



June 26, 2009

**D3 Business Update:**

Thanks to all who attended our Open House/Ribbon Cutting Ceremony on June 16<sup>th</sup>. We had a strong turnout, even the Mayor of Downers Grove dropped in to check out our new office. We're starting to meet with people who received gift certificates for free financial planning consultations from some of our clients. On average, we are providing over \$500 of value to them. They really appreciate the fact that you gave them this gift.

Peter just returned from the Morningstar Mutual Fund National Conference, where he listened to presentations from many of the mutual fund companies we use for our clients. Adam is going to a special training seminar hosted by our financial planning software provider. Becky will be taking the CFP exam in the middle of July. Katie Hibblin has joined us as a summer intern. She just finished her sophomore year at U of I in Champaign. Don is anxiously waiting to learn if he won a Financial Frontiers Award (for writing leading edge research in financial planning).

We will be closed July 3<sup>rd</sup>, in observance of Independence Day. We hope you all enjoy the holiday.

**D3 Market Comments:**

The stock market has been relatively stable for the past two weeks, and many investors, including ourselves, are hoping the market stays in this "summer doldrums" mode. Economic data continue to indicate that the U.S. economy is still declining, but at a much slower rate. Home sales, auto sales, and the manufacturing indices are slowly starting to improve from their collapse last year. Consequently, most economists now expect the U.S. economy to start to grow near the end of the third quarter, or in the 4<sup>th</sup> quarter of this year, but they all caution that the recovery will be weak. This is because home building and the various manufacturing industries are not significant contributors to the U.S. economy any more. Recessions drive interest rates down, triggering growth in the housing industry, which has, historically, helped the U.S. economy recover from previous recessions. With the housing market still flooded with excess homes, that won't happen this time. Also, the U.S. auto industry has been weakened with the bankruptcies of GM and Chrysler. The U.S. economy is now a service-based economy, and the largest contributor to economic growth is the U.S. consumer. The government is reporting that we Americans have increased our savings rate from near 0% of our income last year, to now almost 7%. The economy cannot resume a strong growth rate if we continue to spend less. The government's economic stimulus package, passed a few months ago, is supposed to replace a portion of our previous spending.



Despite this concern, we remain optimistic that economies all over the world will begin to recover later this year. Many governments, in Europe, Asia, and South America, have initiated spending programs similar to the one passed in the U.S, and have significantly lowered interest rates. The results are similar to those we have observed in the U.S.: consumer confidence is rising globally, and manufacturing indices are rising in Europe, China, Japan, and India. We remain worried about rising interest rates because of these government spending programs. Except for China, many governments are running large deficits, and are starting to issue billions of new bonds to finance them. We have invested most of our clients' allocation to fixed income in short-term bond funds, which invest in bonds which are impacted less by rising interest rates, because we think rates will continue to rise to entice investors to buy all the new bonds.

### **D3 Client Update:**

For our Comprehensive clients, we have finished updating your financial plans (for clients that don't receive an annual plan update as part of their D3 service, please call us for a quote). After we reconcile your June 30<sup>th</sup> account statements, we will be creating your semi-annual performance reports. Nancy will be calling you to schedule meetings towards the latter half of July. Our agenda for these meetings is to discuss the financial plan update and review your portfolio's performance. We hope to meet with all of our Advanced and Comprehensive clients by the end of August.

### **Our Current Strategy:**

Even though interest rates on mortgages and long-term bonds have risen lately, money market fund and CD rates are still historically low (below 1%). The Federal Reserve is able to control short term interest rates, but global investors who buy U.S. treasury bonds control longer-term interest rates. As we wrote last month, we have accelerated our rebalancing efforts, investing in short term bond funds, emerging market bond funds and the value sector of the stock market (sectors where we believe the risk-reward trade is still favorable). Even though we are cautiously optimistic on the economy and the markets, we are aware of the possibility of a correction after the recent increase, so we have been adding new investments in small percentages, adding investment risk consistent with each client's financial plan.

Donald D. Duncan MBA CPA/PFS CFA™ CFP®    Nancy Lencioni  
Peter Marchese MBA CFA™    Becky Connery MSIA  
Michael Meyers MBA CFP®    Adam Glassberg

5151 Mochel Drive, Suite 301, Downers Grove, IL 60515  
(630) 271-0033 Phone / (866) 385-8998 Fax