



Warren Wall  
CFP, CSA, MBA, Publisher

# SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

Second Quarter April-June 2005

## Market & Investment Update

The Second Quarter of 2005 continued to produce the same sloppy equity market that we have witnessed for the past seven months. Year to date, the Dow has lost -4.71% of its value, the Nasdaq has fallen -5.45% and the S&P 500 lost -1.70%. This year is still shaping up to look much like 2004. If so, my best guess remains that the market gains for 2005 will be made in the last half of the year.

The Federal Reserve Board continues to raise short-term interest rates, however, this still has not had a negative impact on longer-term rates. Reflecting this trend, the Lehman Brothers Aggregate Bond Index is still positive year to date up +2.51%. The relatively low long-term interest rates are helping the real estate bubble float along beyond the period most experts expected.

Wall & Company managed program results for 2005 second quarter and year-to-date are shown below.

	DGPVA	WGO	WGOII	BBH-Stock	BBH-Bond	BAP
2nd Qtr	-1.22%	.90%	-.80%	.32%	-.35%	1.69%
YTD	-.19	-3.53	-.16	2.90	-.17	2.00

*Disclosure: Market indices such as the Dow, S&P 500, Nasdaq and LB Aggregate Bond are illustrated without dividends reinvested and 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.*

## Wall & Co. Receives Nationwide Top Ranking

Wall & Company Wealth Management achieved the second highest ranking among global equity managers by *Money Manager Review* for three-year annualized performance based on the Review's return/risk analysis.

*Money Manager Review* has published performance data on private money managers since 1987, moving to an internet based publication in 1995. Today, 1000s of individuals, consultants, brokers, investment advisors, plan sponsors, institutions, foundations and charities use the *Review* to locate, research, compare, and contact any of 600+ managers offering more than 1,450 products.

"What is notable about *Money Manager Review* is the emphasis it places on not only achieving quality returns, but also minimizing the level of volatility an investor's account might suffer," said Warren Wall, president of W. Wall & Company. "While there are other money managers with higher returns for the three-year period, they achieved those returns with considerably more risk for the investor."

"Our philosophy is that 'protecting capital' during the tough times is just as important as 'making it' during the good times. A few periods of extraordinarily high gains don't do your clients any good if they became discouraged by earlier losses and closed their accounts."

"We know from our own client base that those who achieve the best performance are also the clients with the longest tenure. That's why risk control is so important to successful money management," explained Warren.

**NOTE: PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. ANY INVESTMENT HAS THE POTENTIAL FOR LOSS AS WELL AS GAIN.**

Rank	Manager & Product Name	Mio AUM (\$'000)	Gross/Net	CF Fee	Reporting Method	AMR Compliant	Product Assets (\$ Millions)
1	Neuberger Berman LibertyView Global Risk Arbitrage Fund, L	1,000	Net		Unaudit	No	31
2	W. Wall & Co. Global Growth Program (WGOII)	100	Net		Represe	No	7
3	Brandes Investment Partners, L.P. Japan Equity (closed)	10,000	Gross		Auditd	Yes	1,261
4	Sun Valley Advisors, Inc. Global Balanced	100	Gross		Unaudit	No	531
5	Wasatch Advisors International Small Cap Growth	10,000	Gross		Unaudit	No	1
6	Wasatch Advisors International Global Equity Separate Acc	200	Net		Unaudit	Yes	8
7	Wasatch Advisors International Global Convertible Fund, L	50,000	Gross		Auditd	Yes	
8	Wasatch Advisors International Global Emerging Marke	50,000	Gross		Auditd	No	
9	Wasatch Advisors International Global Emerging Marke	50,000	Gross		Auditd	No	
10	Wasatch Advisors International Global Emerging Marke	2	Net		Auditd	No	

## Meet the Wall & Company Team!

**B**ehind 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 people of Wall & Company and to invite you to stop by and say hello next time you are in the neighborhood.



### **Warren Wall—MBA, CFP, CSA and Chief Executive Officer**

As President of Wall & Company, Warren has more than 20 years of experience in the financial services industry. He is a Certified Financial Planner and Certified Senior Advisor. Warren is dedicated to creating wealth and financial security for Wall & Company clients. He is also the author of two books on retirement and a well-respected financial educator. Warren enjoys hiking and exploring the great outdoors with his wife Lauren. He also stays active keeping up with his 18-year-old twin daughters, Sarah and Rachelle and his 19-year-old son, Justin!



### **Bruce Dannenberg—Sales Manager/Insurance Coordinator**

Bruce Dannenberg has been in the Insurance, Investment, and Financial Planning arena for over 20 years. He holds a Master of Business Administration degree from the University of Vermont and a Master of Science degree from Clemson University. He has owned his own insurance and investment business in addition to working for several high profile companies. Bruce lives in Black Mountain with his wife Susan and their two boys, Jesse and Isaac.



### **Louisa Rykens Cox – Service Team Manager**

Louisa is a Series 7 Registered Service Assistant who graduated from Appalachian State University in 2001 with a BSBA in Finance and Banking. Louisa has worked in this industry for five years and is currently working on her Certified Financial Planner designation. Outside the office, Louisa enjoys sailing, traveling, watching movies and spoiling her dogs, Churchill and Red.



### **Mary Beth Ray—Marketing Director/Computer Operator**

Mary Beth comes to us after six years in broadcasting. She handles all media-based projects and keeps our database system organized. Mary Beth has a BA from Clemson University and a Masters from the University of South Carolina. She enjoys creating abstract artwork, crafting wreaths, watching movies, traveling, reading thrillers and spending time with her husband Dennis and their pets.

### **Cindy Stubbs – Marketing Assistant**



Cindy greets visitors to our office and coordinates our seminar events. A North Carolina native, she attended Appalachian State University and has previously been licensed in the insurance industry. She and her husband moved to Asheville, after spending many summers in the area.

They have a daughter and son-in-law in Charleston, SC and a son at Virginia Tech. She loves spending time with her family, reading and enjoying the beauty of the Blue Ridge Mountains.

### **Stacy E. McMichael – Bookkeeper**



Stacy is responsible for all facets of our daily accounting needs and financial reporting. She graduated from the University of Texas at San Antonio in 1995, receiving a BA in Accounting. At home, Stacy enjoys reading, movies, getting together with friends and attending events in downtown Asheville.

### **Christy Fullbright—Trade Manager and Asst. Office Manager**



Christy is a native of Western North Carolina and has worked in the Financial Services Industry for over 19 years. She comes with a brokerage and banking background and is currently registered series 7. Christy is responsible for the Trade Team, serves as a junior compliance officer for the firm, and is working on her Series 24. Beyond her corporate life, she and her husband operate a small organic farm and both are very active in Animal Welfare.

## Remind Recipients to Cash in Mature Treasury Bonds

If you've made a habit of giving U.S. Treasury bonds as gifts for new grandchildren, graduations, and other special occasions, you might want to remind the recipients to cash them in when they reach maturity. Literally billions of dollars in mature savings bonds are sitting in safe deposit boxes and file drawers forgotten by their owners.

### Savings Bonds No Longer Earning Interest

SERIES	ISSUE DATE
E	May 1941 through February 1965 and December 1965 through February 1975
H	June 1952 through February 1975
HH	January 1980 through February 1985
Savings Notes	May 1967 through October 1970
A, B, C, D, F, G, J, K	All issues

Savings bonds stop earning interest at their final maturity and should be redeemed no later than the year in which they reach final maturity. Interest earnings are reportable for federal income taxes in that year.

Series EE Bonds absolutely should be cashed before or at their final maturity dates. Under IRS regulations, tax is due on the interest in the year the bond is cashed or it reaches final maturity. If you hold the bond beyond 12/31 of the final-maturity year, when you finally get around to cashing it, you will not only owe the tax on the earnings, but interest and penalties.

Until September 2004, holders of Series EE bonds who wished to defer tax on the interest paid by those bonds at maturity could cash in their EE bonds to purchase Series HH Savings bonds (prior to 1980, H Bonds). Series HH Bonds pay interest every

six months, in the form of a check from the Treasury. When the HH bond matures, the holder receives the principal, and a form 1099-INT for the deferred EE interest. However, Series HH bonds are no longer sold.

Paper savings bonds can be redeemed at any financial institutions that are authorized as paying agents by the Treasury Department, which includes virtually all of the major banks, credit unions and savings associations.

Typically any amount of I Bonds and Series EE Savings Bonds can be redeemed at an institution where you have had an account in good standing. You may also ask the institution to certify your signature and either forward your savings bonds to a Federal Reserve Bank or give you the address so that you may mail them yourself. The Federal Reserve Bank will mail you a check for the redemption value of the savings bonds.

Series I Bonds are sold at face value and earn interest for up to 30 years, although they can be redeemed anytime after 12 months. Series EE Bonds are sold at half their face value (for example \$25 for a \$50 bond) and also earn interest for 30 years. While Series EE bonds can also be redeemed any time after 12 months, their value will be the purchase price plus accumulated interest, which could be more or less than the face value of the bond. The face value of an EE Bond will be realized in a maximum of 17 years.

Interest is exempt from state and local income taxes. Federal income taxes are deferred until the bonds reach final maturity, or are redeemed, whichever is first. Using Savings Bonds to pay for qualified higher education expenses may allow qualified bondholders to exclude earnings from federal income taxes as well.

## 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.

### Second Quarter – Ending 6/30/05 (Total Returns Net After Maximum Fees)

Wall & Company Asset Allocation Programs (Net after Maximum Management Fees)	2005 2 <sup>nd</sup> Qtr %	2005 YTD%	5-year compounded % (Ending 12/31/04)*
<b>Aggressive Growth Allocation</b> 50% World Growth Opportunity (WGO) 50% Better Buy & Hold-Stock (BBH-S)	.61%	-.31%	8.84%
<b>Capital Growth Allocation</b> 40% World Growth Opportunity (WGO) 10% Bond Allocation Program (BAP) 40% Better Buy & Hold-Stock (BBH-S) 10% Better Buy & Hold-Bond (BBH-B)	.62%	-.06%	8.49%
<b>Balanced Growth Allocation</b> 30% World Growth Opportunity (WGO) 20% Bond Allocation Program (BAP) 30% Better Buy & Hold-Stock (BBH-S) 20% Better Buy & Hold-Bond (BBH-B)	.64%	.20%	8.13%
<b>Conservative Allocation</b> 20% World Growth Opportunity (WGO) 30% Bond Allocation Program (BAP) 20% Better Buy & Hold-Stock (BBH-S) 30% Better Buy & Hold-Bond (BBH-B)	.64%	.41%	7.77%
<b>Preservation Allocation</b> 10% World Growth Opportunity (WGO) 40% Bond Allocation Program (BAP) 10% Better Buy & Hold-Stock (BBH-S) 40% Better Buy & Hold-Bond (BBH-B)	.66%	.67%	7.41%
<b>MARKET INDICES</b>			
<b>S &amp; P 500 Composite Index (without dividends)</b>	.91%	-1.70%	-3.78%
<b>Lehman Brothers Aggregate Bond Index</b>	3.00%	2.51%	6.85%
<b>US Treasury Bill (3 months)</b>	---	1.30%	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  $(1 + \text{Return}\%)^n \times (1 - \text{EstFee}\%) - 1$  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 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 07/08/05)**

# Privacy Policy

We at Wall and Company Inc. respect your financial privacy. We recognize that you have provided us with private personal financial information, and want you to know our policy regarding that information.

We collect your personal financial information from the following sources:

- Information you have given us  
Such as investment advisory agreements, brokerage account applications, and other documents you completed while opening and maintaining your accounts with us.
- Information you have given us orally
- Information we receive from third parties  
Such as brokerage firms, outside managers and banks about your transactions with us or with others.

**We do not disclose any nonpublic personal financial information** about you to anyone, except in the following circumstances:

- When we are required to execute transactions for your account or otherwise to provide services you request.
- When you have specifically authorized and directed us to do so, and
- When required by law.  
Such as when our books and records are examined by federal or state regulators.

We prohibit an employee from providing client information over the telephone or in response to an e-mail message unless the employee has identified the other person as the client, a fiduciary representative of the client, an authorized agent of the client or a party that needs the information to complete a transaction for the client (such as broker-dealers, custodians or administrative service providers).

We maintain physical, electronic and procedural safeguards within the firm's offices to protect your privacy.

# 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 Cindy at **838-651-9617** or toll-free at **888-253-9141**.

**Please contact me regarding these items mentioned in your newsletter:**

- I would like to receive a copy of the *Money Manager Review* Global Equity Managers Report.
- I would like to talk to you regarding alternatives to Treasury bonds.
- I would like more information on Wall & Company's managed investment programs.

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

- Seven Ways Retirees Can Cut Taxes
- IRA Distribution Mistakes and How to Avoid Them
- 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 \_\_\_\_\_