



The THOUGHTFUL INVESTOR

Warren Wall, CFP®, MBA

Third Quarter

July-Sept. 2010

Market Update

For the stock market investor, the 3rd quarter was quite a roller-coaster ride. By the close of August, the stock market had suffered its worst August since 2001, only to be following by one of the best Septembers since 1939! The market's strong performance in September essentially recovered all of the second quarter losses, bringing the equity markets back into a positive position for the calendar year. Housing and jobs continue to be the two big problems for the economy. Many feel that these problems will be solved as the U.S. recovers. According to many economists, because of our

% Change	3Q 2010	2Q 2010	YTD
DJIA	+10.37	-9.97	+3.45
NASDAQ	+12.30	-12.04	+4.38
S&P 500	+10.72	-11.86	+2.34

(Source: CNBC.com, ustreas.gov, 10/1/10)
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

falling U.S. dollar our manufactured goods will become a better bargain for other countries around the world. More U.S. manufacturing will mean more U.S. jobs. More U.S. jobs will mean more money to purchase houses, cars, etc.

The strength of the US equity markets in September has pushed Wall & Company market trend indicators back up to a level that triggered another "cautious" Buy signal for our tactically managed equity programs. On the close of September, we moved 50 percent of our growth portfolios back into equities. The balance will stay in short-

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Time Out for the Good News

Writing a financial newsletter can sometimes seem like one negative topic after another. Very few people really want to worry about their money or their future. They just want it to take care of itself. So with that said, it's time to look at some of the positives.

We are saving more. The real key to financial security both as individuals and as a nation is to have money in the bank that can be spent when needed not just the minute it is acquired. Individuals have gotten the

message. Local and state governments are being forced to face the same reality. Next up, the federal government.

Necessity truly is the mother of innovation. Difficult times in the past have resulted in new innovations, new businesses, new realities. We can't wait to see what the current crisis will create.

Our environment is vastly improved from 30-40 years ago. It's hard to remember sometimes how very polluted our lakes, streams, air

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Compelling Investment Opportunity?

Interest rates are at historic lows — a level last seen in the 1950s. Economists and market participants have differing opinions on the timing and magnitude of interest rate changes as many uncertainties exist. However, some expect interest rates to stay low "for an extended period of time" in order to heal and reinvigorate the U.S. economy. Others are concerned that higher inflation expectations as a result of big deficits and a weak dollar could push interest rates higher in the near term. These are all valid concerns. Investors' decisions, however, should be shaped by their investment goals and tolerance for risk. If interest rates stay low for an extended period, short-term bonds may be an appropriate investment for those who have excess cash reserves. If interest rates begin to rise, short-term bonds may be a good choice for investors who have the majority of their fixed-income allocation in longer term bonds.

In March 2009, Wall & Company rolled out a short-term bond program designed for conservative clients. As of the close of September 2010 the short-term bond program has generated annualized "net returns" of over 6.00 % since inception. For more details and expense disclosure request a copy of the Short-Term Bond program factsheet at Info@wallco.com. Call me at 828-651-9617 with your questions and interest.

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and grounds were just 30 years ago. In the United States, we have made tremendous changes in how we treat our environment and in doing so have set standards others throughout the world are striving to achieve. These changes have led to better technologies, cleaner energy and awareness of how small actions, good and bad, add up.

We are living longer, more active lives. 80 is not quite the new 60, but the potential is there.

Life is actually much less expensive than it was 10, 20, or 30 years ago. The price of a loaf of bread may be more, but a transcontinental phone call, plane ticket, computer, telephone and many technology related conveniences are incredibly cheap in retrospect. The variety of clothing and household items that surround us today would have had our great-grandparents in awe.

Information is among the greatest riches of our lives today. The libraries and references of the world are open to anyone with a computer and internet access. This is such a completely transforming reality that it is hard to grasp. Can you remember the day when you couldn't look for a specific product you wanted online and find it?



From a global yard sale to an intimate look into the lives of others, it's all there.

Thanks to technology, many people have the freedom and flexibility to work in the environment they choose. Investing is an excellent example of that. Thirty years ago, managing assets

required access to information and people available only in the money centers - the New Yorks, Chicagos and other major cities. Today, some of the best money managers are located in what would have once been considered the most unlikely locations. Moving away from the "herd" we believe leads to new and better ways of managing assets and the growth of active management approaches.

Your challenge – stop for a moment and think of all the positives in your life and then send us an email, so we can keep this list growing.

Living with Uncertainty

How can you do it, asked a client. How can you come into the office each day not knowing whether you are going to see the market fall in value again or not, and worrying how to etch out the gains we need to stay afloat?

The answer on our side is often as simple as, "Active management." Active management gives you a plan, it gives you tools to manage risk, and it gives you the ability to, if need be, move to cash. That is a tremendously liberating ability. Active management can't guarantee that there will be no losses, nor can it assure a profit. But it is infinitely better than standing in front of an oncoming train with a passive asset allocation and no ability to respond to changing markets.

There is also tremendous opportunity in today's market. And it is an opportunity many individual investors may miss. According to the *New York Times*, investors are fleeing equities

in droves¹ withdrawing a staggering \$33.12 billion from domestic stock market mutual funds in the first seven months of this year. Whether or not they return when the market recovers remains to be seen, but without an active investment strategy that return will most likely be late and costly.

Perhaps the best quote we have read lately comes from author and financial analyst John Mauldin:

"Recessions and tough times are God's way of telling you that you need to adjust a few things, both on a personal and business level – also nationally and globally. I am an optimist. I believe we will adjust and grow, not just in the US but as an emerging world. There are just so many opportunities."

John Mauldin, *How We Get Through This Mess*, August 20, 2010

There are many things we can't control in today's economy, but where we can make a difference, where we can use our tools, knowledge and judgment to the best of our abilities, we do so. And that keeps us going each day.

Market Update

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term bond funds until we see more convincing evidence that equities can continue their upward climb. We are entering a "seasonally" strong period for the stock market and have a positive "presidential cycle pattern" developing (the third year of a president's term in office is usually a strong period for the stock market). I am hopeful that we see continued stock market growth into the 4th quarter.

Warren Wall, CFP®

¹ "In Striking Shift, Small Investors Flee Stock Market," by Graham Bowley, THE NEW YORK TIMES, August 21, 2010.

PERFORMANCE REPORT
(Total Annualized Returns Net After Maximum Fees)

Hypothetical Asset Allocations		2010 3rd Qtr	1 Year	3 Year	5 Year	7 Year
Aggressive Growth						
100% Stocks	50% Global Growth Program (WGO) 50% Global Growth Program II (WGOII)	-0.22%	-6.19%	0.98%	8.96%	11.51%
Capital Growth						
80% Stocks 20% Bonds	20% Bond Allocation Program (AB-BAP) 40% Global Growth Program (WGO) 40% Global Growth Program II (WGOII)	0.17%	-3.52%	1.89%	8.11%	10.01%
Balanced Growth						
60% Stocks 40% Bonds	20% Short-Term Bond Allocation Program (ST-BAP) 20% Bond Allocation Program (AB-BAP) 30% Global Growth Program (WGO) 30% Global Growth Program II (WGOII)	0.66%	-0.65%	3.00%	7.38%	8.55%
Conservative						
40% Stocks 60% Bonds	30% Short-Term Bond Allocation Program (ST-BAP) 30% Bond Allocation Program (AB-BAP) 40% Global Growth Program (WGO)	0.92%	1.11%	3.19%	5.14%	5.89%
Preservation						
20% Stocks 80% Bonds	50% Short-Term Bond Allocation Program (ST-BAP) 30% Bond Allocation Program (AB-BAP) 20% Global Growth Program (WGO)	1.51%	4.46%	4.59%	4.96%	4.88%
MARKET INDICIES						
S&P 500 Composite Index (with Dividends)		11.30%	10.15%	-7.18%	0.63%	4.03%
Barclay US Aggregate Bond Index		2.60%	8.28%	7.46%	6.22%	5.36%
Barclay US 1-5 Yr Gov't/Credit Index		1.67%	5.17%	5.70%	5.31%	4.18%

IMPORTANT DISCLOSURE INFORMATION Performance results illustrated represents a combination of both "actual" and "hypothetical" historical performance. Performance prior to 2/27/09 represents "hypothetical" performance that illustrate the potential benefit of program changes made in early 2009. Clients should refer to their individual quarterly performance reports for their specific performance history. Past performance may not be indicative of future results. Therefore, no current client or prospective client should assume that future performance will be profitable, or equal to the Wall & Company Inc ("WCI") program performance results reflected or any corresponding market indices. The above is only a generalized or hypothetical presentation of how investors with different risk profiles might allocate between specific WCI investment programs. Specific client recommendations would depend upon a clients unique risk profile, age, income needs, tax bracket and net worth. All performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custody charges. The maximum WCI management fee and any separate fees assessed directly by each unaffiliated mutual fund holding that comprises each portfolio has also been deducted. WCI individual investment program fact sheets detailing performance and disclosures are available upon request. The S&P 500 Composite Index ("S&P") is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. The Barclay U.S. Aggregate Bond Index ("AGG") is a market capitalization weighted index of investment grade fixed rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. This index is often used as a proxy for the general bond market. The Barclay 1-5 Year Gov't/Credit Index ("1-5G-C") includes US Government and investment grade corporate bonds that have maturities between one and five years. This index is used as a proxy for the short-term bond market. The historical performance results of the S&P, AGG and 1-5G-C do not reflect the deduction of transaction, custody or management fees, the incurrence of would have the effect of decreasing indicated historical the S&P, AGG and 1-5G-C performance results. The historical S&P, AGG and 1-5G-C performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist a client or prospective client in determining whether the performance of a WCI portfolio meets, or continues to meet, his or her investment objectives. The S&P, AGG or 1-5G-C indices are not directly tradable investments. It should not be assumed that WCI account holdings will correspond directly to any such comparative indices. **Please note:** Although performance results do reflect deductions for WCI management fees and related custody expenses, the results do not reflect the impact of taxes. WCI investment programs generally involve above-average turnover, which could negatively impact upon gains experienced by an individual client in a taxable account. Specific WCI investment program performance, fees and related disclosures are available upon request.

For reasons including variances in portfolio account holdings, variances in the investment management fee incurred, market fluctuation, the date on which a client engaged

WCI's investment management services, and any account contributions or withdrawals, the performance of a specific WCI client's account may have varied substantially from the indicated composite model portfolio performance results. In addition, the underlying individual mutual funds that has comprised, and will continue to comprise, the model programs are subject to change at the discretion of WCI. Historical information pertaining to the underlying mutual funds and changes thereto is available upon request.

Hypothetical performance results were achieved by means of the retroactive application of the model portfolio, and, as such, the corresponding hypothetical results have inherent limitations, including: (1) the model results do not reflect the results of actual trading using participant assets, but were achieved by means of the retroactive application of each of the above referenced models, certain aspects of which may have been designed with the benefit of hindsight; (2) back tested performance may not reflect the impact that any material market or economic factors might have had on the adviser's use of the model if the model had been used during the period to actually manage participant assets; and, (3) for various reasons (including the reasons indicated above), participants may have experienced investment results during the corresponding time periods that were materially different from those portrayed in each model. Hypothetical illustrations do not illustrate the impact of mutual fund short term redemption fees. Mutual funds used in the hypothetical back test may differ from what mutual funds will actually be used in this program. **Actual performance has historically underperformed hypothetical performance illustrations.**

In the event that there has been a change in a client's investment objectives or financial situation, clients are encouraged to advise their financial advisor immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by WCI) will be either suitable or profitable for a client's or prospective client's portfolio. Accordingly, no client or prospective client should assume that the above model portfolios (or any component thereof) serve as the receipt of, or a substitute for, personalized advice from WCI, or from any other investment professional.

All performance results have been compiled solely by WCI utilizing the performance results reported by each respective mutual fund and ETF that comprised the portfolio, are unaudited, and have not been independently verified. WCI also maintains all information supporting the performance results in accordance with regulatory requirements.

Information pertaining to WCI's advisory operations, services, and fees is set forth in WCI's current Form ADV II, a copy of which is available from WCI upon request. Information pertaining to any mutual fund or variable annuity sub account that is current component of WCI model portfolios are set forth in each respective prospectus, copies of which are available from WCI or directly from the mutual fund or variable annuity company. Some but not all articles are written by Warren Wall. **Report Created 10/5/10**

Saving With Reduced Pain

Cannot people realize how large an income is thrift? ~Cicero

Creating financial security comes down to accumulating assets and investments that will see you through retirement, a college education, a family crisis, or even the start up costs of a new business. If you don't have the option of increasing savings from more income, you need to look at how you can increase savings by reducing spending. A natural starting point may seem to cut back on luxuries that add up, such as a latte a day. But before you eliminate the little pleasures that can make some days more fun, there are some big ticket items to consider.

Refinance

The largest single expense for most families is their mortgage. It may also be the easiest to cut given today's low rate environment. Interest rates for 30-year fixed-rate mortgages averaged 4.44% on Aug. 12, 2010, the lowest level recorded since 1970. Before you shake your head and say, but I couldn't qualify, find yourself a good mortgage banker. According to the *Wall Street Journal*, better deals can be found at smaller banks and credit unions than the national banks. These companies, along with mortgage bankers which originate loans for investors, may also be less "formula-driven" and have more flexible lending standards.

Monthly Payment for \$200,000 Mortgage			
	30 Year Fixed Rate	20 Year Fixed Rate	10 Year Fixed Rate
7.5	\$1,398	\$1,611	\$2,374
6.0	\$1,199	\$1,432	\$2,220
4.5	\$1,013	\$1,265	\$2,072

Source: www.bankrate.com mortgage calculator.

How much difference could 1.5% make in your payments? The table above shows payment amounts for 30, 20 and 10-year fixed-rate \$200,000 loans. Depending upon your circumstances and how long you expect to be in your home, adjustable rates and other mortgage forms may save you

even more. Just make certain you understand how much your costs could be if moving doesn't go according to plan.

If you have a second mortgage, a car loan or even outstanding credit card debt, refinancing could make a noticeable difference in your monthly expenses. Before you refinance, however, make certain you understand what your closing costs and final payment will be and that you will experience real savings.

Eliminate Unnecessary Fees

If you pay a fee, you should receive value for that fee. If the fee doesn't produce value, find out a way to eliminate it. Let's start with your mortgage. If you have more than 20% equity in your home, you do not need to pay private mortgage insurance (PMI) on a conventional loan. PMI averages \$50-80 per month according to Mortgage Insurance Companies of America, but may be as much as \$150 per month.

If you are paying a fee for your credit card, checking account or debit card, shop around. No-fee programs abound. Your current credit card company or bank may suddenly find a no fee program that fits your needs if you talk with customer service. Always look for credit cards with a 25-day grace period and make certain you pay off your balance each month. While credit cards offer a wide range of reward incentives for you to use your card, unless you have a specific goal in mind, cash back is the best reward.

Many companies will offer you discounts for consolidating your business with them. Insurance companies, banks, custodians, financial advisers and even the telephone/cable/internet company all have programs that reduce rates the more accounts or



features you use. Again, talk to customer service or your adviser about these opportunities and combine services where it makes sense.

Shop Your Insurance Coverage

How long has it been since you priced your insurance policies? You may be passing up opportunities to save on auto, home, life, disability, personal riders and more. In addition to overall coverage, look at the difference increasing your deductible will make to your payments. Depending on your policy,

you may be able to cover a higher deductible with the savings on your policy after just a few months. While insurance companies will offer better prices the more policies the company holds, sometimes it makes better sense to use an insurance company that specializes in the type of insurance you need. A life insurance specialist rarely has the most competitive auto policies.

Re-evaluate Monthly Services

If your family has cell phones for every member, it may be time to consider whether or not you need a land line for a telephone. A different cell phone plan may offer you the same benefits for less cost. With the computer taking over as the entertainment center for many families and digital TV expanding free offerings in major cities, cable television may not be a priority.

Look at all the bills you pay on a monthly basis and ask whether or not you still get the benefit you once had. If you want to continue the service, is there is a better way to do so? Talk to customer service. Ask if there is a better plan or a way to reduce your monthly costs.

Beware of little expenses; a small leak will sink a great ship. ~Benjamin Franklin

Meet the Wall & Company Team!

Behind the success of every Wall & Company client is the focused effort of a dedicated team of financial professionals. We would like to take a moment to introduce you to the team of Wall & Company and to invite you to stop by and say hello next time you are in the neighborhood.



Warren Wall
MBA, CFP® and Chief Executive Officer, Ext. 19, warren@wallco.com

President of Wall & Company, Warren has over 25 years of experience in the financial services industry. He is a Certified Financial Planner™ who is dedicated to creating wealth and financial security for Wall & Company clients. Warren is also the co-author of two books on retirement and is a well-respected financial educator. He enjoys hiking, boating, skiing and exploring the great outdoors with his wife Lauren and stays active keeping up with his three adult children — Justin, Sarah and Rachelle, and his three grandchildren.

Andrea Robertson
Office Administrator, Ext. 18, andrea@wallco.com

Andrea has several years of accounting experience. She graduated from A-B Tech Community College with her Associate of Arts in Accounting in 2001. She is the correspondent for the company's accounting, compliance and trading needs. When she isn't working, Andrea takes pleasure in spending time with her family, husband Patrick and son Elijah, cat and dog. She also enjoys antiquing, camping, viewing fast and/or antique cars, and music.



Kim Carver
Trade Manager and Service Asst, Ext. 22, kim@wallco.com

Kim started with Wall & Company after six years in front office administration. She graduated from A-B Tech Community College with her Associate of Arts degree in Business Administration in 2000. Kim handles daily trades and assists clients with service needs. She enjoys spending time with her family, husband Chris, and her four children Quentin, Kaitlyn, James, and Mikaela, going to the lake and being a cheerleading instructor in her spare time.

Mary Cluer
Receptionist, Ext. 10, mary@wallco.com

Mary comes to Wall & Company with a background in front office administration. She worked for a family practitioner for over ten years and within the service administration area for a manufacturing company for more than eight years. Mary moved to Asheville from Southern California with her husband, Allen. They have two grown children, Justin and Courtney. She enjoys antiquing, reading and cross-stitching.





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Should you have any questions regarding the above, please contact Warren Wall, Chief Compliance Officer.