

New Affiliations, Greater Resources, Improved Services

We are very excited to announce that we made several changes in our professional affiliations effective September 1, 2008. These changes bring to fruition several significant projects that we have been working on behind the scenes. While they impact our back office operations significantly, the changes that clients see will be far less noticeable.

Securities America, Inc.

Effective September 1, 2008 we affiliated with Securities America, Inc. (SAI) as our new Broker/Dealer. This replaces our prior affiliation with QA3 Financial Corp.

- Based in Omaha, Nebraska, Securities America is the nation's 4th largest Independent Broker/Dealer based on total revenues in 2006 according to Financial Planning Magazine.
- Over 1,600 financial professionals nationwide affiliated with Securities America.
- SAI has assets under supervision of over \$44 billion for over 407,000 customers nationwide as of 12/07. SAA has assets under

management of \$12.8 billion as of 8/29/08.

- Securities America Advisors, Inc. is an SEC Registered Investment Advisory firm with over \$13 billion in assets under management and administration that offers investment management, financial advice and financial planning through financial advisors.
- Customer accounts are cleared through National Financial Services, LLC – a Fidelity owned company.
- Securities America's e*Office Advantage online workstation sets the standard providing representatives with the power to manage their clients accounts in one convenient place. This technology makes office work more efficient so representatives spend more time and resources providing quality advice to their clients and building their practices.

Fidelity Institutional Wealth Services

Effective September 1, 2008 we also affiliated with Fidelity Institutional Wealth Services. Managed accounts that were previ-

ously custodied at Pershing, LLC, FISERV or TD Ameritrade will now be held at FIWS.

- Fidelity began offering custody services in 1992. Today, their clearing firm, National Financial Services LLC, is one of the industry's largest providers of clearing and custody services.
- As a privately owned firm, Fidelity is able to make decisions based on long term benefits, not on the short term demands of Wall Street.
- Fidelity enjoys a 60-year reputation for integrity and financial management.
- Fidelity offers significant resources to the independent financial advisor. This includes Fidelity Advisor CHANNEL, which leverages Fidelity Investments' most advanced technology to link our office to a wealth of systems, information, resources and investment choices.

Genworth Financial Wealth Management, Inc.

In 2007 Genworth purchased AssetMark Investment Services, Inc. and formed Genworth Financial Wealth Management, Inc. Our firm uses this platform of professional investment managers and state of the art technology to deliver the most comprehensive portfolio management services available in the industry.

This single open architecture platform:

- Provides a wide range of investment options so we can customize investment strategies to meet our clients' long term goals;
- Gives us the ability to choose from among multiple Portfolio Strategists to fit the diverse needs of our clients;
- Offers ease of use when making changes in Portfolio Strategists or investment approaches;
- Lets us diversify the risk of investment management decision-making across more than one firm; and
- Enables future product innovation to keep us on the cutting edge with the latest solutions.

You will be hearing more about these new affiliations and services as the year progresses. We hope that you are as excited as we are by these new developments.

It's as Simple as Oil and China with a touch of BS and MS on Top

Market Commentary by Dr. Robert J. Froehlich, Vice Chairman of DWS Investments
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Looking for answers to the Fannie Mae and Freddie Mac mess? How about the subprime mortgage market meltdown or the collapsing "bear" stock market? If you are, you have come to the right place, because I believe the answer to all of these issues is ex-

actly the same. And from my perspective, the answer is as simple as "Oil and China" with a touch of "BS and MS" on top. Here's exactly what I mean, beginning with "Oil."

Oil

You pick the current investment crisis, and I believe it can be solved with lower oil prices. In my mind, there is simply nothing more important to the markets right now than lower oil prices. And quite frankly, the price of oil is all about supply and demand. Demand is falling; supply is rising and I believe by the end of the year oil could be as low as \$105 to \$110 a barrel, a far cry from its recent peak of \$150 a barrel.

Let me begin by showing you why demand is slowing. I will be the first to admit that most market forecasters and pundits have been calling for demand to be crushed for years. In fact, many thought it would happen at \$50 or \$75 a barrel and, most certainly at the almost unheard of triple digit \$100 a barrel. Do I hear \$130 or \$140 a barrel? But it didn't happen. So why is it happening now? Well, I think it is because government subsidies around the world have actually prevented the true market oil price from being passed through to consumers. And, that, in my opinion is the single most important fact why skyrocketing oil prices didn't slow demand. The situation has now reversed. Countries are reducing oil subsidies and the pain of higher prices is being passed onto consumers. And consumers have in turn quit buying, because they have to pay

for the oil, without the help of government subsidies.

Look at it this way. It's much easier to subsidize the cost of oil at \$50 a barrel than it is at \$150 a barrel. And that is why these subsidies are now rolling off. To see what I mean, all you have to do is take a look at the countries that have already reduced their subsidies on oil; China, India, Indonesia, Thailand, Malaysia, Taiwan, Nepal, Bhutan and Sri Lanka. In addition to shrinking government subsidies reducing demand, there is also the airline industry cutting back on flights which has impacted demand. Some countries, like South Korea, are also restricting the driving of cars which also slows demand. Even the state of Utah is pitching in by implementing a four-day work week. Again, this is likely to reduce oil and gasoline demand. You see, no matter how you look at it, demand is slowing.

On top of that, supply is rising. With less demand and more supply, the price of oil has nowhere to go, but down. And where is this supply coming from? Currently, it is coming from Saudi Arabia, which has already increased oil production. Add to that the prospects for offshore oil drilling in this country (which now appears to be an issue that President Bush views as a potential legacy for his eight years in office). Even the prospects and debate of offshore drilling puts downward pressure on the price of oil.

Finally, there is Liwan 3-1-1,

which could be the greatest oil discovery ever. Liwan 3-1-1, as this new oil field is called, lies 150 miles south of Hong Kong and 5,000 feet beneath the South China Sea. The magnitude of this find could actually shift the balance of oil power away from the Middle East and onto China. At the very least, this discovery is likely to make the South China Sea become to China what the Gulf of Mexico has been to US for the past century. One way or another, from one source or another I believe more supply is on the way.

If I am wrong on my \$105 to \$110 a barrel forecast, I believe it's because I didn't go low enough. I would not be surprised to see oil again drop into double digit territory at around \$95 a barrel. And the reason oil may fall is actually about supply, demand and the dollar. As the dollar strengthens as it is supported by the prospects for the next interest rate move up, Europe may be forced to cut interest rates as unemployment there edges higher and exports sag. This interest cut would likely weaken Europe's currency, while further strengthening the dollar. Why is this important to the price of oil? Because oil is dollar denominated. So on top of supply and demand, there is the dollar. As the value of the dollar goes down, the price of oil goes up. And conversely as the value of the dollar goes up, the price of oil is likely to go down. Watch out. The next stop for oil may be double-digits, making it the equivalent of the single greatest tax cut for consumers in the next decade.

And consumers won't be the only big winners. The materials sector could also prove to be a big winner. You see, the largest industry group

within the materials sector is the chemical industry. Because petroleum products are the main input to this industry, it is uniquely positioned to benefit from falling oil prices. From my perspective, the chemical industry could also do well, driving the entire materials sector higher.

China

Let's now move on from "oil" to "China." Make no mistake about it; I believe that China is clearly the world's leader when it comes to economic growth. And that is why in my opinion the road to any US Recovery goes through Beijing and especially for the US infrastructure-building multi-national firms doing business in China.

Think about it this way. In less than 20 years, according to McKinsey's Global Institute, China's cities will have added 350 million people, which is more than the entire population of the US. And by 2025, China will have 221 cities with more than one million inhabitants. In fact, 24 of those cities could have more than 5 million people. Compare that with 35 cities in Europe today. To me, this spells the making of an infrastructure boom.

And let's not forget about the Olympic Games last month in China. While many argue that once the games ended in August, so may China's economic boom, I don't believe this is likely to happen. And here's why.

The 2004 Olympic Games showed the rest of the world that Greece was a thriving member of the global economy. And billions of dollars in free publicity more than made up for what Greece lost as a

result of poor ticket sales and empty hotel rooms.

The 1992 Olympics in Barcelona, Spain were considered by many as one of the more successful in Olympic history, improving the city's fortunes so much through tourism that Barcelona has become one of the top five visited European cities after the Olympics.

And although it happened a couple of decades ago, many observers point to the 1988 Seoul Olympic games as the international coming out party for Korea that continues to pay dividends 20 years later. Regardless of how many visitors show up or how many vacant hotel rooms there are at the Olympics in Beijing China this year, I believe China may experience similar results. I think people around the world will finally see what I have seen first-hand during my travels to China, the incredible transformation that is taking place. And it is this incredible transformation that is providing great material for the public relations coup for China this Olympics.

I also want you to remember this. China's explosive growth is not just about these Olympics. In fact, China's economy has been growing at 10% for the past two decades. This unbelievable economic growth has little to do with the Olympics. The truth here is what I have witnessed first-hand in China. There is more innovation, technology, labor and financial capital than ever before in the history of China. And I believe these trends will continue, regardless of the success of the Beijing games. These trends (innovation, technology, labor and financial capital) are the catalysts driving China's growth and they do not depend on the Olympic Games.

Here's some proof of just how far China has come. Last year, Chinese investors injected a significant amount of liquidity into the US stock market by purchasing stakes in troubled Wall Street firms. Citic Securities, China's largest brokerage firm, made a \$1 billion investment in Bear Stearns and the China Investment Company bought a \$5 billion stake in Morgan Stanley.

Never in my 30-plus year career on Wall Street could I have ever imagined that China would bail out two of Wall Street's most established investment banks. Times truly are changing.

BS & MS

Well we have touched on oil and China; now let's throw on a little "BS & MS", for good measure.

The "BS" I am referring to is balance sheets. And the "MS" I am referring to is market share. You see, balance sheets and market share are what drive "M & A" or mergers and acquisitions. When making your way through sluggish economic times, and even more sluggish market cycles, firms that weathered the storms are in a better position to buy other firms. What they are looking for are firms that can either offer value to shore up their balance sheets (B.S) or firms that can offer value by increasing market share (M.S). No matter how you look at it $BS + MS = M\&A$ Boom.

And all you have to do is look at some recent activity to see why I

believe this may be so. Swiss drug maker Roche made a \$43.7 billion offer to buy US partner, Genentech. Israel's Teva is acquiring US generic drug counterpart, Barr Pharmaceuticals for \$7.46 billion. Meanwhile, Belgian beverage heavyweight, InBev, is buying Anheuser-Busch for \$52 billion. And I believe the prospects for patterns like this are likely to become familiar as deep-pocketed foreign firms buy undervalued American firms at prices made even more attractive due to lucrative exchange rates against our weak dollar.

In closing, while I know that sometimes the problems facing our markets seem overwhelming, I want you to remember the answer to all these problems just might be as simple as oil and China with some "BS and MS" on top.

Have a great day, keep a positive attitude and I'll see ya' at 14,000.

Client Workshops

RSVP (858) 455-1825

All Workshops are located at the Southern CA Institute, 3636 Nobel Drive, Suite 450, San Diego,

CA 92122 and take place from 2:30 - 4:00 PM.

7 Steps to a Successful Business Exit

with Gregory Banner, CFP® ,CLU, Asset Preservation Strategies, Inc., and Alejandro Matuk, Esq., Strazzeri Mancini LLP— Sept. 4th.

Every business owner needs to plan with the end in mind as to how they are going to transition out of their business. Exit planning is a customized process of setting goals and deciding how to best achieve them. Proper exit planning will help maximize a business owner's return and minimize the tax liability when the business is transferred or sold.

Leveraging the IRA

with Ronald R. Cenicerz, Asset Preservation Strategies, Inc.— Sept. 11th.

This workshop will show you how to leverage client IRA accounts for increased benefits to both the owner and for beneficiaries. Topics will include: Tax Bracket Maximization on Withdrawals and leveraging the account through the use of Roth Conversions, Life Insurance and Charitable Planning.

"The weak can never forgive. Forgiveness is the attribute of the strong."
— **Mahatma Gandhi**

5 Ways Out of Highly Appreciated Real Estate

with Ronald R. Cenicerz - Sept. 19th.

As real estate prices around the country continue to fluctuate, many real estate investors are seeing the equity in their highly appreciated properties “yo-yo” up and down. If this is keeping you up at night, it may be time to consider getting out of your appreciated property. We will be discussing proven strategies that can defer, spread out or eliminating the tax liability from the potential sale of highly appreciated property. If the potential tax liability or the loss of needed rental income is holding you or your clients from the sale of real property, this is the workshop for you.

Collaborative Planning for Business Owners

with Gregory Banner, CFP® ,CLU, Asset Preservation Strategies, Inc., and Alejandro Matuk, Esq., Strazzeri Mancini LLP— October 2nd.

Greg and Alex will address issues that business owners should consider when evaluating the future prospects of their company and how a professional collaborative approach can be utilized to provide greater value. The topics to be discussed include how entity selection, formation, and review can be a valuable part of the business. We will also discuss tax reduction strategies and real life examples.

The Stretch IRA

with John L. Jenkins, AEP, EA, CFP® will take place on October 9th.

This workshop will continue a series on strategies for the large IRA. Last time we discussed leveraging the large IRA through life insurance. This month we will explore the amazing power of the Stretch IRA, how to set it up, timeline requirements, IRA custodian issues and pitfalls as well as guaranteeing the payout over the life expectancy of the named beneficiary.

TRAVEL TIPS

Gregory R. Banner,
CFP®,CLU®

As a break from my usual articles on Business Exit Planning I thought I would share some travel ideas and websites I recently came across and use.

1) www.SeatGuru.com This website has everything you ever wanted to know about any airline and its requirements. What I frequently use when booking a ticket and reserving a seat is the layout of each airline’s planes. They provide a color chart coding which seats to avoid and which ones to choose due to things like more or less leg-room or seats that don’t recline.

2) www.yapta.com For people who book airfare directly with the carrier this is a great site. It tracks all the flights you have booked or are considering and monitors the fares. Anytime there is a price drop in the fare you are notified

so you can contact the carrier for a credit in the difference for future travel.

3) www.momondo.com This is a great site to search for cheap flights. This website looks at both individual carriers along with sites like Expedia and Hotwire to find the lowest fares and compares them side by side.

Finally, if you are traveling across borders make sure to carry a copy of your passport separately from the actual passport. In case you lose your passport the copy can be faxed to the local embassy and the matter addressed within a few hours. In addition, I always give a copy of my passport and drivers license to a friend or relative whom I could call in order to have them fax the copies if necessary.

Music CDs

Encinitas Guitar Orchestra CDs

The April 11, 2008 performance recording of the Encinitas Guitar Orchestra, "Rhapsody in Blue" is now available. John recorded the only vocal track, "Mack the Knife" on the CD. In addition, he played lead guitar on five other cuts.

Please let us know if you would like to purchase a CD for your collection. The \$10 charge covers the cost of production. We think you'll enjoy John's solo.

Balanced Life Retreat 2009

The Balanced Life A Clarity Retreat in Hawai'i *Seeking Integrated Health and Integrated Wealth*

Please mark your calendar and plan to join us at The Balanced Life, A Clarity Retreat sponsored by the Southern California Institute and the Cushman Wellness Center from April 6th to the 10th of 2010. The event will once again take place at the beautiful

Fairmont Orchid Hotel on the Kohala Coast of the Big Island of Hawaii.

The Balanced Life Retreat gives SCI members and their clients an enlightening one-of-a-kind week long retreat. The experience will give attendees the strategies to harness the power of their health, wealth and wellness - allowing them to bring a greater balance and harmony to their life and the lives of their loved ones.

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