Summer 2013

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Fact

19%...About one out of five of the nation's households owed student loan debt in 2010, more than double the share two decades earlier.

- Source: Pew Research Center

Quote

Kind words can be short and easy to speak, but their echoes are truly endless.

- Mother Teresa

Inside

The Importance of Words

With nearly 19 months of fatherhood under my belt, I am quickly starting to realize the true importance of my words. Our sweet little daughter Ataleigh is absorbing the English language at an incredible rate; immediately repeating each new word or phrase she hears, both good and bad. As her vocabulary continues to evolve, I've accepted the responsibility of helping teach her the value of consistent and direct communication. At this point, any parents reading this are surely laughing to themselves, and possibly out loud, as they know it is nearly impossible to rationalize with a two year old, however I am optimistic the groundwork I am laying today will make life easier for both of us in the future.

I assimilate this with the approach Ben Bernanke and his cohorts at the Federal Reserve are trying to implement with the fickle child that is our economy. After reaching record highs in 2008, equity markets experienced significant declines, largely prompted by the collapse of Lehman Brothers and Bear Sterns. There were also issues facing Fannie Mae, Freddie Mac, AIG, and Merrill Lynch, the magnitudes of which were largely incalculable at the time. We saw the beginning of a recovery in 2009 before encountering even more problems via the European debt crisis and "Flash Crash" which both threatened to plunge us deeper into the "great recession". With unemployment on its way to effecting 12 million people, stagnant GDP, and an eventual downgrade in our country's credit rating in the works, we were in rough shape. It was at this point, we were all reminded of the importance of words.

It was August 2010 at the Federal Reserve Economic Policy Symposium in Jackson Hole, Wyoming, when Federal Reserve Chairman, Ben Bernanke communicated two, seemingly obscure; words which helped propel equity markets to the all-time highs we've seen recently. The words I am referring to were "Unconventional Measures". These words implied the use of a new breed of stimulus not ordinarily relied upon to help our struggling economy. The markets reacted and the reaction was favorable.

As Burt White recently put it at LPL Financial's Summit Conference, the problem with such stimulus is that it violates two golden rules of finance; You cannot borrow your way out of debt, and You cannot spend your way to prosperity.

Fast forward to today. Economic fundamentals are improving and unemployment is dropping, however our future is far from certain. During last month's meeting of the Federal Reserve Board's Open Market Committee, we were privy to some more telling communication from Ben Bernanke when he mentioned the possibility of winding down the "Unconventional Measures" that were employed earlier. The markets may have overreacted to the comments, much like my daughter does when I tell her the ice cream is almost gone. It remains to be seen whether the Fed will begin tapering later this year or whether Ataleigh's ice cream truly is gone, after all daddy has a soft heart. One thing is certain; we need to be mindful of the temper tantrum that could ensue once those words become actions.

Chris Olsgard is a CERTIFIED FINANCIAL PLANNER™ practitioner and Partner with Waller Financial Planning Group

[Financial Planning]

Investment Update

Positive returns were hard to find in the second quarter. Other than US equities, all other major asset classes saw negative returns. US equities posted modest returns in the 2-3% range. Conversely, foreign equities were negative for the quarter, as were bonds. Bond returns were in the negative 2-3% range for the quarter .

Many of the headlines during the last two quarters were about fiscal policy – things like the fiscal cliff, sequestering, and unsustainable spending. Although not much has fundamentally changed with the economy, those topics are old news, relegated to the back page. This is partly due to the economy growing a bit more than expected, which solves a lot of fiscal woes. This past quarter, the headlines related to monetary policy issues. In macroeconomic theory, monetary policy and fiscal policy are the two levers of the economy. One is not necessarily better than the other, but we tend to favor the utilization of monetary policy to guide an economy versus relying on short-sighted and unequipped politicians to make sound, long-term fiscal policies.

This takes us to the story line for the second quarter: "what you say matters". This was certainly the case for the Federal Reserve Chairman, Ben Bernanke. One word the Fed Chairman said in June sent the markets into a frenzy; that word was tapering. The Fed Chairman discussed potentially reducing the Fed's support. These actions indicate the Fed believes the economy is stronger, and as such, less dependent on support. This is a positive sign, but it was clearly not interpreted that way.

We have written quite a bit the last couple of years about the Fed, as they have played a vital role in guiding the economic recovery from 2007-2008. We believe they are going to remain quite active in assisting the economy. This is important to understand, as they do not even need to take action to impact the markets – simply discussing the possibility of action is influential enough to effect change. This point is one that we believe frustrating to the Fed.

Under Chairman Bernanke, the Fed has attempted to become more transparent with what they are thinking and how they plan on carrying out their thoughts. Unfortunately, the market sometimes reads too much into something, which we believe was the case this past June.

We are concerned with an increase in interest rates, as that could negatively impact bond values. We have taken actions over the past 18-24 months to mitigate some of the risks associated with rising interest rates. Generally, the Fed raises interest rates when the economy is really cruising along and inflation is rising. Currently, that is not the case. Although we anticipate interest rates increasing, we do not think it will be impactful until late 2014 to early 2015. The Fed has made it very clear they will continue its accommodative monetary stance until the economy is on stronger footing or inflation becomes a problem. We do not anticipate either happening in the next quarter or two.

In our last letter, we stated that we are mutedly optimistic. Despite the recent sell off, this is where we remain. Our expectations are that both equities and bonds will end the year modestly higher than current levels. We believe the selloff in the second half of last quarter was a bit of an overreaction to what Fed Chairman Bernanke said.

All indices are unmanaged and may not be invested into directly. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed country indices: Australia, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Morningstar Office 2013; US equities as measured by the S&P 500 index, Foreign equities as measured by the MSCI EAFE ND index, and Bonds as measured by the Barclays US Aggregate Bond index.

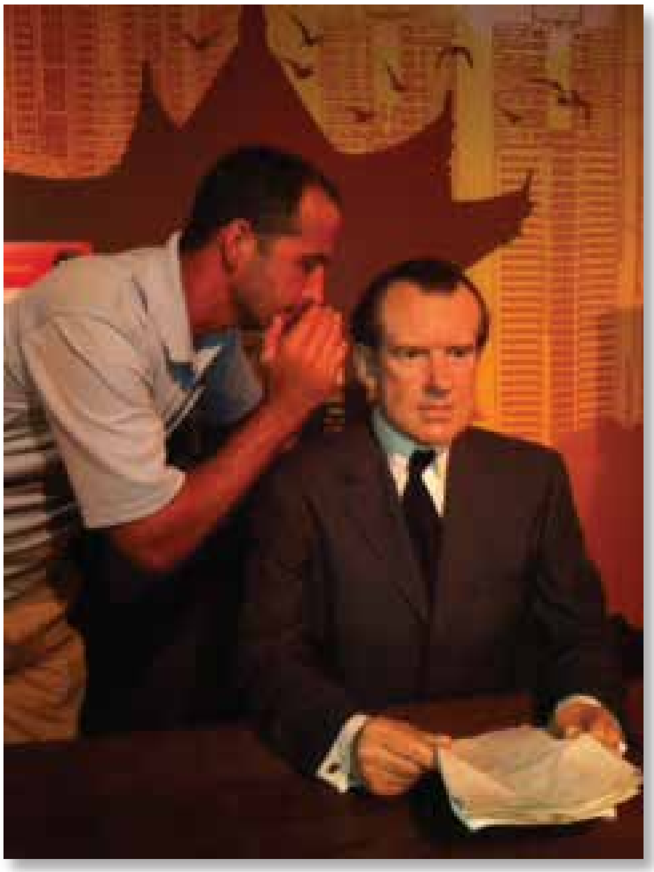
[Philanthropy]

Inspired to Serve

For many of us the summer is a time to catch up on rest, do some traveling and enjoy the outdoors. My wife, Abby, and I are no different. In June, we decided to take a long overdue trip to our nation's capital. Neither of us had been there in nearly twenty years, so we decided this summer to take the drive across I-70 and I-68. Our itinerary directed us from Columbus to Washington D.C., over to Alexandria, down to Mt. Vernon, then to Charlottesville.

During our week long road trip we were able to visit many attractions. We started with a visit to the White House and continued to the National Mall. With a finite amount of time and an abundance of wonders to view, we bravely decided to jog the National Mall to visit all the Memorial Parks on our first day. Along the way we stopped to commemorate presidential legacies, honor our nation's veterans, and celebrate our nation's commitment to freedom and equality. Our first day in Washington D.C. was rousing and exhausting.

In the days to follow we continued our feverish pace. We explored Ford's Theatre, visited the Petersen House, and toured the Holocaust Memorial Museum. Many of the past presidents were even available to pose for pictures with us, though they were wax figures at Madame Tussauds. The Smithsonian provided amazing experiences; passing through the Air and Space Museum, American History Museum, and Natural History Museum.
Our trip concluded with the beauty of George Washington's Mount Vernon and Thomas Jefferson's Monticello. We accomplished everything we set out achieve and then some.



Our vacation allowed for us to recharge our batteries, do some traveling, enjoy the outdoors, and share laughs. More importantly it was inspiring. This seemingly routine trip to our Nation's capital was anything but. Learning and being reminded of the achievements and sacrifices of so many was humbling. I was reminded that ordinary humans can accomplish the extraordinary through their desire to serve.

Our escape from the rigors of everyday life afforded me the opportunity to reflect on the impact I have on those around me. I was reminded by presidential legacies and our nation's veterans that service and sacrifice is never forgotten. Inspired and re-focused, I am energized to serve my family, clients, colleagues, and community. Though just an ordinary man, I hope to contribute to the extraordinary.

Wherever your travels may take you this summer, I hope it is pleasurable. I also wish it is inspirational.

Jason Farris is a CERTIFIED FINANCIAL PLANNER™ practitioner and Partner with Waller Financial Planning Group

[News & Notes]

Save the Date – Tuesday, September 24th

Our annual client appreciation event, Odysseus Awards, recognizes those clients who have impacted the lives of others. This year's honorees are Ronald and Barbara Eppley. We look forward to seeing you in September.

Holiday Schedule

The office Waller Financial will be closed in observance of the Labor Day on Monday, September 2nd.

Lucas's Hope with Every Step

Waller Financial was a proud sponsor of Lucas's Hope with Every Step: A charity family walk/run in support of the A-T Children's Project. The A-T Children's project is a non-profit organization that raises funds to support and coordinate biomedical research projects, scientific conferences, and a clinical center aimed at finding a cure for ataxiatelangiectasia, a fatal genetic disease that attacks children, causing progressive loss of muscle control, cancer and immune system problems. To hear more about Lucas's story please visit our website.

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