



Warren Wall
CFP, CSA, MBA
Publisher

SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

Fourth Quarter, October-December, 2002

Welcome to 2003!

The start of a new year is always a good time for a little financial housecleaning. To get you underway, we've made a list of suggested ways you can start the year off right.

1. Update your list of investments and valuables.

If something happened to you tomorrow, would your family be able to find records of your insurance coverage, investment accounts, property titles, safe deposit boxes, cash stashes, and more?

2. Check your will.

Once made, wills are all too often forgotten. Read your will once a year to see that heirs are properly identified and bequests are as you would like them. Don't forget to also update beneficiaries on insurance and retirement accounts as needed.

3. Update Personal Property Appraisals

If you own valuable personal property, such as collectibles, fine art, jewelry and furs that tend to increase in value over time, you want to have a current appraisal of the value of those items for insurance purposes. To find a qualified appraiser, ask for references from museums and art dealers. You might also check with the two major professional associations -- the American Society of Appraisers (ASA) and the Appraisers Association of America (AAA). Both have websites that allow you to search for organization members in your area.

4. Check your credit reports.

Make certain that the credit information on the report is truly yours. Under federal law, you are entitled to a free credit report within 60 days of being denied credit, employment, insurance, or rental housing based on information in a credit report. You can also receive a free report once a year upon request when you certify you: are unem-

ployed and seeking employment; are receiving public welfare assistance; or believe your credit file contains inaccuracies resulting from fraud. Residents of Colorado, Maryland, Massachusetts, New Jersey, or Vermont, by state law, are entitled to receive a free copy of their consumer credit reports once each year, and residents of Georgia, twice each year.

Below are the three major credit agencies and their contact numbers.

Equifax Information Service Center
+1.800.685.1111

Trans Union Corporation
+1.800.888.4213

Experian (formerly TRW)
Complimentary Report
+1.888.397.3742 (+1.888.EXPERIAN)

5. Track Your Social Security Contributions.

It's a good idea to monitor your Social Security account throughout your working life to catch errors and to be able to estimate expected income after retirement. The Social Security Administration sends out yearly reports to wage-earners over the age of 25.

(Continued on page 2)

***Congratulations to Wall & Company
For their 2002 Top Ranking by
Money Manager Review.com!***

This is the second year in a row that Wall & Company has been rated Number 1 in Money Manager Review's International Equity Fund Manager universe. **See enclosed interview with Warren Wall, President of Wall & Company, on page 3.**

Welcome to 2003!

(Continued from page 1)

Make certain to read your statement when it arrives. You can also request a statement at any time from the Social Security Administration. Visit the Administration's web site at www.ssa.gov to complete and submit a form online called SSA-7004, Request for Personal Earnings and Benefit Estimate Statement (PEBES). A toll-free number, 1-800-772-1213, is also available to request the same form in the mail, which takes about 4-6 weeks to process.

6. Budget for major expenditures.

To make certain you have the money available when you need it and not subject to the market's vagaries or potential liquidity issues, identify major expenditures that you've planned for during the year, from remodeling to vacations, and set the money aside now if need be.



Inside Wall & Company...

• Sky High Growth Award - 2002

Recognized by Asheville Area Chamber of Commerce as one of the fastest growing businesses in the area!



Forecasting the Future Is Uncertain Process at Best

Several respected analysts are predicting the market hasn't hit bottom yet. The most bearish of these, Robert Prechter maintains the Dow will collapse to 4,000, followed by a more than 90% drop from its high to under 1,000. Other bearish analysts are betting their reputations on a drop to at least the 5,000 to 6,000 range. On the other hand, experts like Ken Fisher and Laszlo Birinyi are convinced the market has hit bottom, a recovery's on the way, and investors should start buying if they haven't already done so.

Market predictions are not a perfect science. Terrorism, wars, and under-funded pension funds can undermine the best of predictions. What's left in the end is the market's trend. Regardless of any predictions, emotional media coverage or even personal beliefs and hopes, successful investing relies on examining market trends and investing accordingly.

CLIENTS OF
THE QUARTER

*Richard & Nancy
Thompson*

CONGRATULATIONS!
They will receive a dinner
certificate at a local
fine dining establishment!

**THANK YOU
FOR YOUR
REFERRALS!**

We want to thank those of you who have participated in the Client Referral Program! We have learned that encouraging you to refer your friends and relatives to us works for all of us. If you aren't familiar with our referral program, it works like this: for each person you refer who becomes a client, we will send you an American Eagle Silver coin. If you send more than one, you become a **client of the quarter!** Again, we thank you for your trust and confidence in us!

Interview with Warren Wall, President, Wall & Company

Interviewer: "Congratulations, Warren, on your firm's Number 1 ranking by Money Manager Review!

Warren, tell me how a money manager generates such an impressive annual return in 2002 of over 54% in such a poor stock market environment?

Warren: Actually, this is the second year in a row that we have ranked No. 1 in Money Manager Review's International Equity Fund manager universe. We've been able to achieve our performance using a short-term momentum strategy that helps us determine when we should be invested in - or out - of the stock market.

Interviewer: Do you mean you follow a "Market Timing" approach?

Warren: Absolutely! We adhere to a "Market Timing" philosophy that investors should try to be invested in stocks only when the stock market is trending upwards and should move out of stocks, to the safety of money market funds, whenever the stock market trend is heading downward.

Interviewer: Why don't more money managers use a "market timing" approach - if it is so successful?

Warren: I would argue that most money managers do use "market timing" approaches. They may describe their investment styles differently using more "politically correct" descriptions like "value investing" or "dynamic asset allocation." In either case, the money manager is trying to Buy stocks that they believe are "undervalued" and Sell stocks that they consider "overvalued". This is the basic tenant of the Market Timing philosophy... Buy low and Sell high.

Interviewer: I noticed your Domestic Equity management programs have not performed as well as your International programs. Why is this?

Warren: It has been a very challenging year for the U.S. domestic equity market. The market has been undergoing a lengthy, choppy and trendless period where it might be up one day and down the next. As a result, our domestic equity programs suffered through several whipsaws during the year. But while our Domestic management programs were down for the year, most of them exceeded their benchmark goal, besting the S&P 500 Composite Index with lower volatility.

This unusually volatile market motivated us to re-evaluate our market timing models and find ways to minimize the whipsaws and improve investment performance. We recently completed some very extensive model back-testing and market research.

Interviewer: Did your research turn up any better ways to "market time" domestic equities?

Warren: Actually, I am proud to say, our research not only uncovered a way to potentially improve our domestic program performance, but the new tools we developed also should improve the already great performance in our international program. This was both a very surprising and delightful development that we had not anticipated. We fully implemented these new model changes at the beginning of December 2002 and are confident that these changes will have a positive impact on both our domestic and international program performance heading into 2003.

Interviewer: Warren, what is your firm's stock market forecast for the year 2003?

Warren: Actually, we traditionally do not forecast how the stock market will do over a longer period of time. We believe in simply trying to follow the short-term trend of the stock market. Done correctly, this can help our clients generate profits even in a year when the stock market goes down. But, if I had to guess the market's potential direction in 2003, I would bet that it will end up higher. There has only been one time in the history of the Dow Jones Industrial Average that we had four down years in a row. This happened between the years 1939-1941. In addition, we had 12 interest rate cuts by the Federal Reserve, have a Republican-controlled Congress and investor faith in the markets and corporate America is improving. This backdrop leads me to believe the stock market could move substantially higher in 2003.

Interviewer: What do you recommend for investors who are still a bit skittish about investing in the stock market, but want higher returns than bank CD's or money markets currently offer?

Warren: Among our favorite investment alternatives for more conservative investors are "market timed" bond mutual funds. Historically, bonds have been less volatile than stocks...primarily because they generally provide higher income than stocks and come with a "promise to pay your principal back" on a maturity date. There are a few good bond timing services available to investors that have historically done a good job of growing and protecting investor capital. In January 2003, Wall & Company began offering clients a Bond Timing Program that will use the bond timing signal of one of the oldest and better performing bond timing companies in the country (BTS Asset Management). Adding this new Bond Timing program will help round-out Wall & Company's investor services to better accommodate both moderate and conservative risk-oriented clients.

Interviewer: Congratulations again on achieving the number 1 ranking in Money Manager Review's International Equity Fund manager universe, Warren, and good investing in 2003.

Who's Driving Your Annuity?

You bought your annuity because of its competitive return, tax-deferral, and safety. And you probably spent time with your advisor reviewing several options. But how much thought did you give as to who should be the “parties” to your annuity. If you're not sure why you made the choice you made, now may be a good time to dust off that annuity contract and take a closer look.

There are **four parties to an annuity contract**: the insurance company, the owner, the annuitant, and the beneficiary. The contract can be owner-driven, annuitant-driven, or a combination of both. With an owner-driven annuity, death benefits are paid when the owner dies. And an annuitant-driven contract will pay the beneficiaries upon the death of the annuitant. In either type though, the funds must be distributed when the owner dies, which may present undesirable consequences.

Why does it matter?

Let's say that you have an annuitant-driven annuity. You and your spouse are joint owners; your spouse is the annuitant, and your two children (both under 59½) are the beneficiaries. What would happen if your spouse dies?

You might think that you'll keep control of the money and everything will stay the same. Wrong! The kids will get it—all of it. Then to make bad things worse you'll pay income tax on your part of the tax-deferred growth and possibly gift tax on any amount over \$11,000 that you pass to each of your children. Plus your children won't be too happy either because they'll owe income tax on your spouse's portion of the annuity's gain.

So how is your annuity contract structured? It should be arranged in a way that can result in the least amount of taxes and penalties on the death benefit, plus allow maximum flexibility on those distributions.

Many annuity owners have never had explained to them who should be the annuitant, owner and beneficiary and how their living trust might impact these choices. A simple annuity can quickly get complex. But it's wise to pay attention to these details to avoid a negative outcome at the worst time.



Your Assets Are At Risk to Creditors and Liabilities

Have you ever thought about what could happen to your assets if an aggressive creditor came after you or if you came up on the losing end of a frivolous lawsuit? Wealthy people are attacked this way frequently and this article explains a common solution.

Note that many states have creditor-friendly laws that restrict your ability to safeguard you and your beneficiaries from losing what you have accumulated. These laws might also limit protection of assets that you put into trusts if you maintain the right to revoke the trust. For that reason, you may have to irrevocably give away your assets in order to shelter them.

There are now, however, two states that can offer you some protection. In 1997, Alaska and Delaware changed their trust laws to allow spendthrift clauses in a self-settled trust. This means that you can name yourself as a beneficiary and protect your assets from creditors and lawsuits.

Alaska and Delaware also did away with the rule against perpetuities. This law presents a dilemma for investors who want to pass their assets along to future generations because it limits the life of a trust to the life span of a beneficiary living at the time you create the trust, plus 21 years. For instance, if you name your one-year-old granddaughter as a beneficiary, your trust would terminate 21 years after she dies. The Alaska and Delaware revisions will allow your asset protection trust to last indefinitely.

You don't have to live in Alaska or Delaware to take advantage of their asset protection trusts. But you do have to work with a state qualified trustee and put a portion of your trust's assets with a resident financial institution.

Asset protection trusts are complicated instruments and require a knowledgeable attorney to execute them correctly. But once done, they offer extensive benefits if you are a doctor, lawyer, business owner, or anyone who has large potential liabilities because of your profession or assets to protect. I know of several local law firms that can help you decide if this tool is right for you. If you have assets over \$2,000,000 and would like the name of some area Estate Planners who can further help you with these issues, give us a call at 828-651-9617.

Performance Report

WALLCO DYNAMIC ASSET ALLOCATION PROGRAMS

Fourth Quarter ~ Ending 12/31/02 (Total Returns Net After Maximum Fees)

<u>WALL & COMPANY MANAGEMENT PROGRAMS</u> (Net After Maximum Management Fees)	<u>2002</u> <u>FOURTH</u> <u>QUARTER %</u>	<u>2002</u> <u>YEAR</u> <u>END %</u>	<u>2001</u> <u>YEAR</u> <u>END%</u>
• International Program (IP)* ⁽¹⁾⁽²⁾ (Start Date 10-04-00)	18.49	54.26	40.38
• Invesco Growth Program (IGP) ^{* (1)} (Start Date 10-19-00)	-0.88	-26.19	12.66
• Diversified Growth Program Variable Annuity (DGPVA) (Start Date 01-01-01)	-1.69	-20.62	6.73
• World Growth Opportunity (WGO) (State Date 10-01-02)	2.66	—	—
• Wallco Bond Allocation Program (BAP) ⁽³⁾ (Start Date 01-02-03)	—	7.04	8.87
MARKET INDICES			
• S & P Composite Index	7.86	-23.37	-13.04
• NASDAQ Composite Index	13.93	-31.53	-21.05
• Morgan Stanley E.A.F.E. Intn'l. Index	1.59	-18.57	-22.34

(1) This program has been audited by MoniResearch.

(2) IP closed to new investors.

(3) Wall & Company, Inc. leases a bond market timing signal from BTS Asset Management. The performance shown represents BTS's performance with the Putnam High Yield Bond Fund, net after fee. Please see BTS disclosure.

* IP was previously called IPP and IGP was previously called DGP

DISCLOSURE: Wallco Dynamic Asset Allocation programs are investment management services offered through W. Wall & Company, Inc., a Registered Investment Advisor. Returns represent the total return from actual management of model accounts representing many of the mutual funds or variable annuity families in which W. Wall & Company, Inc. (hereinafter referred to as W.W.C.I.) has client funds under such management. Individual account performances will be different than the above "model account performance" based on the clients' start date, the total assets under management (larger assets qualify for lower advisor fees-see Form ADV II) and amounts deposited to and withdrawn from an account during the period. The identity of the families will be supplied upon request. W.W.C.I.'s fees are deducted quarterly in arrears from the model accounts at the maximum advisory fee of 4% annually through 3/31/02. Effective 4/1/02, the maximum advisory fee was lowered to 2.95% annually. See Wall & Company Form ADV II for more details. A 1% annual fee plus a 20% incentive fee has been deducted from the Wallco International Plus Program which is currently open to accredited investors only. Performance returns also account for fund/sub-advisor management, administrative, 12-B-1 fees and other costs automatically deducted from fund assets. All distributions are reinvested. Total returns are calculated by taking the change in a model accounts' value, assuming reinvestment of all income and capital gains distributions during the period, and then dividing by the model accounts' initial value. The inception to date effect can be calculated by the formula $(1 + \text{Return}\%)^n \times (1 - \text{EstFee}\%) - 1$ where % is expressed in decimals. Income tax impact is infinitely variable and is not considered. The W. W.C.I. management programs produce "short-term" capital gains in non-qualified accounts. Short-term capital gains are taxed at a higher rate than long-term gains. Therefore, higher taxes could have a negative impact on overall performance. References to indices such as the NASDAQ, S & P 500 and the Morgan Stanley E.A.F.E. Indices are for comparison only. The inclusion of an index is demonstrative only. The composition of these indexes may be significantly different from the various investments used within the Wallco Dynamic Asset Allocation Programs. No such index is a directly tradable investment. Specific funds used may not remain available and may materially under perform or outperform these results. Methodologies have undergone enhancements during the period. Since the actual results are portrayed, the effects of such enhancements are demonstrated. Developmental efforts are ongoing and may dictate future changes in methodology. Information presented herein is obtained from sources believed to be accurate, but no guarantee is made of its accuracy.

NOTE: PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. ANY INVESTMENT HAS THE POTENTIAL FOR LOSS AS WELL AS GAIN. (Report created 01/06/2003)

For Valuable **FREE** Information

Please complete this form and mail to:

Wall & Company

One Town Square Boulevard, Suite 100
Asheville, NC 28803

For more information on the items mentioned in the newsletter, please mail in this form or call Renee at **828-651-9617**, or toll-free at **888-253-9141**.

1. I'm interested in learning more about investment strategies that can potentially do well in both good markets and bad. Please call me at _____ to arrange a free appointment to discuss the possibilities.
2. Please send me information about earning a higher rate on my safe money.
3. Please contact me regarding qualified Estate Planning attorneys.
4. Please send me information on Wall & Co.'s Dynamic Asset Allocation Programs.
5. I have assets over \$2 million, and would like more information about sheltering these assets from creditors, lawsuits, and liability.
6. Please send me Wall & Company's updated disclosure Form ADV, Parts I & II.

Do you know anyone who might like to receive our newsletter and be invited to our next workshop? Please list complete names and address below. Thank you for your referrals!
