3rd Quarter, 2012

Monument Quarterly

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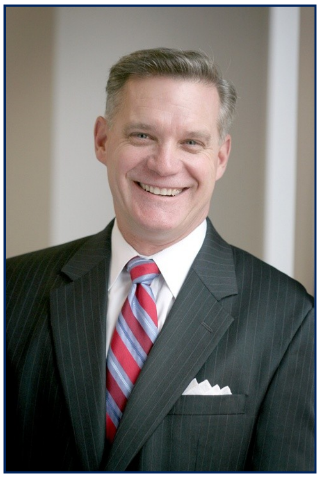

Dean J. Catino, CFP®
Managing Director

Will Health Care Hurt Boomers' Retirement?

By Dean J. Catino

The numbers are staggering—according to the Pew Research Center, 10,000 baby boomers are entering retirement age every day and the pace will continue for the next 20 years.

The boomers are a powerful force representing over 75 million people, and as they enter their retirement years, one of their primary financial concerns is how to pay for quality health care. Much of their anxiety is due to the rapid growth of health care expenses as compared to inflation. This has escalated the political debate on how to best fund, manage and deliver health care. Adding to the apprehension is the rising cost of employee benefits in general. This is due to corporate America being forced to drop defined-benefit retirement plans in favor of defined-contributions plans, the elimination or dramatic reduction in retirement health care benefits, and increasing premiums.

Inside This Issue

Bottom line: health care is extremely expensive, we are living longer, and 75 million baby boomers are starting to retire! There's an obvious retirement income challenge and health care dilemma, and most Americans aren't thinking about it or planning for it! We should not expect Social Security and Medicare to cover the problem, because it won't.

When you focus on health-care costs, it is important to consider inflation. In 2005, national health expenditures were $2 trillion, which is an increase of 6.9 from the prior year. That's twice the rate of inflation and such spending is forecasted to reach $4 trillion by 2015.

According to the U.S. Bureau of Labor Statistics, over the last decade the annual growth of health care has been 8.3 percent compared to inflation of 2.6 percent, forcing households to consume their savings, borrow, or just do without.

Based on a Fidelity Consulting Services study, Medicare out-of-pocket costs are projected to be $240,000 to $430,000 for a 65-year-old couple retiring today. However, the study notes that 55 percent of people surveyed have underestimated or don't know what their medical costs will be in retirement.

One reason people may underestimate the amount of money needed to cover their health care cost in retirement is that many workers don't think they will ever need long-term care. Studies have found that 35 percent of those reaching 65 will use nursing home care at some point, however only one in 10 think they will need this type of care.

Continued on page 5.

Monument
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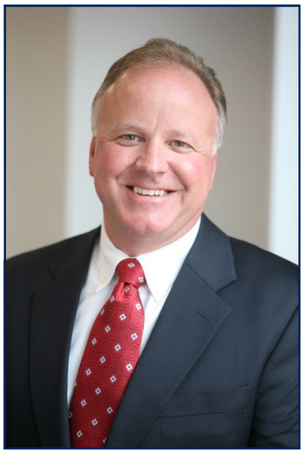
You Are Not an Index.
Don't Try to Act Like One!



Timothy S. MicKey, CFP®
Managing Director

If you find yourself scratching your head and wondering why your portfolio is not keeping up with the indexes this year, you're not alone. Many portfolio managers' returns are behind their benchmarks.

The main reason I conclude this is because every professional manager I know has some doubt in the back of their mind as to how the US (as well as the rest of the world) is going to manage the massive amount of debt they have accumulated.

Everyone should understand that too much debt is never a good thing and rarely, if ever, ends well. I will not attempt to offer a solution in this article, but rather will offer an idea for investors to consider while we wait for political leaders around the world to begin making fiscally responsible decisions.

If your portfolio return for the quarter or the year is below the benchmark, then take a look at your benchmark. If you are using the Dow Jones Industrial index, the Standard & Poors 500 (S&P 500) index, or any of the other indexes, it is important to understand that these indexes don't include an allocation to cash--they are most likely all equity portfolios. It has often been said that investors have short memories; they seem to make the same mistakes over and over again. **Why?**

I believe it boils down to two basic human emotions: **fear and greed**.
Sometimes it's hard to tell the two apart.

There is a lot to be concerned about on the economic and political fronts around the world. Much can still go wrong in countless places, but the US Gross Domestic Product (GDP) continues to grow and the equity markets are performing better than anticipated. I hope it continues and America gets its swagger back. It has been a while since investors, portfolio managers and corporations were able to put the hammer down and invest in the future without fearing what was around the bend. I suggest we take a practical approach to how we invest.

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By Timothy S. MicKey

Is it **fear** that keeps people on the sidelines and afraid to invest because they may lose some or all of their money? Is it fear that if they don't invest they won't be able to keep up with inflation? (Maybe inflation is not a good word choice here because the Government tells us there is very little of it). A better example might be to keep up with our bills (grocery bill, gasoline bill, college tuition bill, etc.). These are very real fears held by many Americans; leaving your money in a checking or savings account with next to no return does very little to help calm those fears.

Greed is something that sounds more sinister, which most of us are taught to avoid or control. But greed can be misunderstood or misinterpreted. I propose that greed is simply wanting more than what you have right now. Is that a bad thing? Is that also the definition of initiative or desire to improve or change? Using this definition and considering the current returns on low risk investments, it's easy to let a little greed creep into how you make your investment decisions.

The point is that investors tend to forget how much pain or fear they felt when their portfolios dropped by 20, 30, 40 percent or more just over three years ago. They get caught up with the emotions of today like how to continue to generate income to pay their bills. Whether you feel fear or greed when you look at your monthly statement, please ask yourself the following:

Is this an appropriate rate of return for the amount of risk I am taking?

If yes, sit back and enjoy your day. If no, then it's time to revisit your financial plan to determine whether you are on track to reach your goals. It is not the time to let your emotions run wild and decide to make dramatic changes so that you can keep up with the indexes.

REMEMBER: Indexes are not real people. They don't have bills or obligations. They don't have emotions and they don't care how much they go up or down. They are just indexes. And you are not an index. You are a human being trying to do the best that you can in an economic environment that is far from certain.

The best advice I can offer is this: understand your financial situation, have a financial plan, and make adjustments appropriate to executing your plan.

This article and others written by Timothy S. MicKey can be found on www.usnews.com.
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‘Sell in May and Go Away’ and Other Bad Advice

David B. Armstrong, CFA
Managing Director

By David B. Armstrong

I think that this and many other dubious trading tips get a lot of investors in trouble. Please take particular note of the word I choose to use there – investors.

That’s important because I think there is a huge difference between being an “investor” and being a “trader.” Investors (should) have a solid financial plan, one that gives them confidence that if they follow it, they will have a respectable chance of meeting their short- and long-term financial goals and objectives. Additionally, investors with a financial plan should also have a corresponding investment strategy that is a product of, and supports, the plan.

Traders spend a lot of time getting into and out of positions trying to lock in profits. There is nothing wrong with that if it’s your job. There is plenty wrong with it if it’s not. Essentially, I believe that regular people who work full time in jobs other than being an actual trader should all be (and act like) investors.

As such, investors should follow their plan and not trading advice, such as “Sell in May and Go Away,” because ultimately, it’s a guess. It’s a guess because no matter what happened last year, or any previous set of years, it has no bearing on what will happen tomorrow.

To illustrate, let’s look at the Standard & Poor’s 500 index (S&P 500) over the past year:

August 29th, 2011

S&P 500 at 1210

Do you remember what it was like back in August of 2011? Everyone was in a panic, there were calls ranging from double dip recession to complete economic collapse. Poor employment numbers were being used to justify calls that a recession was right around the corner. I remember colleagues telling me they were liquidating their clients’ holdings to all cash. It was total panic.

October 3rd, 2011

S&P 500 traded down to 1099

WOW!

But something happened. Or maybe it’s better said that nothing happened… except that the market started going up. Not straight up – for there were some pullbacks in November and December – but it was going up.

April 2nd, 2012

S&P 500 trading at 1419

For those people who went about their daily lives and stuck to an investment strategy that eliminated the need for trading around the news, they ended up ok. One big reason they ended up ok is because they never had to decide when to get out and when to get back in.

Oh, by the way, from Aug 29th, 2011 to April 2nd, 2012 they were “ok” to the tune of about +17%. Why April 2nd, 2011? Because the market hit a top and started to sell off. So naturally, I picked the top of the market – but I’ll wrap that up at the end with a final thought.

So how about the “Sell in May and Go Away”?

Well, people who followed that old mantra started out the summer feeling pretty good about themselves. In fact, today, the S&P 500 is just about even with where it was on May 1st, 2012. So the people who sold out on May 1st are essentially even with those who stayed in - until they file their tax returns.

But what about those who followed the advice more in line with Memorial Day to Labor Day (which is a traditional view of summer’s start and end)?

Well, that’s a little different because on May 29th, the S&P 500 was at 1332 and as of Aug 29, 2012 it’s at 1412. That’s about a 5.75% return.

Ok – I fully acknowledge that I’m having a little bit of fun here and that I’m taking snapshots of time to make a point. But the point is serious and I hope it sinks in. If my point hasn’t really sunk in yet, let me be more “pointed.”

If you are a regular old everyday person with a job doing something other than sitting on a trading desk at a big investment bank, you are an investor and not a trader. Quit messing around timing the market, making guesses, and listening to people on TV. No one knows what is going to happen tomorrow or with the election or with the fiscal cliff or anything else.

Oh – and as for the wrap up I promised above, well just to tie a bow on things, the S&P 500 is currently just about even with where it was at the top on April 2. So it’s a wash. But for the investors that just sat back and rode out the drops in August and September of 2011, the pullbacks in November and December of 2011, the rally up through April 2012, the pullback through the beginning of June, and this very quiet summer rally - they are doing ok.

“Ok” to the tune of just about a +17% return. Not bad for sitting back and working their day jobs.

Disclosure: Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price. Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. There is no assurance that the investment objectives of this program will be attained. Stock investing involves risk including loss of principal. Asset allocation does not ensure a profit or protect against a loss.

This article and others written by David B. Armstrong can be found on www.usnews.com.
Please see additional article disclosures on the back cover of this newsletter.

Will Health Care Hurt Boomers’ Retirement? *Continued...*

If you fail to realistically plan for your retirement health care expense, it may prove devastating to your finances and your golden years. Since there is a wide range in projected health care expenses, it is important to make sure you understand your options under Medicare and the various supplemental insurance offerings available, and to remember that long-term care is not covered under Medicare. The best way to analyze your probable health care expenses and overall retirement income needs is to work with a CFP or financial consultant who is competent in cash-flow financial planning, a multifaceted approach that projects your income needs and corresponding expenses many years into the future.

Disclosure: Strategies involving asset allocation and diversification do not ensure a profit or protect against a loss.

This article and others written by Dean J. Catino can be found on www.usnews.com.
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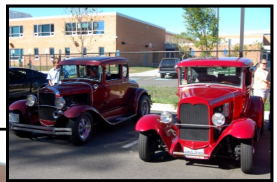
What's Happening At MWM?!

(**Right, Below)** MWM Sponsors Edison High School's first official car show!



(Below) MWM sponsors the Alexandria Police's Send a Kid to Camp golf tournament—and wins 2nd place!

U.S. News & World Report Blog Highlights

Preparing for a Bond Bubble: 6 Investing Tips

Zuckerberg's Smart 1 Percent Move

The LIBOR Scandal and You

You Are Not and Index. Don't Try to Act Like One!

How to Invest for the Presidential Election

Will Health Care Hurt Boomers' Retirement?

These articles and more written by the Partners can be found by searching "Monument Wealth Management" on www.usnews.com

Conferences & Research

David B. Armstrong and Dean J. Catino visited LPL Financial's Research and Annuity departments in Boston, MA.

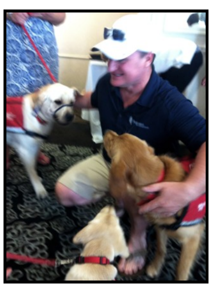
The whole MWM team attended the Barron's Top Advisory Teams Summit in National Harbor, MD.

Timothy S. Mickey attended a Training and Due Diligence Meeting in New York, NY.

Timothy S. Mickey and Brittany R. Kaschak attended LPL Financial's Focus12 conference in San Diego, CA, where David B. Armstrong spoke to fellow advisors about Social Media and SalesForce.

Dean J. Catino attended an Annuity Symposium in San Diego, CA.

****See our Monument Wealth Management Facebook page for photos!**



(Left) David B. Armstrong plays with the dogs at the Hero Dogs Charity Golf Tournament, which helps raise money for service dogs for veterans.

MWM Blog Highlights

Mr. Blutarsky… Zero Point Zero

Sell in May and Go Away is Not Looking Good This Year

Summer May Be Over—But the Rally Is Not

QE3 and the Kitchen Sink

Visit our website to view these blog postings and others by David B. Armstrong.

In The Press

Masters In Accounting places Monument Wealth Management in the list of "Top 25 Financial Advisor Blogs."

The Wall Street Journal Article, "Time to Buy Into Real Estate?" features Dean J. Catino.

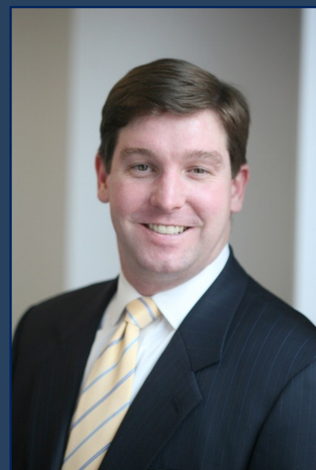
Research Magazine features Monument Wealth Management in "A Cool Place to Work: How Advisory Firms Are Attracting, Retaining Top Employees."

Timothy S. MicKey writes "Five Due Diligence Tips For Wealth Managers Considering Non-Traded REITs" for Financial Planning Magazine.

Timothy R. Lee is quoted in Wall Street Journal article, "Making Retirement Assets Last."

5 Investing Themes to Focus On

By Timothy R. Lee



Timothy R. Lee, CFP®
Managing Director

So, Philly doesn't quite have it all, but it does have some pretty cool things, for sure. In addition to the Liberty Bell and Independence Hall, you can get your hands on a pretty awesome cheesesteak sandwich. Oh, and of course it has the Wharton School, arguably the best business school in the world, and often cited as the best for finance. I was fortunate enough to attend a conference at Wharton a week or so ago and to spend a couple of days hearing from some of the brightest minds in the academic side of the world of finance.

That's all great, but what does it mean for you, my Smarter Investor friends? Well, I thought I'd share the five key themes that I collected from the various panels and presentations I attended, all of which were focused on giving me and roughly 50 other successful financial advisers to high-net worth clients actionable investment strategies and, perhaps as importantly as those, the places to avoid in the markets today and over the next several years. The themes are:

1. **Sell U.S. government securities.** The bottom line is fear and panic are driving the short-term capital flows into bonds, and these rates and prices are not sustainable. The action here is to opportunistically accept credit risk, though not "duration" or interest rate risk. While longer-term bonds are giving higher yields, owning short-term bonds now will allow you to "roll up the curve," or buy higher-yielding, longer-term bonds in the future, as rates rise. This strategy could also set you up to be cash rich as long-term bonds are beaten up if interest rates rise. There are also other options in the fixed-income market, such as floating-rate loans, which can provide a hedge against interest rate increases and generally allow you take advantage of the incremental value of additional credit risk, as referenced above.

2. **Municipal bonds.** Munis remain attractive relative to taxable bonds. The default rate picture remains quiet, and despite some well-publicized fears over the past couple of years, munis may still offer investors who face taxes (possibly increasing taxes at that) a solid value. Keep the same focus on credit risk over interest rate or "duration" risk in these markets, as well.

3. **Dividend yields.** As the economy continues to expand at relatively low rates of Gross Domestic Product (GDP) growth (generally expected to be between 1-2 percent), much of the total return investors derive from equity or stock investments will be dependent upon the dividend yield of the stocks. We believe that contrary to popular opinion, this does not mean that investors should simply buy value stocks. In fact, we have built an effective screen for high dividend companies, which can provide diversity amongst sectors, as well as strong potential income.

4. **Real estate.** Buying direct exposure or actual property, as opposed to public REITs, remains attractive now and has historically been a great hedge against inflation or rising prices. While real estate has typically shown higher short-term volatility than bonds, the longer-term return profile and low relative correlation to both the bond and stock markets make this idea even more compelling in the low-interest rate and low-growth environment we expect over the next several years.

5. **Other income-oriented strategies.** Pensions or other purely income-focused investment strategies can offer an attractive alternative to offset the right income need. Generally, these types of strategies are most appropriate for investors who have a relatively high need for income distribution from their portfolio.

The last message that was consistently reiterated by the group of speakers and professors I listened to was:
Don't panic!!! Have a plan, think it through beforehand, and don't allow the fear and greed to get to you.

This article and others written by Timothy R. Lee can be found on www.usnews.com.
Please see article disclosures on the back cover of this newsletter.*

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