

INSIDE THIS ISSUE:

Market Overview	1, 4
Real Talk	2
HNW Insights	3

NEW LAYOUT!

We have made some targeted enhancements to our newsletter.

MORE OF WHAT YOU LIKE

We extended the Market Overview section that many of our clients have come to enjoy.

REAL FAMILY SOLUTIONS

We added a new section called, "Real Talk", focused on solutions to key issues that our client families face every day.

HNW INSIGHTS

We are launching a new section called High Net-Worth Insights, which will be included in our mid-quarter newsletters.

Raphael A. Martorello
415-793-8014
info@mmmwealth.com
www.MMMWealth.com

Is This Time Different?*Market Overview & Commentary*

Markets continue to wrestle between the bulls and the bears. The S&P 500 has had seven major trend reversals during 2010, with two more occurring during Q3 (see Chart I). Most recently, the market rallied off of July lows when value investors bought on strong corporate profit results, and then declined into August on slowing economic results.



Chart I – S&P 500 Choppiness in Year 2010

As discussed in recent newsletters, markets typically move in a volatile sideways manner during the second year of recoveries from recessions, consolidating massive gains from the first year such as we had in 2009. This market volatility is a result of the uneven handoff from declining government stimulus to increasing private market demand. Most recoveries push through this volatile phase after two or three quarters, eventually leading to a renewed bull market (which would be in late Q4-2010 if the textbook sequence plays out).

The big question on everyone's mind is: Is this time different?

Definitively speaking, we don't know! Not to be tongue in cheek with our response, but there are many tried and true indicator models that are pointing in complete contradiction to one another on any given day. For example, leading indicators are pointing downward, while the yield curve is incredibly steep, and recessions tend to only take hold when the yield curve is flat. Then there is the Hindenburg Omen, the Elliot Wave Model, Sentiment Indicators, Yield Spread Indicators, and possibly my favorite pair, The Golden Cross and its evil twin The Death Cross. These myriad of models are vacillating between buy and sell signals on a weekly basis. Adding to the confusion are the ongoing policy mysteries in DC. For example, businesses are deciphering...

.....continued on page 4

How to Choose the Right School for Your Children

“It’s something we all talk about in our mom’s group. Where’s your kid going to school?”

My good friend and mother of two continued: “When we grew up, there were no choices; we went to the local school. Now, there’s a lot to consider and it takes time to figure out what’s right for our kids. It’s better to have choice, but we don’t want to be wrong or hurt our long-term goals.”

I nodded in agreement having heard similar concerns from parents across the country. Having choice gives parents the option to decide what’s best for their children, and the choice isn’t limited to public vs. private anymore.

How, then, do you pick the perfect school for your child?

6 Rules to Make a Fast and Accurate Decision

To help our Denver-based Clients with the selection process, we hosted a seminar and brought in an educational consultant, Stephanie Sabga, to provide answers. Here are her 6 basic rules to follow:

1. Determine what the family needs.

Start with practical matters such as schedules, transportation, location, siblings, outside activities and money. For example, if you’re thinking about school costs and you haven’t seen how this impacts your other goals, give your advisor a call and we’ll run the numbers for you.

2. Understand what your student needs.

This “little person” is still developing so knowing what they need isn’t easy. Begin with your child’s interests, strengths and affinities and how he learns best (when told or shown, through action or repetition?). Also consider:

- What motivates your child and what turns her off?
- Does your child socialize with other children? Adults? When you’re not around?
- Special needs such as physical and mental health or behavior and learning differences.

For example, one client picked a school with 3 recesses because her son can’t sit for long.

3. Identify the schools in your area and build your long list of 5-10 schools maximum.

For a K-12 online resource, check out GreatSchools.org. You can compare schools nationwide based on various criteria you developed in steps 1 and 2.

4. Network with parents and conduct site visits.

See if the marketing material matches what you’ve heard or see in person. This is your chance to lift the hood, walk the school and talk to the leadership. “School fit” factors:

- Subjects and extracurriculars offered
- Challenging educational goals
- Approach to discipline and free time
- Social environment (PTA) and student/parent values

5. Short list your schools to no more than 3.

I’m serious, if you have more than 3 schools on your short list, it’s not short. You may have a clear front-runner but it’s also possible that your head is spinning. If so, this last step’s for you...

6. “Nibble” to get a little extra and make a decision.

There’s a negotiation tactic called “nibbling”. It’s when you get all the information and are about to make a decision, only to say, “oh, just one more thing” Here are a few crumbs:

- Clear mission guiding school activities
- High student expectations
- Making teaching / curriculum changes when needed
- Safe and orderly conduct

Imagine how implementing these techniques could change your child’s future.

My friend and her husband asked us to customize a plan and portfolio that allowed them to give their children the best education while securing their retirement... and occasionally live extravagantly along the way. They are on track to have enough when they need it and get peace of mind knowing they’ve provided for their family.

If you or a friend is concerned about the impact of education costs on your long-term goals, take action today and [contact us](#).

You've made it, but can you keep it?



Capitalism is the single largest wealth generator in the United States. Whether in the small business sector or the Fortune 500, our open and innovative society has enriched the populace more than anywhere else on the planet. Historically, concentrated equity positions have been a road to personal wealth. Maybe you built up a private business, inherited a big chunk of stock, or picked a great stock that you held through thick and thin to a fantastic level of wealth. Congratulations, you are the American Dream!

Now that you've made it, can you keep it?

Oftentimes, what gets you to a goal is different from what preserves or improves upon those results. For example, boot-strapping entrepreneurs who focus on business creation and growth, typically step aside for a risk-averse manager once the business has matured. What was once a startup, is now a complicated organism that can be destroyed by taking on too much risk. In essence, preservation and incremental improvement become much more important than continuing to take on life-or-death risks that were critical during the growth phase. Defense takes over where offense left off.

Similarly, a time arrives when overly concentrated investments should give way to greater diversification. While concentrated investments can create wealth, it is incredibly difficult to stay wealthy by remaining concentrated. As net worth substantially increases, the benefit of large gains takes a back seat to protecting against the pain associated with a rapid and significant decline. Once wealthy, how would your life change if you incurred a 50,60, or 80% decline in your net worth? How would it impact you personally? How would it impact your relationships with family, friends, and social groups?

Of course, most of us think, "It couldn't happen to me," because we are confident in the wonderful investment that helped us achieve wealth. However, overly concentrated positions are like Russian roulette. Every morning the holder of such a position pulls the trigger. The hammer

may come down on an empty chamber today, but somewhere else it is striking a bullet, be it an astonishing accounting fraud at Enron, the blowup of century-old Lehman Brothers, or the quiet collapse of a smaller sized firm. Lives of investors who were overly concentrated, suffered terribly from these colossal failures. Due to the creative destruction of capitalism, no company is invincible, untouchable, or permanent. Consequently, an overly concentrated equity position is truly a gamble. The bet is that creative destruction does not apply to our specific investment, and worse, it is a bet with our vast fortune on this wildly improbable thesis. The worst part is that this strategy can feel right for a very long time, just up to the point where it is wrong in a very bad way....and then it is too late.

The solution to this problem is diversification. The bargain works like this: if you diversify, you won't make a killing, and in return you won't get killed. Diversification can be accomplished in three steps:

1. Reduce your concentrated position down to no more than 5-10% of your net worth
2. Maintain a few years worth of budget in cash
3. Reinvest your holdings into uncorrelated investments

Of course, there can be complications. Reducing your concentrated position can be challenged by an illiquid private business ownership, lock-up periods on stock or option grants, or large built-in taxable gains. Furthermore, finding diversifying investments (public, private, etc.) may not be your core skill-set.

If you or a friend is in an overly concentrated position, take action today and secure your lifestyle. If you can do it yourself, great! If you would like expert assistance, contact an LGA Advisor to develop and implement a plan that works.

Don't let calamity strike before you diversify!



Is This Time Different? (continued from page 1)

...the cost implications of the recently passed 2000-page health care reform bill, the financial industry is still figuring out implications of the recently-passed 2300-page Dodd-Frank bill, and individuals are unsure about what their personal and investment taxes will be next year.

Markets tend to absorb good and bad news alike, but have real difficulty with uncertainty. So, it's no wonder that businesses and investors are confused, scared, or plain exhausted with all the mixed signals. Many are sitting on the sidelines until the smoke clears, which is retarding investment and growth.

Now back to the question: Is this time different? Some say markets will rebound (optimists) and others say it will decline (pessimists). Here are three truths: 1) no one knows for certain, 2) they will both be right at some point, and 3) this is precisely what creates a market. With some current indicators pointing upwards and others pointing downward, what is likely to happen is that the sideways chop will continue until there is more clarity.

Politically, clarity will most likely happen around the November election when democratic control or gridlock will prevail. Economic and tax policy implications make this a major market event. More importantly, businesses and individuals will make decisions to progress forward with clear direction on the environment they face, regardless of their determination of whether the policy is good or bad.

Until conflicting models converge, we are taking advantage of the volatility by increasing allocations to uncorrelated asset classes, and by actively trading client portfolios within the sideways range. We sell when positive news drives prices higher and buy when pessimistic news drives them lower. We will continue to do so until more clarity is reached and a new upward or downward trend develops. It's profitable to be greedy when most are pessimistic and fearful when most are optimistic.

As always, we encourage you to pursue life's dreams while we help you achieve your financial goals!

Warm Regards,

Raphael A. Martorello

QUESTIONS

We are available to discuss any questions you have regarding progress towards your financial & investment objectives.

REFERRALS

We appreciate your referrals as they are the lifeline to our business. Please let your family, friends and colleagues know about our wealth management services.

We are accepting new clients through our sister company LotusGroup:
www.LGAdvisors.com

Contact Us

Raphael A. Martorello
415-793-8014
info@mmmwealth.com
www.mmmwealth.com