



Warren Wall
CFP, CSA, MBA, Publisher

SENIOR FINANCES

COMPREHENSIVE FINANCIAL ADVICE FOR THE MATURE INVESTOR

Third Quarter - July-September 2004

Investment & Market Update

In spite of rising oil prices and interest rates, geopolitical concerns, pre-election uncertainty, and a down stock market, all Wall & Company Equity Managed Programs posted positive Third Quarter gains. The World Growth Program and World Growth Program II were up +2.85% and +3.03% respectively. The Diversified Growth Program Variable Annuity was also up +.57% for the quarter.

This is the kind of performance we like to see, especially in light of the overall negative stock market performance. Both the Dow Jones Industrial Average and S&P 500 were down -3.40% and -2.30% respectively during the quarter.

Given the rising interest rate environment, we have kept about 80% of our Bond Allocation Program assets invested in short-term money markets. We are hopeful the bond market will improve later in the year

and that we will soon have the opportunity to generate higher returns in this program. Until then, we will remain patient and wait for the trend in bonds to pick back up.

Per my last correspondence with you, we have fully implemented the mutual fund additions and stock basket changes within our managed programs. I believe our higher equity returns for the Third Quarter are the direct result of these investment model improvements. I anticipate more of the same in the near future!

Until my next commentary, I hope you and your family have a wonderful holiday season!

Warren Wall

Active Investing Offers Sources of Profits in Sideways Markets

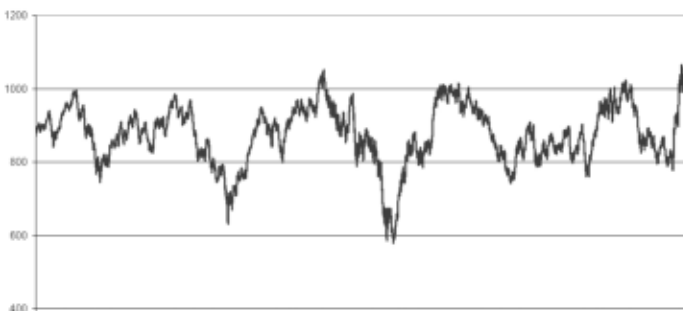
According to advocates of buy-and-hold investing, there's no point in attempting to actively trade the market because the market's long-term trend has always been up. The catch is that long term means just that. Studies citing long-term market

trends typically encompass 70 or more years, far longer than the average investor's time frame. During that long term, some good, bad and frustrating moves take place in the market.

From March 2003 through January of 2004, the Dow Jones Industrial Average put in a period of steady gains, leading claims that the bull market was back. From February on, however, the Dow has drifted sideways with modest gains followed by losses. How long can the sideways movement last? Possibly quite a while, which makes active management essential if your portfolio is going to get ahead.

Looking at just the history of the U.S. financial markets shows us a number of lengthy time periods when the market has gone sideways, with market indices neither gaining nor losing over the period. The most recent was the 16 years from 1965 to 1982. The

Dow Jones Industrials Average 1965-1982



The cumulative return for the 16 years from the start of 1965 to the end of 1982 (not including dividends) was less than 5%.

continued on page 2

Active Investing Offers Sources of Profits in Sideways Markets

continued

Dow Jones Industrials started 1965 in the neighborhood of 1000 only to bounce between a low of 607 and a high of 1020 for 16 years. It wasn't until July of 1982 that the market finally started a definitive up trend.

An individual who bought and held the stocks making up the Dow Jones Industrials during that period would have achieved a cumulative return over 16 years of less than 5%.

During that 16-year period, however, there were four definitive bull cycles when the Dow gained 27% to 65%, only to retrace its gains with one- to two-year bear markets. The well-known bear market of 1973-74 set Dow Jones Industrials buy-and-hold investors back 40%, requiring a 67% gain to get back to breakeven, only to have those gains frittered away as the market turned downward from mid-1976 through early 1978.

Opportunities for Profit

In the midst of sideways markets there have always been opportunities for profit. One opportunity is to trade the up and down movements of the general market during the period. This means striving to buy in time for the bulk of the up move and sell when the market turns down. In volatile markets, this approach requires more frequent trading and a system that moves the investor quickly back into equities when the up move starts. For example, from the February 2004 high, the Dow dropped -5%, rose 4%, fell -4.5%, rose 5% and then dropped -6% through mid August. Capturing the gains and avoiding the losses would have required buying or selling at least once a month.

No investment system is perfect and it is possible to lose money as well as make money trading market trends. Whipsaws are one risk to this approach. Whipsaws occur when the market rebounds before an investor can reposition, leaving one on the wrong side of a move. Frequent trading can also result in additional costs, such as redemption fees or transaction fees, and taxes on gains are higher due to the often short-term nature of the trades.

Another approach is to look for sectors that are outperforming the market. Sector funds concentrate their stock selections within a given industry or geographic sector. In virtually any market environment, positive sectors within the broader market trend offer opportunities for gains. Among the best performing Dow Jones indices for the first three quarters of 2004 were the DJ Mining Index, followed by the DJ Consumer Electronics Index, both with year-to-date gains in excess of 30%.

The challenge to sector investing is to target the right sector early in its move and to know when to move out. The narrow focus of a sector fund increases volatility and risk compared to investing in the broader market. What is in favor can rapidly fall out of favor, making an active approach essential to sector investing.

While there are no guarantees in investing, one of the greatest risks to your financial security could be just sitting still. We have no way of knowing if the current bear market has reached its low or if there is worse to come. Nor do we know how long it will be before the broad market enters a sustained rally. Just as you try to limit risk in other areas of your life through insurance and avoiding perilous situations, you need to be prepared to limit risk in your investments while also recognizing that another risk is that of running out of money.

If you haven't considered what a prolonged sideways market will do to your portfolio and how you can benefit from short-term trends in the overall long-term market, call me today and let's talk.

Thank You for Your Referrals

Every day, we hear more 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!

Don't Let Being Single Jeopardize Your Financial Plans

Are you single because of divorce, your spouse died, or you just never married? If so, you have a lot of company. The U.S. Census Bureau reported that in 2000, 82 million people in this country were unmarried. This included nearly 20 million who were divorced, 13.6 million who were widowed, and more than 48 million who had never married. And that number is expected to increase to 106 million by 2010.¹

Couples often have the benefit of one of the partners keeping them both on sound financial footing. But as a single person, the burden is on you to prepare for your financial future.

Life insurance is generally used to provide for one's survivors. Single individuals may feel that since they don't have any dependents, they can ignore this type of protection. But did you know that a life insurance policy can be designed to pay medical expenses, cover funeral costs, or leave a gift to your favorite charity?

Long-term care is an area that should be of *special* concern to singles who cannot count on family support. Nursing homes cost an average of \$142 per day² and a typical stay is 892 days.³ How would you pay this \$126,664 bill? A long-term care insurance policy could be structured around your financial and personal situation.

Is your will up-to-date? Talk to your attorney to make sure that your money and personal treasures go to those whom you care about. If you don't have an attorney, I can refer you to several in our community who will be glad to help you.

For a no-obligation quote on a life insurance or long-term care policy that can meet your unique needs, please call or return the information request form enclosed with this newsletter.

¹ <http://www.singlesrights.com/Census%202000/marital-status-adults-trends.htm>

² http://www.ltcfeds.com/ltc_basics/costofcare.html

³ <http://www.cdc.gov/nchs/fastats/nursing.htm>

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.



New at Wall & Company

Over the past year, we have had some staff changes at Wall & Company which will enhance our ability to provide high caliber financial and asset management services to our clients. Included with this newsletter is an insert introducing the people at Wall & Company and their responsibilities in working with you. When you have a moment, please stop by and say hello!

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 logon to their individual accounts by going to our website at www.wallco.com.

Third Quarter ~ Ending 09/30/04 (Total Returns Net After Maximum Fees)

Wall & Company Asset Allocation Programs Net after Maximum Management Fees	2004 3rd Quarter %	2004 YTD %	2003 ⁽¹⁾ Year End %
Aggressive Growth Allocation 100% World Growth Opportunity (WGO)	2.85	-4.83	8.34
Capital Growth Allocation 80% World Growth Opportunity (WGO) 20% Bond Allocation Program (BAP)	2.20	-3.63	10.15
Balanced Growth Allocation 60% World Growth Opportunity (WGO) 40% Bond Allocation Program (BAP)	1.55	-2.43	11.95
Conservative Allocation 40% World Growth Opportunity (WGO) 60% Bond Allocation Program (BAP)	.91	-1.23	13.77
Preservation Allocation 20% World Growth Opportunity (WGO) 80% Bond Allocation Program (BAP)	.26	-.03	15.57
MARKET INDICES			
S & P 500 Composite Index	-2.30	.24	26.38
Lehman Brothers High Yield Bond Index	4.85	6.27	28.97
US Treasury Bill (3 months)		.80	1.05

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 10/07/04)

Privacy Policy of Wall & Company Securities, Inc. and W. Wall & Company, Inc.

Your privacy is important to us, and maintaining your trust and confidence is one of our highest priorities. We respect your right to keep your personal information confidential and understand your desire to avoid unwanted solicitations. A recent law change requires us to disclose our Privacy Policy to you — which we are more than happy to do. We hope that you will now have a better understanding of what we do with the information you provide us, and how we keep it private and secure.

A. Types of Information We Collect

We collect certain personal information about you – but only when you provide that information, or authorize us to obtain it. We use that information to provide you with appropriate financial planning services and products. Examples of sources from which we collect information include:

- Interviews and phone calls with you.
- Letters or e-mails from you.
- Tax return or financial planning organizers.
- Financial history questionnaires.

B. Parties to Whom We Disclose Information

As a general rule, we do not disclose personal information about our clients or former clients to anyone. However, to the extent permitted by law and any applicable state Code of Professional Conduct, certain non-public information about you may be disclosed in the following situations:

- To comply with a validly issued and enforceable subpoena or summons.
- In the course of a review of our firm's practices under the authorization of a state or national licensing board, or as necessary to properly respond to an inquiry or complaint from such a licensing board or organization.
- In conjunction with a prospective purchase, sale, or merger of all, or part of our firm, provided that we take appropriate precautions so the prospective purchaser or merger partner does not disclose information obtained in the course of the review.
- As a part of any actual or threatened legal proceedings or alternative dispute resolution proceeding either initiated by or against us, provided we disclose only the information necessary to file, pursue, or defend against the lawsuit and take reasonable precautions to ensure that the information disclosed does not become a matter of public record.
- To provide information to affiliates of the firm and non-affiliated third parties who perform services or functions for us in conjunction with our services to you, but only if we have a contractual agreement with the other party, which prohibits them from disclosing or using the information other than for the purposes for which it was disclosed.

C. Confidentiality and Security of Non-public Personal Information

Except as otherwise described in this notice, we restrict access to non-public personal information about you to employees of our firm and other parties who must use that information to provide services to you. Their right to further disclose and use the information is limited by the policies of our firm, applicable law, our Code of Professional Conduct, and nondisclosure agreements, where appropriate. We also maintain physical, electronic, and procedural safeguards in compliance with applicable laws and regulations to guard your personal information from unauthorized access, alteration, or premature destruction.

Thank you for allowing us to serve your financial planning needs. We value your business and are committed to protecting your privacy. We hope you view our firm as your most trusted advisor and we will work to continue earning your trust. Please call us if you have any questions or if we can be of further service.

Valuable **FREE** Information

Wall & Company

One Town Square Boulevard, Suite 100
Asheville, NC 28803

Please contact me regarding these items mentioned in your newsletter:

- I want to know how I can potentially grow my investments regardless of the overall market direction.
- I am single and concerned about how to protect my savings from unforeseen medical or nursing home expenses.
- I need to plan for the possibility that my beneficiaries cannot manage money I plan to leave them.
- I would like to receive a copy of Wall & Company Securities Inc.'s Audited Financial Statement.

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)
- A Structured Investment System That Has Beaten 83% of Mutual Funds
- 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.)