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Dear Client:

We've been asked about the Greece situation and a Goldman Sachs mutual fund in many of our portfolios. We thought it would be a good idea to share our thoughts with everyone.

Greece

The financial markets have been spooked by the recent debt turmoil in Greece and the risk of it spreading to Portugal and Spain. And now it has the possibility of the "contagion effect" affecting Greece's major lenders: European banks, Germany, and France. This crisis in Greece is competing with the improving economic news in the United States. Hence, we are seeing a lot of fear and big swings in the stock market.

Greece represents only 2.6% of the GDP of the euro-zone. According to *The Economist*, US bank holdings are only 7% of outstanding Greek debt. As far as we know, they are not concentrated with any single US financial institution.

Greece has two basic options. 1) It can accept the rescue loans from other European nations and the tax increases and austerity strings attached to them. The Greeks are faced with the tough medicine of tax increases, spending cuts, and entitlement reductions. The government is reluctantly doing this, but it is not sitting well with the Greeks. 2) It can default and withdraw from the European Union, making it a virtually non-existent economic player in Europe. The default will hurt mostly France and Germany and their banks who have loaned large amounts to Greece. This will be a major set-back for the European Union, but may be better for it in the long run. With the memories of the consequences of letting Lehman Brothers default in the US in 2008, we believe that Germany and France realize the stakes for them are too high to let a default happen.

One positive development is that the interest rate on 10-year US Treasuries has dropped—not because the US suddenly got its debt under control—but because the US dollar is viewed as a safe haven. This in turn strengthens the US dollar, which is good for travelers and lower oil prices, but bad for our growing exports. ***We believe that the United States can weather this storm, because of our limited exposure to Greek debt and our improving economy.*** However, we are watching developments carefully because in this global economy, no nation is an island anymore.

Goldman Sachs

And Goldman Sachs has been in the news. This company has many divisions and affiliated entities, but only a small handful is making the news. Therefore, we thought it would be helpful to zero in on the **Goldman Sachs Growth Opportunities Fund**. This is one of two mutual funds we use for the mid-cap (medium-sized) asset class, and it has nothing to do with the news you see on TV.

The Congressional hearings and the legal proceedings have no effect on shareholders of the fund. You have no stake in Goldman Sachs and are not a party to any transactions in which Goldman is a party. Goldman Sachs Asset Management is a subsidiary of Goldman, hired by the mutual fund to manage stocks in this asset class. All open-end mutual funds are priced based on the market value of the specific securities held in the fund. The net asset value is not dependent on Goldman Sachs in any way except for the selection of securities for this fund by the managers. And they continue to do a good job. Over the past one, three, five, and 10 year periods, this outstanding fund has consistently out-performed its index, the Russell Mid-Cap Growth. So, we see no need to change funds, but we will do so if its performance suffers or if there is any significant change to the management team.

As for all the allegations against them? These are the kinds of conflicts of interests that can happen with brokerage firms, investment banks, and proprietary products. That is why we have chosen the fee-only business model, and why we strive at all times to act as a fiduciary. If the allegations are true, Goldman or the employees involved were not only lacking sound judgment and ethics, but they weren't acting as fiduciaries in their clients' best interest.

Our next quarterly newsletter is at the printers as we speak, and its focus is more on longer-range financial planning issues rather than current investment issues. So, we hope this special communication was helpful. If you have any questions or comments please feel free to give us a call or meet with us. Best wishes for a beautiful spring!

Wow—what a day!

We just witnessed a 997 point drop on the Dow, then a rapid 650 point recovery, ending with a minus 347 for the day. We're back to where we were in early March. Many analysts attribute the huge-but temporary-drop on a trading error magnified by a technical glitch involving a sell order for Procter and Gamble. We won't know for sure until the regulators complete their investigation. This was clearly not a day to time the market.