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SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

First Quarter January-March 2005

Market & Investment Update

After a strong run-up late in 2004, the market's start to 2005 was a lackluster one.

The year began on a positive note, but anxiety increased as the first quarter wore on. Bond yields spiked on fears that the Fed could take a less measured approach to interest-rate hikes, and oil prices hit close to a record high of nearly \$57 per barrel. According to Morningstar, both the average domestic stock and bond mutual fund indices are down for the quarter, at -2.51% and -0.72% respectively.

Given the uncertainty and lower price trends in both the stock and bond markets, Wall & Company actively managed accounts were moved into the safety of money market funds in mid-March. As always, we will remain there until market trends move back to

the upside. All Wall & Company managed programs, except the WGO program, outperformed their underlying performance benchmarks during the first quarter 2005. Net after fee first quarter 2005 performance is shown below:

<u>DGPVA</u>	<u>WGO</u>	<u>WGOII</u>	<u>BBH-Stock</u>	<u>BBH-Bond</u>	<u>BAP</u>
+1.04%	-4.40%	+ .63%	+2.57%	+ .18%	+ .31%

Disclosure: Morningstar's average domestic and bond mutual fund indices may be significantly different from the various investments used within the Wall & Company equity and bond managed programs. Inclusion of these indices is demonstrative only. Past performance does not guarantee future results. Any investment has the potential for loss as well as gain.

See Wall & Company's New Lower Fee Schedule on Page 2.

Mutual Funds Can Be Dangerous Investments

We spoke recently with a potential client who explained that he had given up investing in individual stocks and had turned solely to mutual funds. Part of his rationale was that mutual funds are managed by professionals with a lot more information than he had on investing and that this knowledge would keep his portfolio out of trouble.

If only life really were that easy. It's an illusion to think that mutual funds are safe. History abounds with failed mutual funds even in good markets. You usually don't see the evidence because fund companies have a habit of sweeping failed funds under the rug by merging them into successful funds. Thus, the poor fund's performance disappears and the fund family proudly reports its record of successful management.

Fidelity Magellan should be one of the best run mutual fund companies in the market given its tremendous resources and experienced professionals managing the fund. Yet, Fidelity Magellan dropped from a high of \$146 in March of 2000 to \$72 in October of 2002, a loss of 51%. The fund's shares are still 30% below its 2000 high.

Magellan is not the exception. An investment in Putnam New Opportunity B fund in 2000 would be down roughly 60% today.

In bad markets, professional management has not proved capable of keeping mutual funds out of trouble. **90%** of stock mutual funds reported negative returns in 2002, according to Weiss Ratings, Inc., the nation's leading independent provider of ratings and analyses of financial services companies, mutual funds, and stocks. 2002 was the third consecutive year that investors suffered declines in stock funds, averaging losses of -19.22%, -12.5%, and -4.45% in 2002, 2001, and 2000, respectively.

The facts are that the vast majority of mutual funds do not protect investors from market downturns. The larger the fund, the more likely its results will mirror the broader market.

Funds that strive to outperform the market by concentrating their investments in hot sectors are typically the biggest losers when the market turns against them. Part of the problem is that mutual funds do not have the ability to move a sizeable portion of their assets to cash when the market turns against

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Wall & Company Announces Lower Management Fees

All Wall & Company managed accounts currently on the Fixed Fee Schedule have automatically converted to the new, lower, Reducing Fee Schedule shown below. The primary purpose of the Reducing Fee Schedule is to reward longer-term clients with lower management fees. To our knowledge, Wall & Company is one of the first Registered Investment Advisor companies in the country to implement a fee schedule that rewards clients for investing over the long-term. The Wall & Company Performance Fee Schedule will stay the same. Please call the Wall & Company service team with any questions.

Wall & Company REDUCING FEE OPTION

MONTHS UNDER MANAGEMENT	ANNUAL FEE FOR ASSETS UNDER MANAGEMENT	
	\$1,000,000 or less	\$1,000,000 or more
1 - 12	2.25%	2.00%
13 - 24	2.00%	1.75%
25 - 36	1.75%	1.50%
37 - 48	1.50%	1.25%
49+	1.25%	1.00%

ACCOUNT BASIC GUIDELINES: Fees are calculated quarterly (in arrears) on that quarter's ending billable balance. The ending billable balance is adjusted daily to prorate additions and withdrawals during the quarter. Assets owned by entities under common ownership, including, without limitation, IRA's, pension and profit sharing trusts will be aggregated for purposes of computing the fee and determining the applicable rates. In the first or last quarter of service, as the case may be, fees will be prorated based on contract or termination dates. Fees are billed on a tiered billing system. Fees are automatically deducted from the investment account. In addition to Wall & Company management fees, customer accounts held at Millennium Trust Company (MTC) are charged .07% quarterly by MTC for custody and performance reporting services.

Year Ending in "5" is Historically Bullish

According to a recent McClellan Market report, years ending in "5" have historically been up years in the stock market. The DIIA has been up in every year "5" since its inception in 1896.

The notion of the 5th year is one that has been around for a long time. The earliest reference we know of was from Anthony Gaubis, who wrote about it in 1939 in Tides in the Affairs of Men. Noted market analysis pioneer Edson Gould reportedly used it to make a great call for a bull market in 1955, and Edgar Lawrence Smith wrote about it in his 1959 book, Common Stock and Business Cycles.

Peter Eliades, another newsletter writer has done further research into year 5 behavior. He noted that

there is a strong tendency for the market to make its bottom for the year during the first quarter of the year "5." So, according to several market cycle enthusiasts, barring a huge international crisis in 2005, we should reasonably expect that the price low we've seen during the first quarter in 2005 ought to be the low for this year.

Naturally past performance cannot be used to predict future returns and the market could continue lower for the year. Which is why we emphasize the important of full time management of your portfolio to take advantage of upward moves in the market, while controlling the risk of poor markets undermining your financial security.

Mutual Funds Can Be Dangerous Investments

continued

them. They have to stay invested and that hurts.

Among legendary investor Sir John Templeton's memorable advice to investors is to write down the value of their entire portfolio should it drop by 30%. "If what you see makes you uncomfortable," he said, "do something now to regain your comfort." As the market decline of 2000-2002 proved once again, mutual funds are not immune to drops of 30% or more. If this makes you uncomfortable, you need to take another look at how you invest in mutual funds.

The old adage of "Find a good mutual fund and invest for the long haul," does a disservice to investors by ignoring reality. Investing in a mutual fund carries no guarantees and can offer considerable risk. You need to take that risk into consideration when building and managing your portfolio. Mutual funds, like equity investments, need to be managed.

Average Annual Total Returns ¹ (%) as of 03/31/2005

Putnam New Opportunities B Fund	Fidelity Magellan Fund
1 Year -1.40%	3.14%
5 Years -15.97%	-5.30%
10 Years 6.13%	8.97%

¹ Putnam New Opportunities Class B share returns reflect the applicable contingent deferred sales charge (CDSC), which is 5% in the first year, declines to 1% in the sixth year, and is eliminated thereafter. Fidelity Magellan is a no-load fund.

The performance data featured here represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted.

Consider the investment objectives, risks and charges and expenses of the investment company carefully before investing. The fund prospectuses contain this and other information about the funds and companies. To obtain a prospectus on Fidelity Magellan, visit www.fidelity.com. Information on the Putnam New Opportunities Fund can be found at www.putnam.com

Would Your Survivors Spend It All?

Like most seniors, you have worked hard to get where you are financially. And you want to make sure that your heirs receive everything that you had planned to leave them. To accomplish this, you may have even established a trust to reduce transfer costs and possibly shelter taxes. But what will happen once your loved ones receive their inheritance?

Will they invest it wisely for the future or quickly spend it all? Or will angry creditors line up at their door to get paid? An additional special clause within your trust may possibly assure that the assets that you pass to your beneficiaries will last as long as you had wished.

A spendthrift clause prevents trust beneficiaries from voluntarily or involuntarily transferring current or future rights in the trust. Without this, beneficiaries have unrestricted ability to use the assets, and thus their creditors can attach those funds. State laws determine the exact language and the degree of creditor protection spendthrift trusts offer. Nevertheless, the concept restricts the beneficiaries' access to the trust's property.

The trustee whom you select is usually given the discretion to distribute money as needed to the beneficiaries. This may be an ideal choice for a beneficiary who is financially irresponsible and likes to spend. Or you may want to provide for a loved one who has special physical or mental needs.

If you worry about how your children, grandchildren, or other beneficiaries might spend the money you leave them, check off and return the enclosed coupon. We can schedule an appointment to review your concerns, and if necessary, I will refer you to a local, estate-planning attorney to draft the documents.

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, protecting your assets and seeing those assets continue to grow in all market conditions is our goal. We welcome the opportunity to

serve 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

The portfolio allocations below reflect various hypothetical allocations within four different Wall & Company managed programs. Individual client performance could be different than what is illustrated, based on the client's own unique investment allocations. Clients can refer to their individual quarterly performance reports for individual account performance.

First Quarter – Ending 3/31/05 (Total Returns Net After Maximum Fees)

Wall & Company Asset Allocation Programs (Net after Maximum Management Fees)	2005 1st Quarter %	5-year compounded % (Ending 12/31/04) *
Aggressive Growth Allocation 50% World Growth Opportunity (WGO) 50% Better Buy & Hold-Stock (BBH-S)	-0.91%	8.84%
Capital Growth Allocation 40% World Growth Opportunity (WGO) 10% Bond Allocation Program (BAP) 40% Better Buy & Hold-Stock (BBH-S) 10% Better Buy & Hold-Bond (BBH-B)	-0.68%	8.49%
Balanced Growth Allocation 30% World Growth Opportunity (WGO) 20% Bond Allocation Program (BAP) 30% Better Buy & Hold-Stock (BBH-S) 20% Better Buy & Hold-Bond (BBH-B)	-0.45%	8.13%
Conservative Allocation 20% World Growth Opportunity (WGO) 30% Bond Allocation Program (BAP) 20% Better Buy & Hold-Stock (BBH-S) 30% Better Buy & Hold-Bond (BBH-B)	-0.23%	7.77%
Preservation Allocation 10% World Growth Opportunity (WGO) 40% Bond Allocation Program (BAP) 10% Better Buy & Hold-Stock (BBH-S) 40% Better Buy & Hold-Bond (BBH-B)	.01%	7.41%
MARKET INDICES		
S & P 500 Composite Index	-2.60%	-3.78%
Lehman Brothers Aggregate Bond Index	-0.48%	6.85%
US Treasury Bill (3 months)	.57%	3.31% **

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 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. 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 $(1 + \text{Return}\%) \times (1 - \text{EstFee}\%) - 1$ 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 S & P 500 and the Lehman Brothers Aggregate 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.

*The 5-year compound annual % returns for Wall & Company managed programs are a net-after-fee presentation of mathematical calculations obtained by applying to historical data the mutual fund selection, trading criteria, and methodologies described in the Form ADV Part II. These results are HYPOTHETICAL.

**Represents the 5-year compound annual return of the 6-month Treasury Bill rate.

NOTE: PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. ANY INVESTMENT HAS THE POTENTIAL FOR LOSS AS WELL AS GAIN. (Report created 04/02/05)

Might You Live to 100?

Live to 100. Sounds great. But what are the downsides? “How can there be downsides?” you may ask. After all, you’d have more time to golf, go fishing, and spend with the grandkids. Well, the risk may be that if you hadn’t planned to live that long you could end up running out of money.

So how long of a retirement should you plan for?

According to the IRS, a 70-year old person is expected to live for 17 more years to age 87. However, this is an average. Half of the 70-year olds will live longer and half will not. Therefore, a 70-year old individual who is basing his or her retirement plan and spending habits on living to 87 is rolling the dice. Furthermore, when you consider that there are more than 70,000 U.S. centenarians who represent the fastest-growing segment of our population, there is reason to take notice.

However, planning too conservatively could be detrimental as well. After all, you don’t want to cut your standard of living down to the point that you’ll be miserable. And of course, you always have the option to make adjustments in your spending as time goes on.

All of this comes down to two simple facts: You can control how long your money will last, but you only have a limited ability to predict how long you will live. So what can you do to reduce the risk of running out of money too soon?

A fixed immediate annuity offers an income that will continue for a lifetime, no matter how long you live. And it will help you plan for the possibility of living to 87, 107, or beyond.

For a no-obligation illustration, please check off and return the enclosed coupon.

Should You Buy a Home for Your Kids?

Home ownership is one of the fundamental ingredients of the American Dream. It provides financial wellbeing, increases access to additional credit, adds to a person’s pride, and fosters stability. And for seniors who want to help their children or grandchildren achieve this goal, there may be rewards for them as well.

Interest rates are low. Therefore, now could be an ideal time to consider buying a home for the kids. You can make this an investment by purchasing an apartment building, a duplex, or other multi-family dwelling. Your child could live in one unit, and the other units would provide rental income to you. Nevertheless, the property will become part of your estate. And if you give it to your children, it will be subject to gift taxes. There are, however, some other ideas that you might want to consider.

One approach would be to loan the children the money to buy the house. The house and mortgage should be in their names so it is not included in your estate. You could be the lender, and the children would pay you back over time. The interest rate that you charge

your children can be lower than they would get from a bank or mortgage company. But to keep the IRS from declaring your loan a taxable gift, you may want to use the applicable federal rate. Your children will still end up with low-cost financing and a tax deduction for the mortgage interest paid to you.

A tax-free gift to help with the down payment is another option. You are allowed to give \$11,000 a year to as many people as you wish without paying the gift tax. Therefore, you and your spouse could give \$22,000 to each child. And if they are married, that number can be as high as \$44,000. Then to increase it more yet, you could give them \$44,000 towards the end of the year and the same amount at the beginning of the next. With \$88,000 in hand, they should be able to make a nice down payment and you will have reduced the value of your estate.

For a free analysis of your portfolio to determine the best way to help your children or grandchildren buy their first home, check off and return the enclosed coupon. You just never know, they may keep an extra bedroom for you to stay in when you visit.



Valuable **FREE** Information

For more information on the items mentioned in the newsletter, please complete and mail in this form to Wall & Company at the address shown below or call Renee at **838-651-9617** or toll-free at **888-253-9141**.

Please contact me regarding these items mentioned in your newsletter:

- How can I plan for the possibility that my beneficiaries cannot manage money that I want to leave them?
- I would like an illustration on a fixed annuity that can provide an income that I cannot outlive. I can invest \$_____. And my date of birth is ___/___/_____.
- I'd like an analysis to see if it makes sense to help my kids or grandkids buy a new home.

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

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

Name _____

Address _____

City, State, Zip Code _____

Name _____

Address _____

City, State, Zip Code _____