FULCRUM SECURITIES

ON BALANCE

April 15, 2008

Focus on The Markets

	YTD % 1st Q 2008
DJIA	-7.55
S&P 500	-9.92
S&P SmallCap	-7.73
Nasdaq	-14.07
Russell 2000	-10.19
MSCI EAFE	-9.53
Oil/Barrel	$101.10
30 mortgage	5.67%
15 mortgage	5.19%

	YIELD
30 Yr Treas	4.28
10 Yr Treas	3.41

Woke Up, Got Out of Bed, Dragged A Comb… Wait a Minute, I'm Retired!

You wake up and launch into your morning routine: coffee, breakfast, morning news. It's just after 7:30 and you realize - if you don't leave for work in the next few minutes, you are going to hit the very worst of the morning traffic. You get in your car, start the engine, and then it hits you: you don't have a job, you retired 2 weeks ago! Your office number has already been changed, your company e-mail doesn't work anymore, and you are no longer receiving a pay-check or saving for retirement and contributing to your 401k plan. Your mind rushes back to the fear that has dominated your thoughts ever since that last goodbye at your office, "Do I have enough savings to retire?"

According to recent polls, the number one concern among retirees today is whether or not they have set aside enough money for retirement. One such poll, conducted in July 2006, by LifeCare, Inc., indicated that 60% of retirees identified personal finances as their number one concern for the future, while only 6% were worried about what to do with their time.

When the first of the baby boom generation starts to retire in just a few years, their concerns will be quite a bit different than those of their parents, who lived through the Depression and much tougher economic times. Unlike their parents, most baby boomers will retire without participating in a traditional corporate pension plan. Instead, they will be beneficiaries of the defined contribution plan. In a defined contribution plan, companies set aside a specific amount of money or percentage of money each year for the benefit of each of their employees. Under this sort of plan, restrictions are

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Foundations View The Bottom-line Importance of Charitable Giving

The old adage that you can't take it with you has taken on special meaning over the past few years as foundations and other not-for-profit institutions wait, with baited breath, the impending "great transfer of wealth" that will soon take place between baby boomers and their parents and later, between boomers and *their* children. By some estimates, these institutions could garner as much as 5% of these assets. To approximate just how much money this could be, one need only

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imposed as to when and how employees can withdraw these funds without paying a penalty. However, under defined contribution plans, there is no way to predict exactly how much it will ultimately pay to the employee when the employee retires, for even though the contribution amount is fixed, the benefit is not. In addition, people who invested in their employer sponsored retirement plan live with the hope that when they chose the investment vehicles in which their money was to be invested, they selected investment options appropriate to their unique circumstances.

There are four key variables impacting future retirement savings:

1. Starting amount
2. Annual contributions
3. Number of years invested
4. Expected rate of return

When thinking about these criteria, too many investors focus all of their attention on "expected rate of return" which, while important, is but one factor that should be taken into consideration when reviewing your options. For example, time can be the greatest ally or enemy of any portfolio. Investor's should make sure that when selecting investments for retirement, they have put their money into investment vehicles that take into consideration their specific timeline. One should keep in mind, the last ten years before retirement can be some of the most important years of any savings plan. Because people start out with portfolios of varying size, and some people never contribute to any other retirement plan other than that which is sponsored by their employer, the two most important variables that can potentially have significant impact on any retirement nest egg are time *and* return.

"Proper asset allocation is a key element of all successful retirement plans"

Are You Properly Allocated? Proper asset allocation is a key element of any successful savings plan. Asset allocation involves dividing one's investment portfolio among different asset categories such as stocks, bonds, and cash. The process of determining which mix of assets will work best for you at any given point in your life is a very personal one and will depend to a very large degree on both your time horizon and your ability to tolerate investment risk. Investors who have survived some of our most recent market corrections, such as that experienced in 2000 - 2002, can attest to the fact that failing to properly reallocate your portfolio on a regular basis can have serious consequences.

Too often, investors fall in love with a specific stock, mutual fund or money manager and loose sight of the basic principle of successful investing: "Buy low, sell high." It is also important to keep in mind that any proper asset allocation strategy will almost certainly, at one time or another, include an asset class that is underperforming. And while the ideal strategy would be to minimize exposure to underperforming asset classes *all of the time*, that just is not possible. This is why periodic portfolio reallocations are so important. Reallocating your investments on a regular basis involves taking money from high performing asset classes that are in-favor, and reallocating

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. . . Planning for Retirement

the money into underperforming asset classes. It takes discipline and fortitude, but following that philosophy over time has proven invaluable for those who stuck with it. It also means that, when done skillfully, investors are "buying" at the low points and "selling" at the high points. You may never realize 100% of the upside of any asset class by employing this strategy, but you will be assured of having a chance of investing in an under-performing asset class at the proper time, before it goes up, which, if done properly, could gain you significant benefit over time.

As an investor who is saving for retirement, it is always important to remember that you are actually investing for the rest of your life. In fact, given that the average life expectancy in this country continues to rise, saving and investing for your retirement years requires careful on-going and disciplined planning. And once you have retired? The idea that at some arbitrary retirement age one should take all of their money out of the stock market and invest in nothing but bonds no longer holds true. We live in much more complicated times and the opportunities available to today's investor are unlike anything in the past.

What were some of the other concerns among retirees that turned up on LifeCare's survey? Health and the importance of retaining one's independence. With the future cost of healthcare a huge unknown and the fact that everyone is driven by a desire to maintain their independence throughout their lives, the importance of investing in a well diversified portfolio of equities and fixed income instruments becomes all the more urgent. In order to assure the best possible chance for a comfortable retirement, you should invest in both stocks and bonds within a properly allocated portfolio, one that is reviewed often and reallocated as market conditions change.

. . . Bottom Line Importance of Giving

look as far as Boston College's Center on Wealth and Philanthropy (Center) which, in 1999, projected that by 2050, the intergenerational transfer of wealth would fall somewhere in the realm of $41 trillion, of which $6 trillion could go to charity. The Center continues to stand by these numbers.

Foundations Wrestle With Conflicting Instincts – Save or Spend? An article appearing in the November 12, 2007, issue of the New York Times entitled "How Long Should Gifts Just Grow?" observed that over the past few years, donations in this country to private non-profit institutions have gown exponentially. The article went on to point out that many institutions have been husbanding these gifts in order to take advantage of double digit returns being garnered on their investments. These days, however, things are changing, due in no small part to pressure being brought to bear on these organizations by "spend it sooner" advocates to loosen their purse strings.

For example, under current regulation, one category of foundation called a "private foundation" is actually *required* to make annual payouts of at least 5% of the fair market value of its assets. In recent years, many of these foundations have used the 5% as a *maximum* rather than baseline figure, prompting advocates of "spend it sooner" to argue that in order for them to be truly effective in combating the sorts of social problems they were created to fight, they must start spending a good deal more.

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Not surprisingly, many in the not-for-profit world counter by pointing out that they must control disbursements in order to protect their endowments and assure their continued existence. They further contend that there is no assurance Americans will continue to give to the degree they have in the past, an argument made especially compelling in light of recent market performance resulting from the sub-prime mortgage debacle and concomitant contagion into other industries, which, combined with increasing oil prices, are having a deleterious effect on individual portfolio performance and, by extension, disposable "donateable" income. Not for profits argue that maintaining a healthy level of reserves is just good business and provides a critical cushion against the vagaries of fund raising, the life's blood of all non-profits.

Donations Are Down. Troubling data in the latest release of a study that is performed quarterly by Target, a Massachusetts based consulting firm, indicates that non-profit institutions are already having difficulty getting donations from new donors through direct marketing appeals, a popular method of soliciting contributions. They are also having particular problems obtaining repeat donations from prior donors. The study goes on to note that some types of charities were more successful at raising money than others. For example, animal welfare organizations have been doing especially well, likely thanks to the publicity surrounding former football player and convicted criminal Michael Vick. New donations to all other types of charities included in the survey declined, although donations to environmental groups declined less than others. According to the study, social services groups are being hit especially hard. As a defense against a protracted down-market and shrinking contributions, some smaller non-profits are going so far as to establish endowments of their own.

For their part, donors object to having the extent of their philanthropic efforts based on some minimum disbursement criterion set by Congress. How, they argue, can current tax law determine the exact percentage of resources each year that makes the most sense in terms of carrying out a foundation's mission? After all, as institutions, foundations are far more complex than simple construction paper cut-outs. And yet, if the law were changed to require a lower percent payout, many foundations would almost certainly adjust their spending accordingly. Many people make *strategic* decisions about their donations, such that perpetuity does not necessarily make sense. The often used example is that if you view global warming as an imminent threat, a 5% annual pay-out rate just isn't going to get it. Tax deductions for charitable donations are taken almost immediately by donors whereas the actual benefits of those donations may not be realized until years later.

Foundation Types Vary. Private foundations are among several different types of organizations in the non-profit world. They typically receive funding from a single source e.g. a corporation or an individual or family. They then take the monies and issue their own grants to other organizations. Among other things, this structure affords the original donors control over both the grant making and administration of the foundation. In general, non-profit organizations that are *not* set up as private foundations are referred to as public charities - schools, hospitals, churches, and charities that receive public support are examples of public charities. According to recent estimates, there are over 1 million tax-exempt/non-profit organizations in this country, of which approximately 100,000 are private foundations.

According to the National Center on Charitable Statistics, the national clearinghouse of data on the non-profit sector, by the end of 2005, non-profit institutions had nearly $2.5 trillion in assets, more than twice what they had just 10 years earlier. And who have been the primary reapers of Americans' largesse? With more than $825 billion, the health care industry, specifically hospitals and medical research organizations. Educational institutions are second with upwards of $600 billion in assets, followed by museums.

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Congress Asks, Is The Money Benefiting "Everyman?" Because of the amount of money involved (by current estimates non-profit institutions in the U.S. have $800 billion in invested assets), and due to their tax exempt status, Congress has begun to take a look at the non-profit world, even going so far as to hold hearings on, among other things, how they are spending their money. It is looking into whether charitable donations in general are benefiting a broad enough cross section of organizations or if they are being directed primarily to organizations that are already wealthy, such as large educational institutions.

In light of this increased scrutiny, pressure is mounting on "the industry" to open up voluntarily and disclose more detailed information about the grants they make and any existing or potential new programs in which they are involved. Indeed, new rules went into effect on January 1, designed to make it possible for donors to get a much clearer view of how secular charities are spending and handling their money. The Internal Revenue Service has also gotten into the picture by launching an effort to cull out deadwood charities.

Local Governments Are Also Taking A Second Look. With increasing numbers of communities and municipalities facing revenue shortfalls, pressure is mounting at the local level to eliminate a few of the tax breaks enjoyed by non-profits. Recent court decisions have supported revocation of tax exemptions in several states, including Michigan and Illinois. Fights are brewing over non-profit tax exemptions in other areas of the country as well, all of which adds to the uncertainties of running a non-profit organization. In some cities around the country, non-profit organizations are already paying fees for city services in lieu of paying property taxes. As a general rule, most property tax exemptions go to non-profit hospitals and universities. Hospitals, for example, receive billions of dollars in tax breaks at every level of government for which the public expects to receive tangible benefits, especially when it comes to charitable care.

Non-Profits Take Up Ethical Investment Strategies. Non-profit organizations have become some of the world's leading institutional investors and as such, there are many who believe they have certain responsibility, not legal responsibility but moral if not societal responsibility, to use their money for "good" both directly, through their good works, and indirectly, via the stock and bond markets. One way increasing numbers of these organizations are dealing with this responsibility is by screening their investments against a variety of ethical investment issues unique to them. According to a recent survey done by the Chronicle of Philanthropy, more than one quarter of the top 50 largest private foundations and not-for-profit institutions reported having incorporated ethical screening into the management of their endowments. Increasing numbers of these institutions are beginning to realize that the values that drive them and the mandates under which they are working are, in some cases, so separated from the values and financial management of their assets that in fact, they may very well be working at cross purposes e.g. child advocacy groups investing in companies whose off-shore subcontractors are employing child labor.

No matter what happens either in Washington D.C., at the local level, or even in the capital markets, in the end, everyone will benefit as non-profit institutions evaluate more rigorously their financial health, strive to increase transparency and accountability, and work to direct funding and support programs where they will do the most good.

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