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SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

Fourth Quarter - October - December, 2004

Market & Investment Update

According to Standard & Poor's review, investors were prudent to be cautious in 2004. At the end of the third quarter in 2004, domestic equity funds were up a modest 1.04%. At that time, investors faced high oil prices, a close presidential election campaign, and rising interest rates.

Since then, oil prices have come down, the election was decided to Wall Street's satisfaction, and the Federal Reserve stuck with its policy of measured rate hikes. As a result, fourth quarter 2004 market gains boosted domestic equity funds' returns overall last year. As such, all of Wall & Company's Equity and Bond model accounts also ended up with modest gains for 2004. Of special note, ever since the

summer, when we made the model changes to our equity managed accounts, they have all substantially outperformed the S&P 500 Index benchmark. See performance below.

Net After-Fee Performance

(6/30/04 - 12/31/04)

WGO Program	WGOII Program	DGPVA Program	S&P 500
+10.43%	+12.05%	+11.36%	+6.23%

Disclosure: The inclusion of the S&P 500 Index is demonstrative only. The composition of this index may be significantly different from the various investments used within the Wall & Co. equity managed programs. Returns are "net-after" all fees; see Wall & Company's Form ADV Part II for additional disclosure. Past performance does not guarantee future results. Any investment has the potential for loss as well as gain.

Do You Have The Humility To Be A Good Investor?

Investors tend to make their biggest mistakes when they have too much faith in their own judgment and fail to admit when they are wrong. That's why a little humility is essential to profitable investing. Let's look at the four biggest mistakes investors make:

1. Failing to diversify.

No one is right 100% of the time. Diversifying, not only by individual security and asset class but also by investment strategy, increases the potential for your portfolio to perform well in all market environments. It also limits the exposure to loss that you have with just one individual investment. You never want one investment to have the potential to hurt you so badly you can't keep going.

2. Buying the sizzle without taking a hard look at the steak.

There are a lot of good stories out there. But they don't all have happy endings. Before you invest in a

stock or sector with a good story know the numbers behind the story. Stories don't produce results, good products and good management do. And even those two aspects don't guarantee success.

You also have to remember that circumstances change. K Mart might have stayed a strong retailer had it not been for the advent of WalMart and discount stores such as Costco. Restaurant concepts are particularly prone to competition and changing fads that turn a good story bad.

The number one reason for buying any investment without taking a hard look at the details is greed. You are so eager to make a killing that you set aside good judgment. Any time the story sounds too good, red flags should start flying.

3. Leaving money in an underperforming investment.

Admitting you made a mistake is hard in any circumstance, but it's even harder when you've made an

continued on page 2



To all our clients and friends, may 2005 bring you health, happiness and financial success! from the staff of Wall & Company!

Do You Have The Humility To Be A Good Investor?

continued

emotional commitment to an investment by falling for the story and believing in management or the potential of the industry.

That's why you need hard and fast rules as to when you cut your losses. You can always buy back into an investment when its prospects improve, as long as you haven't lost your money following it down.

The Janus 20 Fund lost 70% of its value from March of 2000 through March of 2003. A \$10,000 investment diminished to \$3,000. If you had a rule to sell once an investment lost 15% of its value, and then buy back into the fund when it showed three months of steady progressive gains, you would have sold in April of 2000 and then bought back in May of 2003 to experience a 40% gain through the end of 2004. \$10,000 invested in the Janus 20 Fund at the market's high in March of 2000 would be worth \$12,300 today instead of roughly \$4,800 if you bought and held through the decline.

4. Letting greed get the better of you.

Train yourself to be reasonable in your expectations. Shortcuts and promises of excessive returns tend to obscure our better judgment. Steady growth that takes advantage of the power of compounding has created far more millionaires than investing in the latest and greatest stock scheme.

Successful investing requires admitting that there's always more to learn and that you are not smart enough to always have the one right investment. A little humility and a lot of hard work goes a long way in this business.

Investors Have Terrible Habits

Ever wonder how other investors do in the stock market? Well here's the study by Terrance Odean of the University of California at Davis to give you the answer.

Odean analyzed the daily trading records and monthly positions of 88,000 investors at a large discount brokerage. The data span 10 years and over 2 million common stock trades. Conclusions: the investors in the studies traded too actively, were under-diversified, clung to their losers, and bought the stocks that happened to grab their attention. They were motivated by overconfidence, the desire to avoid regret, and the difficulty of evaluating thousands of investment alternatives.

Remember that this was a study of people with discount brokerage accounts—people who thought they could do it on their own. But it seems that the surer they are, the worse they do. The study found that the 20% of the investors who traded most earned an average net annual return 5.5% lower than that of the least active 20% traders in the study.

In a smaller study of 1,600 investors who opened on-line brokerage accounts, it was found that these investors traded more and their speculative trading nearly doubled. And here's the salt on the wound: these investors earned exceptional returns before going on-line. After going on-line, they under-performed the market.

Here's the hallmark of a truly experienced, sophisticated investor: he realizes that he cannot consider all investment possibilities, that he is influenced by the news and his emotional reactions, that he is overconfident (a common American trait proven in several studies) and that he won't take a loss when he should. As a result of knowing himself, the wise investor hires professionals to manage his finances realizing that any fees paid can be far offset by avoiding the errors he will make on his own. (Note that use of a professional does not guarantee superior investment performance.)

If you have also realized that stock investing takes a lot more than listening to CNBC for good tips, please check off on the coupon for a free brochure on "Using Active Management as an Investment Strategy."

When to Sell Real Estate

Many individuals have done well by investing in real estate over the years. Some of their investments have been in vacant land and others in rental properties. But there often comes a time when real estate, particularly residential rentals, is too demanding an investment compared to other assets such as stocks and bonds. So what is the best way to transfer the responsibilities of managing or even totally getting this asset out of your portfolio?

With income properties, you could just hire a property manager. But sometimes this isn't cost efficient or perhaps you've had enough and want out.

There are several ways to remove real estate from your portfolio and perhaps increase your income at the same time.

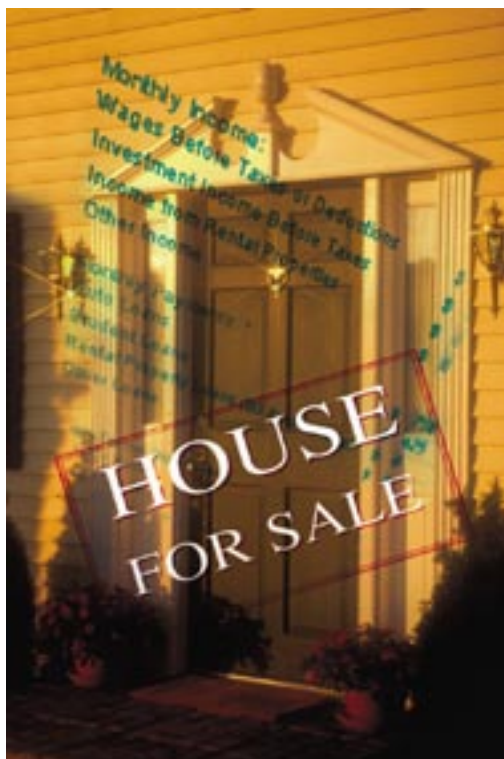
- An outright sale is the simplest. Tax consequences, however, can take up to 15% of your long-term gains (plus state tax plus recapture tax if it applies).
- An installment sale can ease the tax bite, but you will have to wait longer to get your money (yet pay all the taxes today).
- A 1031 exchange to a less demanding or higher income producing property could simplify your life and defer income taxes. For example, selling your apartment building and using the equity to buy a McDonald's location results in less demanding property as the commercial tenant usually takes care of all property responsibilities.
- If you also want to help a charity, you could put the property into a charitable remainder trust that would sell the real estate without paying capital gains tax (and pay you an income as long as you live and even stretched to the next generation).
- You could use a "private annuity" if you desire to transfer the property to heirs and want to immediately remove it from your estate.

Another alternative would be to get a new mortgage to free up cash that you could put in other investments for further portfolio diversification.

Before you make any changes though, you might want to take some factors into consideration. For instance, what does your family think about this? Do your children expect to get or stay involved with the real estate? And suppose you're married. Would your spouse have the ability or desire to take care of real estate if you died? If not, you might end up leaving him or her with a bundle of problems and responsibilities.

Coming up with the appropriate strategy to remove real estate from a portfolio needs to be approached with a coordinated effort that addresses your family, legal, tax, and financial situations.

To review options that make sense, complete the information on the attached coupon.



Thank You for Your Referrals

Every day, we hear stories from investors who have seen their savings substantially eroded by the difficult market conditions that have existed since early 2000. All too often, these individuals were working with advisors who failed to establish safeguards to limit losses in down markets. At Wall & Company, we believe buy-and-hold investing is not the right approach for investors who do not have years to wait for the market to recover. Sure, the market should come back, but will it do so in time?

Protecting your assets and seeing those assets continue to grow in all market conditions is our goal. We welcome the opportunity to expand our services to include individuals throughout our communities. It's easy to refer family members, friends and professional associates to Wall & Company. Call us. Fax us. E-mail us. Write us. We promise to follow up promptly and to extend to your referrals the same concern for their long-term financial security that brought you to Wall & Company.

Again, thank you for your referrals and the confidence you have shown in our firm!

PERFORMANCE REPORT

WALLCO DYNAMIC ASSET ALLOCATION PROGRAMS

As most of Wall & Company's clients are invested within our five asset allocation models, effective in 2004 we will be presenting the performance of these five general asset allocation models. As always, clients can refer to their individual quarterly performance reports for individual account performance, or log on to their individual accounts by going to our website at www.wallco.com.

Fourth Quarter ~ Ending 12/31/04 (Total Returns Net After Maximum Fees)

Wall & Company Asset Allocation Programs Net after Maximum Management Fees	2004 4th Quarter %	2004 6 month %	2004 ⁽¹⁾ Year End %
Aggressive Growth Allocation 100% World Growth Opportunity (WGO)	7.37%	10.43%	2.18%
Capital Growth Allocation 80% World Growth Opportunity (WGO) 20% Bond Allocation Program (BAP)	5.98%	8.59%	2.31%
Balanced Growth Allocation 60% World Growth Opportunity (WGO) 40% Bond Allocation Program (BAP)	4.58%	6.76%	2.45%
Conservative Allocation 40% World Growth Opportunity (WGO) 60% Bond Allocation Program (BAP)	3.18%	4.94%	2.58%
Preservation Allocation 20% World Growth Opportunity (WGO) 80% Bond Allocation Program (BAP)	1.78%	3.10%	2.72%
MARKET INDICES			
S & P 500 Composite Index	8.73%	6.23%	8.99%
Lehman Brothers High Yield Bond Index	4.58%	—	11.13%
US Treasury Bill (3 months)	—	—	1.31%

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 charged during that time period. See Wall & Company Form ADV II for more details. 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 $(1 + \text{Return}\%)(1 - \text{EstFee}\%) - 1$ 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 S & P 500 and the Lehman Brothers High Yield Bond Index, 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 1/05/05)

Estate Planning for the Less Than Wealthy

If you leave behind an estate valued at less than \$1.5 million, your heirs will be exempt from federal estate taxes (this minimum increases to \$2 million in 2006-2008 and \$3 million in 2009 and is then repealed altogether for one year in 2010). But that doesn't mean you are exempt from estate planning. A good estate plan involves more than just a will. For starters, your will needs to be current. When was the last time your attorney reviewed your will or trust? Did you think it would be good forever in the face of laws that Congress loves to change? What about the other documents? If you're not sure what other documents should be included in your estate plan, ask yourself three questions:

1. Who will take care of my finances if I become incapacitated due to an injury or illness?

A durable power of attorney is a method to arrange for someone to do this for you. It can take effect immediately or can be written with a springing power, meaning that it will not be in force until a certain action takes place. You can specify the action, such as a doctor, or even two, declaring that you are unable to make financial decisions.

You can stipulate how much control your attorney-in-fact will have over your finances. These powers can include, but are not limited to:

- Paying household expenses
- Handling retirement accounts
- Collecting government benefits
- Filing income tax returns
- Managing a business
- Buying and selling assets
- Making gifts

The person you select to be your attorney-in-fact should be someone you trust and who has shown the ability to manage his or her own finances competently. This could be a family member, close friend, or your attorney or accountant. You should also consider naming an alternate just in case your first selection is unable or unwilling to carry out the tasks when needed.

2. What will happen if I can no longer make medical decisions for myself?

A medical power of attorney, also known as a "health-care proxy," a "durable power of attorney for health care," or a "medical directive," gives someone else

the legal authority to make medical decisions for you when you can no longer make them for yourself. An alternate should also be named.



Estate planning also involves protecting your family from needless hardship should you become incapacitated.

3. Under what circumstances would I want medical support to stop?

A living will provides specific instructions to your family and physicians regarding continuation of your life by artificial means or "heroic measures." This document can relieve your loved ones of the responsibility of making a difficult choice.

A durable power of attorney, medical power of attorney, and a living will let you keep control of your own destiny and, equally important, make things a little easier on those close to you.

To make sure your estate plan helps protect you and your family and eliminates needless hardship, return the enclosed coupon or call for an appointment.



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Please contact me regarding these items mentioned in your newsletter:

- Send me a free brochure on "Using Active Management as an Investment Strategy."
- I am not sure I have the right documents to protect and take care of myself. And I would like a review of estate planning documents.
- I have real estate I will sell and want to know the best way financially to do this.

I would like to have a copy of these booklets (enclose \$1 for each):

- Avoid Mistakes in Buying Long-Term Care Insurance
- Annuity Owner Opportunities (a must read if you own an annuity)
- Mistakes in Selecting Mutual Funds
- Seven Ways Retirees Can Cut Taxes
- IRA Distribution Mistakes

I think these people would like to receive your newsletter and an invitation to your next public presentation:

Name _____

Address _____

Name _____

Address _____

(Please provide names and addresses with zip codes.)