		N/A	0.94	N/A	3,000
Emerging Market Stock Index [7,8]	VEIEX	0.39%	69.87%	(52.8%)	38.9%	29.4%	32.1%	90.2%		N/A	1.55	N/A	3,000
Total Bond Market Index	VBMFX	0.22%	7.74%	5.0%	6.9%	4.3%	2.4%	29.2%	3.28%	4.70	0.00	AAA	3,000
Total Stock Market Index	VTSMX	0.19%	25.12%	(37.0%)	5.5%	15.5%	6.0%	1.7%	1.78%	N/A	1.02	N/A	3,000
Total International Stock Index [6]	VGTSX	0.34%	34.66%	(44.1%)	15.5%	26.6%	15.6%	27.3%		N/A	1.08	N/A	3,000
--- Fidelity (reviewed February 2007) 800-343-3548 www.fidelity.com - Advantage Shares with lower expenses are recommended if you have the \$100,000 minimum.													
Select Money Market	FSLXX	0.33%	0.66%	3.0%	5.1%	4.8%	3.0%	17.6%	0.19%	N/A	0.00	AA	2,500
U.S. Bond Index	FBIDX	0.38%	8.14%	3.8%	5.4%	4.3%	2.3%	26.2%	3.08%	4.00	0.00	AA	10,000
Spartan Total Market Index	FSTMX	0.10%	24.84%	(37.2%)	5.6%	15.7%	6.4%	2.0%		N/A	1.02	N/A	10,000
Spartan International Index	FSIIX	0.20%	26.72%	(41.4%)	10.7%	26.2%	13.7%	17.9%		N/A	0.99	N/A	10,000
Four-In-One Index	FFNOX	0.22%	22.72%	(32.6%)	6.2%	15.4%	6.5%	7.9%		N/A	0.86	N/A	10,000

Footnotes:

[1] Expenses current as of Sept. 30, 2009. Some funds have voluntary expense caps that may be terminated or removed at any time

[2] Yield as of Nov. 30, 2009. VIPSX yield does not include inflation adjustments

[3] Duration as of 9/30/09

[4] Beta as of 9/30/09

[5] Often the funds have lower minimum investment levels if you sign up for automatic investments at regular intervals. Call the funds for details.

[6] 2% redemption fee if fund held for less than 2 months.

[7] 0.25% Purchase Fee

[8] 0.25% Redemption Fee.

[9] 1% Redemption Fee if fund held for less than 1 year.

[10] Vanguard's Long-term bond index fund was removed as of July 1, 2009. We show the returns here to show how well the fund has done overall.

We placed all portfolio holdings from VBLTX into a 6-month CD maturing January 1, 2010. We may return to this fund when interest rates are higher.

Duration is a measure of the sensitivity of a bond or bond fund's price to a change in interest rates. For small changes in yield, it is approximately proportional to the percentage change in price for a given change in yield. For example, a bond fund with a duration of 5 years would fall approximately 5% in value if the interest rate increased by 1%.

Beta is a measure of how closely a mutual fund's return follows that of a reference index. Vanguard defines beta as "A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

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