



RAYMOND JAMES

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OFFICE NEWS

Summer Hours

As in years past, we are moving to summer hours. The office will close on Fridays at noon. This will continue through Labor Day. If you need immediate assistance after noon on a Friday please call Raymond James at 1-800-647-7378. Try us first, we are often still in the office!

Eco-Friendly

In the past we prepared a bound package for meetings, then we moved to a paper package that went in a binder. We are now going paperless! When you come in for a meeting, Kim or Diane now open all the documents on the computer. At the end of the meeting we can print or e-mail the parts you'd like to keep. I think this step alone is saving us a box of paper a month.

Data Security

Protecting your personal information is very important to us. Here is a brief synopsis of what we are doing.

- In 2002 we installed an alarm system in the office that would make it very difficult for anyone to break in and successfully take anything meaningful.
- We have passwords on all the computers and the key programs we use.
- This year we scanned in all of our client note files and documents and destroyed the originals so all the information is available to us in PDF format. This way if the office burns down we still have the data.
- We backup all the computer data two ways: one is a nightly upload to a remote server, the other one is a weekly backup to a portable hard drive that we maintain.

UPCOMING EVENTS

When: July 14, 8:00-9:00 am

Where: Espresso Royale Caffè, 2264 South Main Street, Ann Arbor, Bush's Plaza

What: First in our series of monthly meetings to discuss the current market conditions and any other financial questions you might have. This is an informal forum to give you access to us without setting up formal appointments. Please feel free to bring a friend.

Please call or send us a note if you plan to stop by.

MARKET & ECONOMIC COMMENTARY

Second Quarter Market Overview

Markets have been kinder to us in the second quarter. The S&P 500 is up about 36% from its March low. As the table on the following page illustrates, most stock indices are having a good rebound, led by the international markets. High-yield (or junk) bonds are also recovering some of the 2008 losses. High-quality bonds (Barclays Aggregate Bond), on the other hand, are lagging the equity markets. This situation highlights the advantages of maintaining well-diversified portfolios. Bonds helped to moderate 2008 losses (not enough!) but are getting left behind in this torrid rebound.

Most financial professionals (including us) believe that the worst is behind us. That doesn't mean that the market will go straight up from here, it simply means that we are unlikely to go back to or below the low levels reached on March 9, 6,547 for the Dow and 676 for the S&P 500. However, we think that the market is likely to pullback some (as it has in the last week) and to trade in a range until the economic picture becomes clearer. To get a sustainable bull market, we need something more tangible than the much talked-about "Green Shoots". In the meantime, the economy is still deteriorating, but at a slower pace. For example, job losses in May were 345,000 – an improvement from 504,000 and 652,000 in April and March respectively. Also, in the first quarter of 2009 the real GDP declined 5.5% vs 6.3% drop in forth quarter of 2008.

Inflation Concerns

The current topic "du jour" seems to be the coming "great inflation" and how the investors should position their portfolios. The idea is that the Fed (and other governments around the world) are "printing" money, budget deficits are growing significantly and the expansion in the emerging world will drive up the commodity prices again. While we agree that inflation will become a major concern at some point, we believe that the economy and the consumer spending is still too weak, so it is too early to make any major shifts in the portfolios. We will continue to monitor the situation and make the appropriate changes in our asset allocations.

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MARKET UPDATE – YEAR TO DATE RETURNS

	<u>Q2:09</u>	<u>2009 YTD</u>
<u>Major Stock Indices</u>		
Dow Jones Industrials	11.0%	-3.8%
S&P 500 (Large Cap Stocks)	15.9%	3.2%
S&P Mid-Cap 400	18.8%	8.5%
Russell 2000 (Small-Cap)	20.7%	2.6%
MSCI EAFE (International)	25.4%	8.0%
<u>Major Bond Indices</u>		
Barclays Capital Aggregate Bond	1.8%	1.9%
Citi High Yield Bonds	11.8%	17.4%
<u>Other Asset Classes</u>		
DJ Wilshire REIT (Real Estate)	31.5%	-13.1%
DJ AIG Commodity Index	11.7%	4.6%

Disclosures:

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary.

- The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Douglas Gross and not necessarily those of RJFS or Raymond James Financial. Expressions of opinion are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred herein.

- Investments mentioned may not be suitable for all investors. Past performance may not be indicative of future results. You should discuss any tax or legal matters with the appropriate professional. Keep in mind that there is no assurance that our recommendations, strategies, or asset allocations will ultimately be successful or profitable nor protect against a loss.

- There are special risks involved with global investing related to market and currency fluctuations, economic and political instability, and different financial accounting standards. These risks are discussed in the fund's prospectus which should be read prior to investing.

- Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.

- Rebalancing a non-retirement account could be a taxable event.

- Diversification does not assure a profit or protect against loss in declining markets.

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FINIANCIAL PLANNING TOPICS

Retirement Spending

According to a study by Forrester Research, only 24% of older boomers (ages 51 to 61) felt confident about estimating what retirement would cost. In fact, most working people underestimate their spending level in retirement:

% of Pre-retirement Income	Workers (Needed in Retirement)	Retirees (Current Income)
Lower (don't know %)	-	6%
Less than 50%	14%	17%
50%-70%	36%	13%
70%-85%	28%	6%
85%-95%	7%	1%
95%-105% (about the same)	6%	34%
105% or more (higher)	6%	21%
Don't know / refused	3%	1%
Same or higher	15%	56%

Source: Employee Benefit Research Institute

As the table above shows, only 15% of workers think that their retirement spending will be same or higher than during the working years. Among people who are actually retired, 56% spend the same or more.

We are implementing some changes to our retirement worksheet in an attempt to get a better handle on what your actual retirement spending is likely to be. In the past we used a “rule of thumb” 70% of pre-retirement income in our planning. Going forward we would like to be more precise and generate a worksheet that would calculate where the actual reduction (or increase) in spending will come from (see example below):

Current Wages	\$150,000	
Item	Amount	Rate
FICA - Social Security	\$9,300	6.20%
FICA - Medicare	\$2,175	1.45%
Savings (excl employer match)	\$25,000	17%
Mortgage (P&I)	\$0	0%
Other	\$0	0%
Actual Income (pretax)	\$113,525	
Replacement Ratio	76%	

If you are planning on retiring within the next few years, let’s be sure to have a thorough discussion on this topic at our next planning meeting.

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ON A PERSONAL NOTE

Doug

This summer is unique in our family in that everyone is working in full time jobs with the exception of Lily who is 12 and spending a lot of time at camps! Sabrina has taken a full time job as assistant to the clerk at Pittsfield Township, Natalie works at Diamond Hill Investments in Columbus Ohio and Audrey works at the EPA as an intern. I'm pleased to no longer be the only breadwinner. Of course everything has a cost, for me it is the freedom to drive. Natalie took my car, Audrey has the car she normally shared with Natalie, you know I was not getting Sabrina's Hybrid! So I am dropped off at work daily. On occasion Sabrina loans me her car. I think there are a few positives: I now really appreciate what it means to have a car. We get to car pool together! I am learning to pack more interesting lunches. We are all on the same page about not wasting money buying a car when we are only short of one for 3 months! If you're in the area and want to take me to lunch please call!

Denis

This past quarter was a big one for me personally, as I finally married my long time girlfriend Katie McCarthy (now Katie Smirnov). We were married on April 18th in Tucson, AZ where Katie was born and raised. We packed a lot of fun events into the wedding weekend to show our guests (including Doug and Sabrina) a little Arizona culture, since many of them had never been there before. The weekend was filled with desert hikes and parties (including a Mexican fiesta complete with mariachis) and was topped off by our beautiful wedding. All of our friends and family truly enjoyed the ceremony and the reception, but I don't know if anyone had as much fun as Katie and I did. Despite all of the fun, we were exhausted and in desperate need of a relaxing honeymoon! We spent the next 8 days in Costa Rica unwinding and enjoying the culture of "Pura Vida". We stayed at a small resort in the area surrounding the Manuel Antonio National Park, which offered many exciting nature adventures and beautiful surroundings. We zip-lined through the rain forest canopy, although the heavy tropical thunderstorm made it a bit more adventurous than we bargained for. We also spent a day hiking in the national park with all of the native wildlife including monkeys, sloths and lizards the size of small horses (slightly exaggerated). It was truly amazing how many monkeys you see running around everywhere; they are like the squirrels in Michigan! The whole experience was wonderful and one that we will never forget.

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