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Dear Client,

Be it the mild winter or maybe more upbeat economic news, it's hard to believe that the first three months of 2012 are behind us! Enclosed, please find your First quarter performance report.

For this quarter's letter, we want to forgo our usual rather technical discussion of the state of and our outlook on the financial markets, and emphasize what our highest priority is to you, our valued client. Simply put, helping you achieve your *lifetime financial security is, by far, our most important mission*. We are first and foremost a financial planning firm, and investment management is only a part of our work. Too often, the focus is on investment returns (which certainly are important), but there are many other factors to consider.

Funding an adequate retirement is undoubtedly your most important goal, and that is appropriate. However, you may have other related goals, such as protecting your family in the case of your disability or death during your working years, leaving a bequest to your heirs, educating your children and grandchildren, and charitable gifting both during your lifetime and at your death. Long before the need may actually arise, most of you must consider the huge financial consequences of a prolonged need for long-term care, either at home or in a nursing home, and make some very important (and expensive) decisions regarding that potential cost.

Most retirees have little appreciation for longevity and inflation risk, but both must be considered in your retirement strategy. Simply put, you may (probably will) live a lot longer than you think, and you don't want to run out of money before you run out of time. The correct timing of collection of your Social Security benefits and the use of appropriate annuities can have a huge impact on reducing longevity risk. Many investors don't realize that too much caution in their investment approach is a risk in itself, and, over decades, exposes a retiree to huge inflation risk.

Many retirees also fail to realize the huge sequence risk they face. No one can predict the markets future performance, and a few years of poor returns early in retirement can be a financial disaster unless the portfolio is properly invested to mitigate that risk. Sacrificing a small amount of potential growth to keep from selling assets at a deep loss is a delicate balancing act, and one that we carefully consider for our retired or soon to be retired clients.

Fee Only Investment Management and Financial Planning

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Taxes are also important, as it's what you keep that counts. We allocate your investments in the most tax-efficient way possible, and have recommended specific tax savings techniques, such as Roth IRA conversions or the use of variable annuities, to many of you when appropriate. Your investment return is certainly important, but the portfolio allocation must consider all of the above factors. Additionally, we know what normally works and (equally important!) what doesn't work in managing your investments. Our goal is to get you the best return reasonably available from the markets during the period you are actually invested considering your personal situation and objectives. You simply have to accept what the financial markets and your individual portfolio allocation delivers in returns – you can do no better!

For many of you, we have never done an in-depth analysis of your financial situation. While we have a vague idea of your objectives, and certainly will caution you if we feel your current savings are too low or your portfolio withdrawals are too high, we really don't know if you have considered all of the above factors. We encourage you, if you feel it would be beneficial, to have us do a detailed retirement analysis or a comprehensive financial plan for you on an hourly basis. That should either give you a great deal of comfort or a tremendous incentive to change your strategy.

As always, we value your confidence in us.



Doug Babcock



Bob Frey