

CONSUMER
SPENDING

TIMING

POLITICS

GLOBAL
MARKETS

WALL
STREET

FORECASTS
Past & Present

1920 & 1920



Presented by

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The Economics of Happiness

Average incomes have more than doubled over the past 50 years yet, on average, people are no happier today than when Elvis appeared on the Ed Sullivan show in 1957.

What would it take to
make you happier?





The Economics of Happiness

“Whoever said money can’t buy happiness isn’t spending it right.”

Advertisement for Lexus Autos



Source: Happiness, Richard Layard



The Economics of Happiness

Which would you prefer?

Option 1: You get paid \$50,000 per year while other people get paid an average of \$25,000 per year.

Option 2: You get paid \$100,000 per year while other people get paid an average of \$250,000 per year.

According to a 1998 survey of Harvard students and other studies, the majority would prefer Option #1.





The Economics of Happiness

Happiness with money is based on two things:

1st - People are concerned about their “relative” income. If people make more than their comparison group, it makes them happy.

2nd - People get used to a certain level of income and it takes more income than that to increase their happiness. It’s an income “treadmill.”





The Economics of Happiness

“A wealthy man is one who earns
\$100 a year more than
his wife’s sister’s husband.”

H.L. Mencken



Where Are We So Far in 2010?

	2009 Return	YTD Dec 8, 2010 Return
<u>Stocks:</u>		
Standard & Poor's 500	23.5%	7.5%
DJ Global Ex U.S.	39.7%	6.5%
<u>Bonds:</u>		
DJ Corporate Bond Index	5.9%	7.6%
<u>Commodities:</u>		
DJ-UBS Commodity Index	18.7%	11.7%
Gold	24.0%	26.2%
<u>Currencies:</u>		
U.S. Dollar Index	-4.1%	2.7%

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend); the DJ Equity All REIT TR Index does include reinvested dividends.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association, MarketWatch.com.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

S&P 500 Index: Current Market Snapshot

Daily closes from 10/9/2007 - Present

17 Month to low at -56.8%, 37.9 Months Elapsed to date

dshort.com

12/7/2010



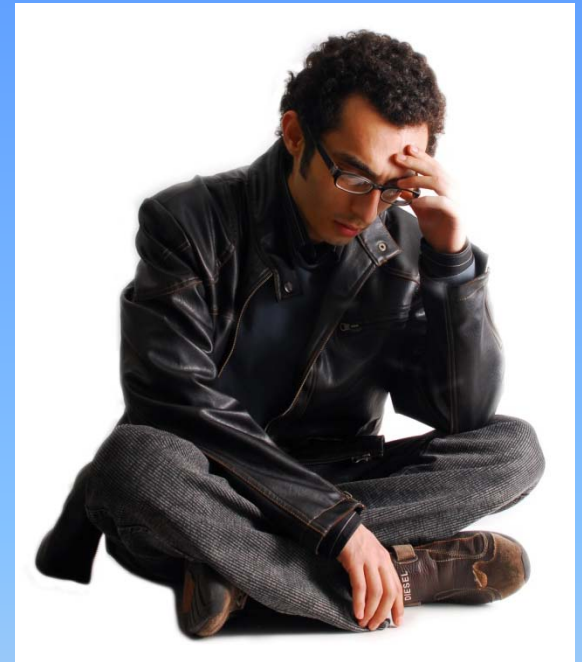
Source: dshort.com 12-7-10. Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

Where Are We So Far in 2010?

A sovereign debt crisis in Europe sent shivers through world markets.



Where Are We So Far in 2010?

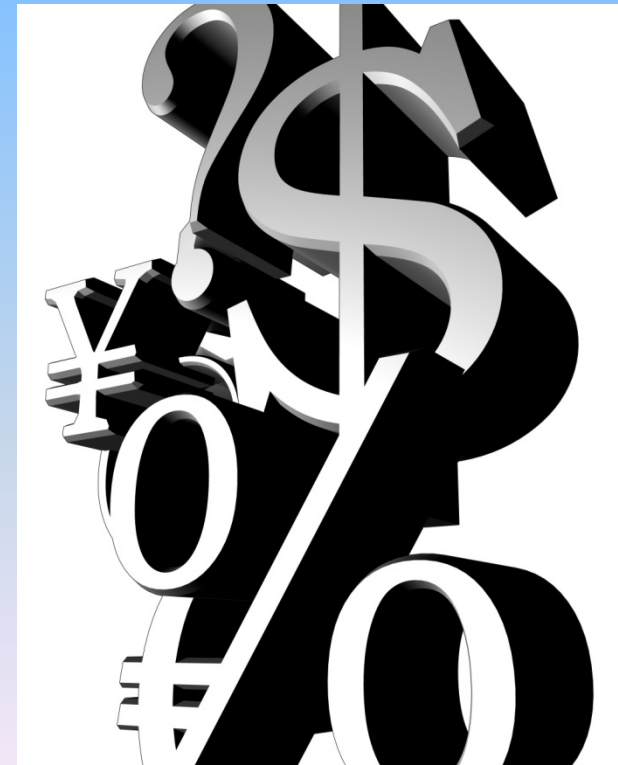


Financial problems in Europe, stubbornly high unemployment, and continued housing weakness have added to concerns that the recovery is stalling out.



Where Are We So Far in 2010?

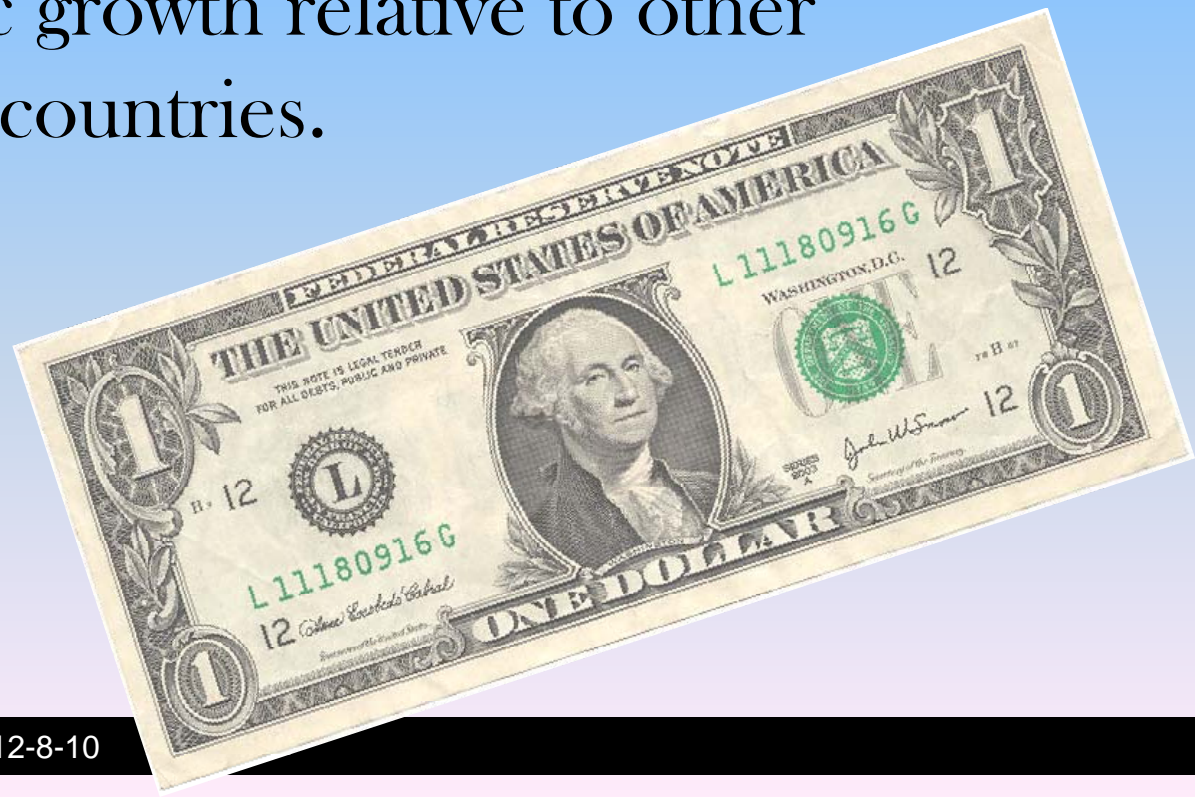
Gold prices are up 26.2% in 2010 in light of sovereign risk in the euro zone, historically low interest rates, and concern over the stability of paper currencies.



Where Are We So Far in 2010?

The U.S. dollar is close to its 52 week high due to its perceived safe haven status and “less bad” U.S. economic growth relative to other countries.

52 Week High	\$1.49
52 Week Low	\$1.19
Current	\$1.32



Where Are We So Far in 2010?



The jobless rate in the month of November was 9.8% and the number of unemployed persons was over 15 million.

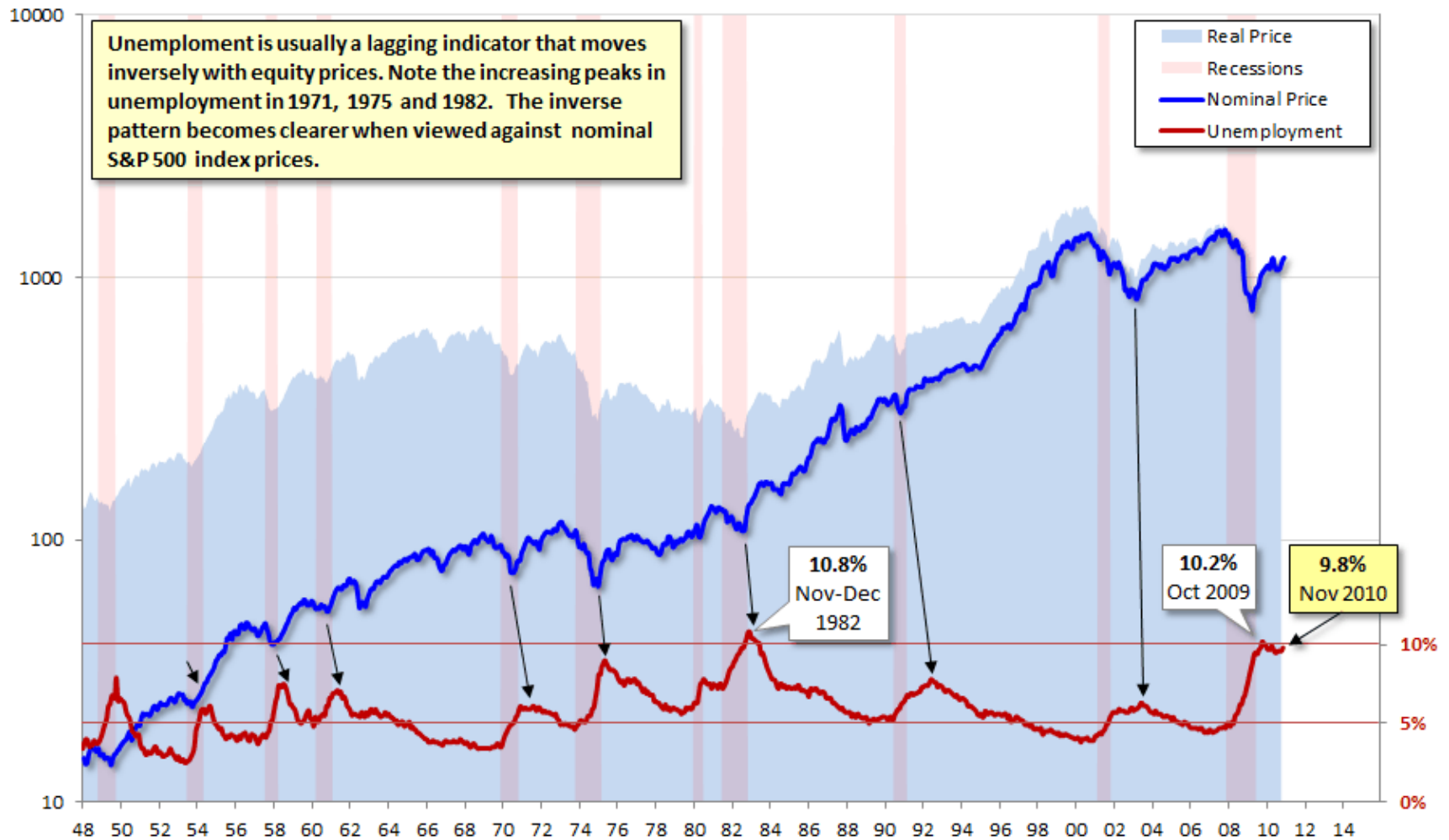
S&P Composite and Unemployment

Monthly Average Nominal Price and Real Price
with Monthly Unemployment

dshort.com

December 2010

Unemployment Data
through November



Source: dshort.com 12-3-10. Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

Where Are We So Far in 2010?

The May 6, "flash crash" sent the Dow Jones Industrial Average to an intra-day loss of nearly 1,000 points before making a massive recovery.



Let's put the current market in
historical context.



Mega-Bear Quartet

The Dow Crash of 1929 and Great Depression

The Nikkei Crash of 1989, The NASDAQ post Tech Bubble
and Today's S&P 500



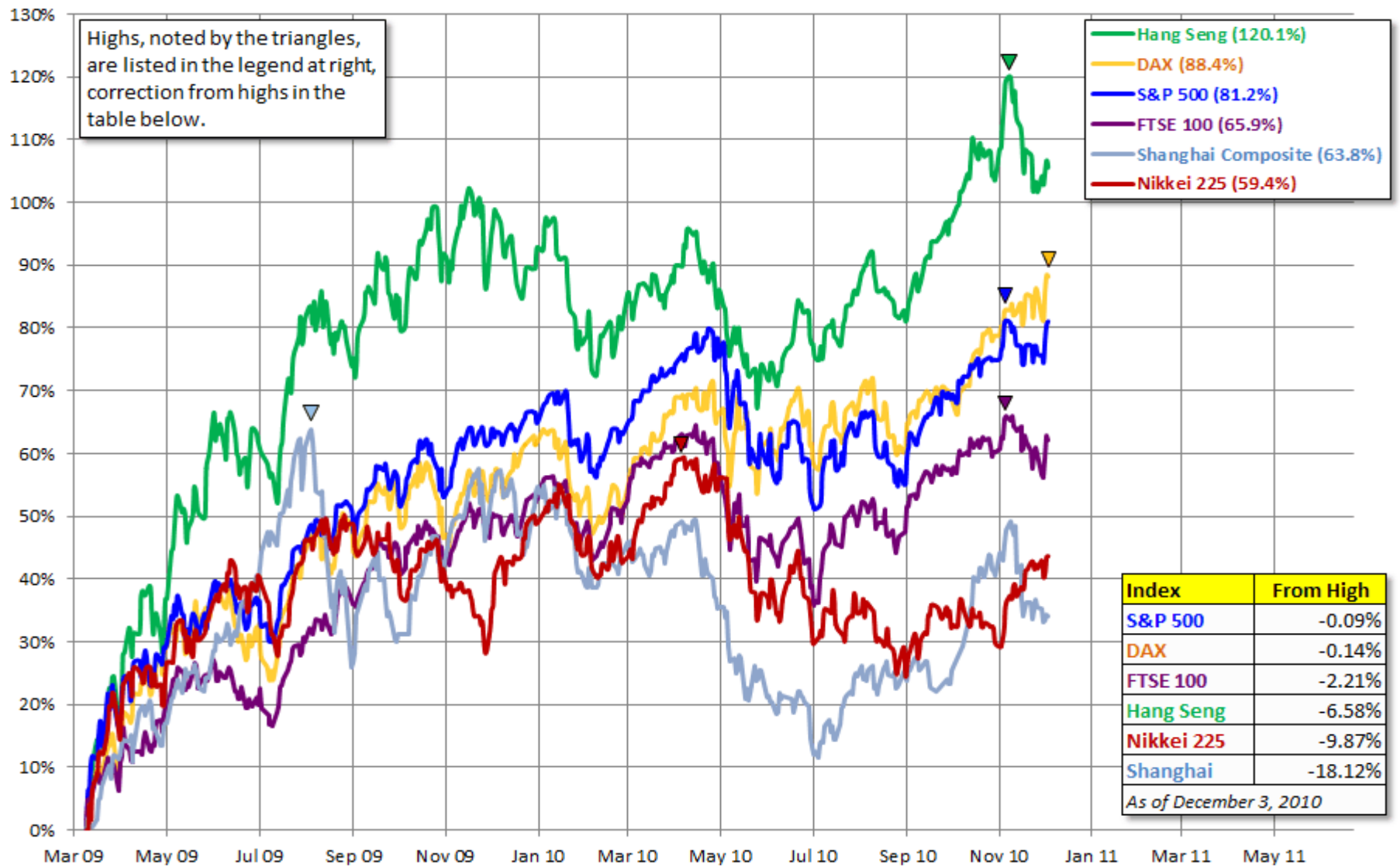
index weekly closes excluding dividends

<- Years ->

Source: dshort.com 12-3-10. Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

Comparing Major World Indexes Since March 9, 2009

dshort.com
December 03, 2010

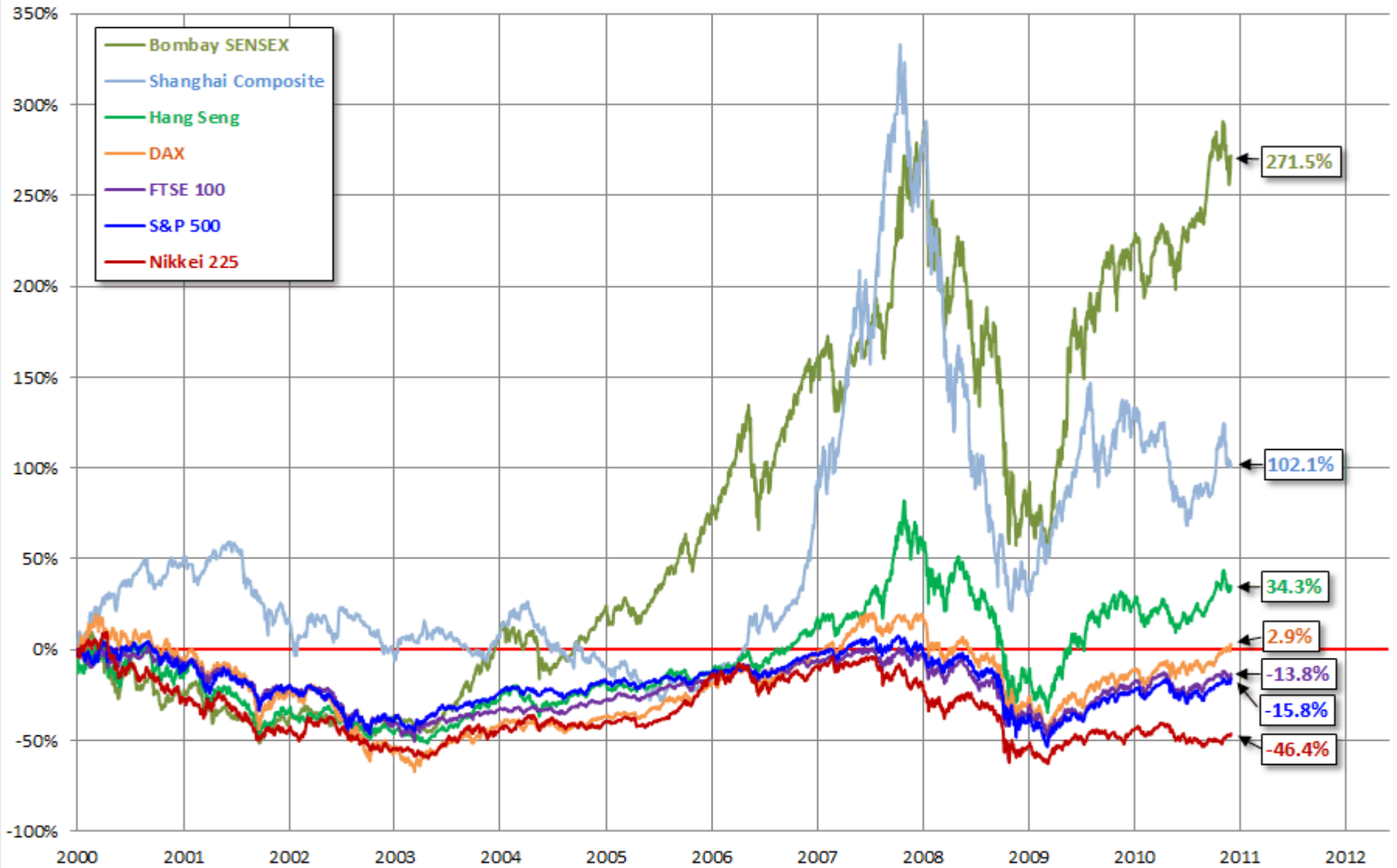


Source: dshort.com 12-3-10. Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

Comparing Major World Indexes Since January 2000

(Now including the Bombay SENSEX)

dshort.com
December 03, 2010



Source: dshort.com 12-3-10. Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

Super bears, super bulls

A look back at the Dow Jones industrial average since 1900 shows that the market has moved in 15-20 year secular bull and bear cycles. Followers of these long-term trends believe that despite the strong market recovery of the last year, it was merely a shorter-term gyrations in the midst of the current secular bear.

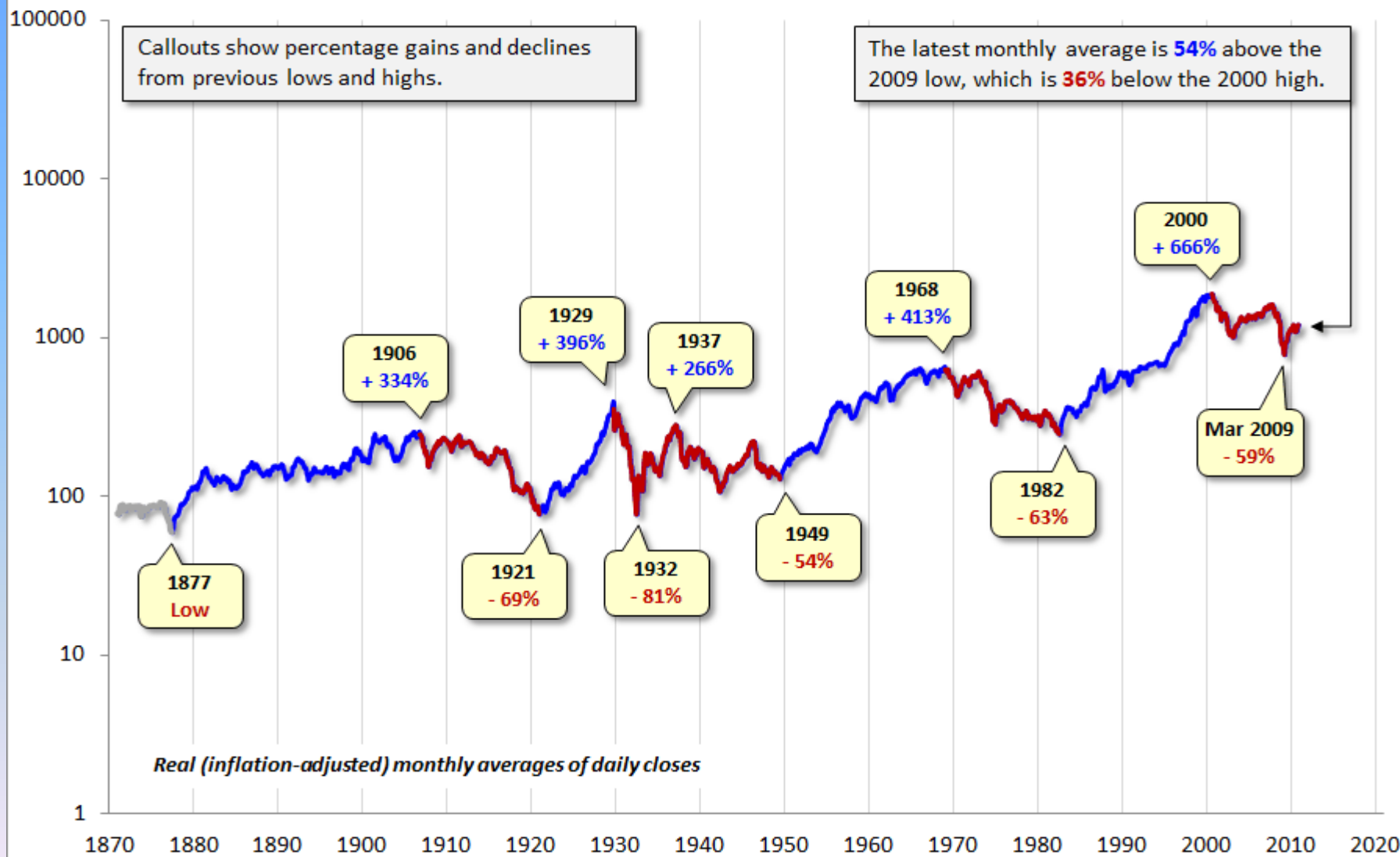


THE GLOBE AND MAIL » SOURCE: BLOOMBERG

Figures quoted are for illustrative purposes only and are not necessarily indicative of past or future results of any specific investment. They do not include consideration of the time value of money, inflation, fluctuation in principal or in many instances, taxes.

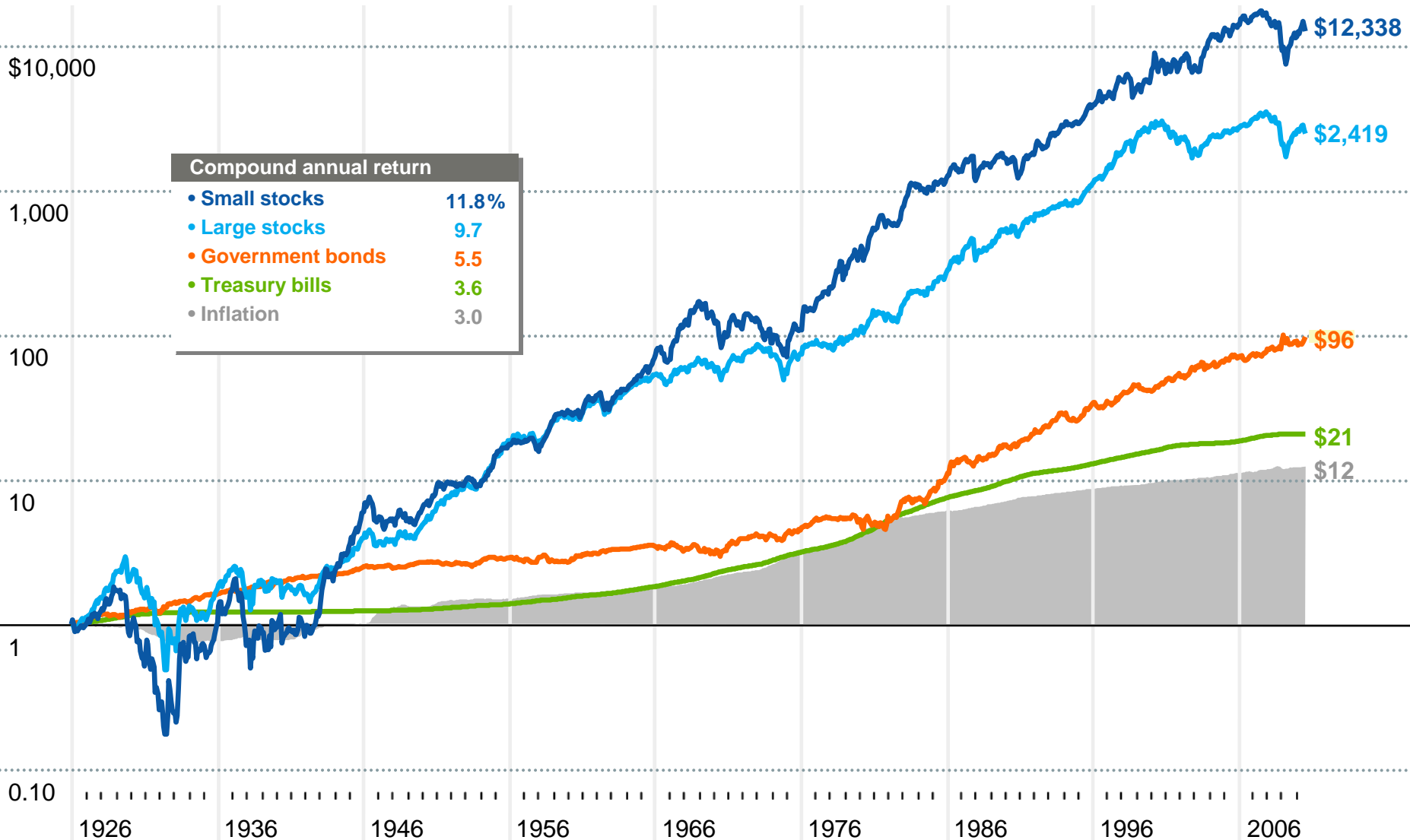
S&P Composite: 1871-Present

Inflation-Adjusted Secular Highs and Lows



Ibbotson® SBBI®

Stocks, Bonds, Bills, and Inflation Jan 1926–June 2010



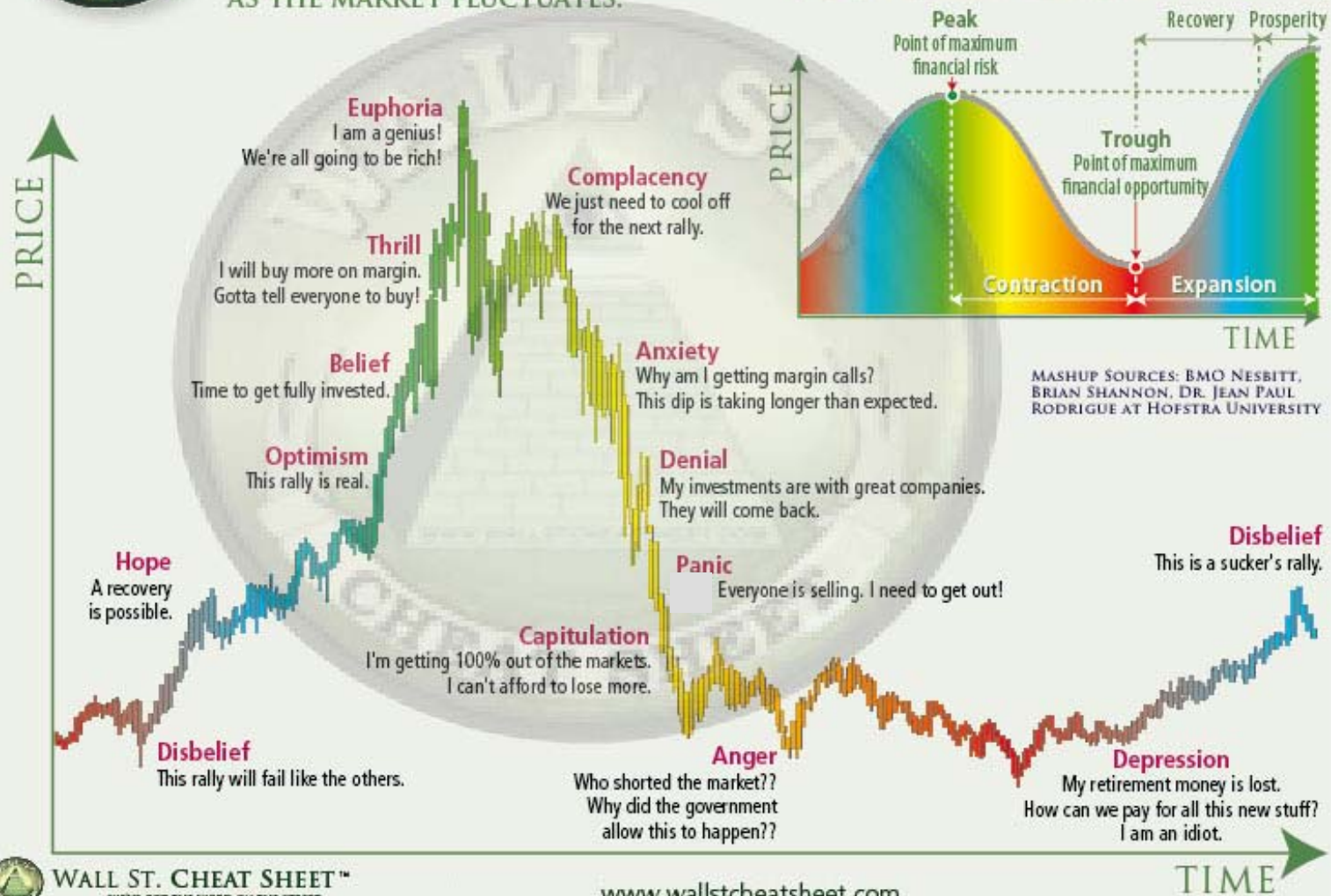
•Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 10/1/2010



WALL ST. CHEAT SHEET™ WE'VE GOT THE WORD ON THE STREET PSYCHOLOGY OF A MARKET CYCLE

THE FEELINGS APPEARING
AS THE MARKET FLUCTUATES.

SIMPLIFIED MARKET CYCLE



Investment Considerations

Review Your Current Allocation:

- Large Cap vs Small Cap Stocks
- U.S. Market vs International
- Long Term Bonds vs Short Term
- Alternatives to Cash



then

Rebalance

Rebalancing investments may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability.

Five Things We Want You To Know

- No action is also action.
- It's better to pay taxes on a gain than no taxes on a loss.
- Timing is not everything!
 - You get trampled following the crowd.
 - Fear and greed are your allies.

Investing Insight

"If you watch a basketball game and at the end of the game the score is 105 to 95, no one says, wait a second, in the third quarter, you lost 28 to 18, what was the story in the third quarter before you won the game 105 to 95?"



Peter Lynch

New Health Care Legislation

What it means to you, and when?

For more information regarding this issue, please
send an email to:

pbrennan@keyfinancialinc.com

New Tax Proposal

What the Tax Agreement Means for You

Most of the changes below would be in effect one or two years.

Beneficiary	
All Taxpayers	<ul style="list-style-type: none">➤ Two-year extension of current tax rates, including top capital gains tax rate of 15%➤ Employee share of payroll tax reduced from 6.2% to 4.2%
Upper-Income taxpayers	<ul style="list-style-type: none">➤ First \$5 million of estate exempted; after that top rate of 35%, down from scheduled 55%
Middle-Income taxpayers	<ul style="list-style-type: none">➤ Extension of credit for college students to offset tuition costs.➤ Some 22 million families exempted from alternative minimum tax.
Lower-Income taxpayers	<ul style="list-style-type: none">➤ Expansion of \$1,000 Child-Tax Credit to more families
Unemployed workers	<ul style="list-style-type: none">➤ Unemployment benefits extended for long-term jobless
Businesses	<ul style="list-style-type: none">➤ Up to 100% expensing of investments, including plants and equipment➤ Extension of credits for research and development

Today, you can barely leave the house without a few of them in your pocket. It seems Benjamin Franklin's bills have taken the place of the \$20 bill from just a few decades ago.



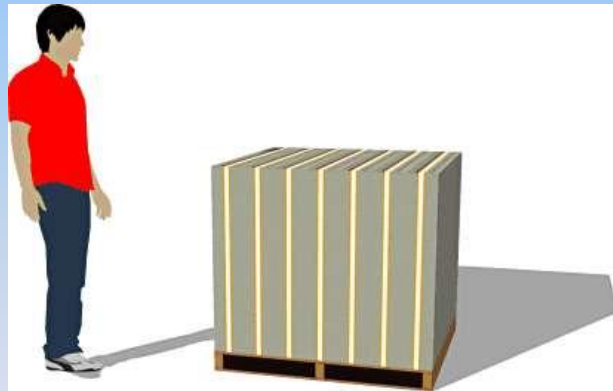
A packet of them – like your bank teller has in her drawer – adds up to \$10,000 and is about a half inch thick. For a college kid, this might pay for a few months at school or the greatest spring break of all time. In total, the middle class needs multiple stacks a year just to meet their financial demands.



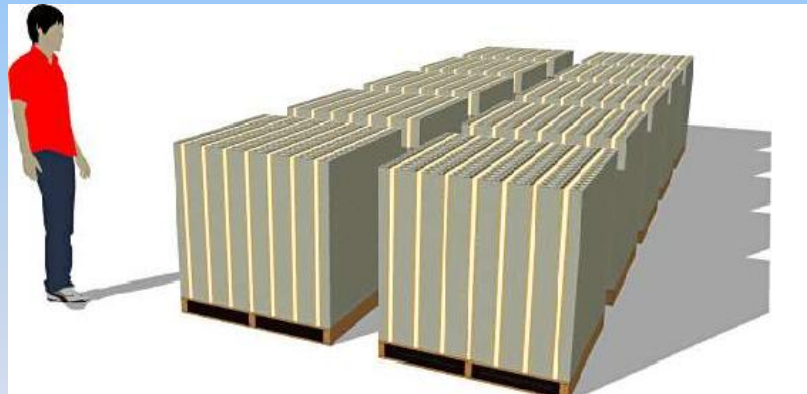


Our next pile is a measly million dollars – or 100 packets of \$10,000. It's not nearly as prestigious as it used to be... It could easily fit into a backpack.

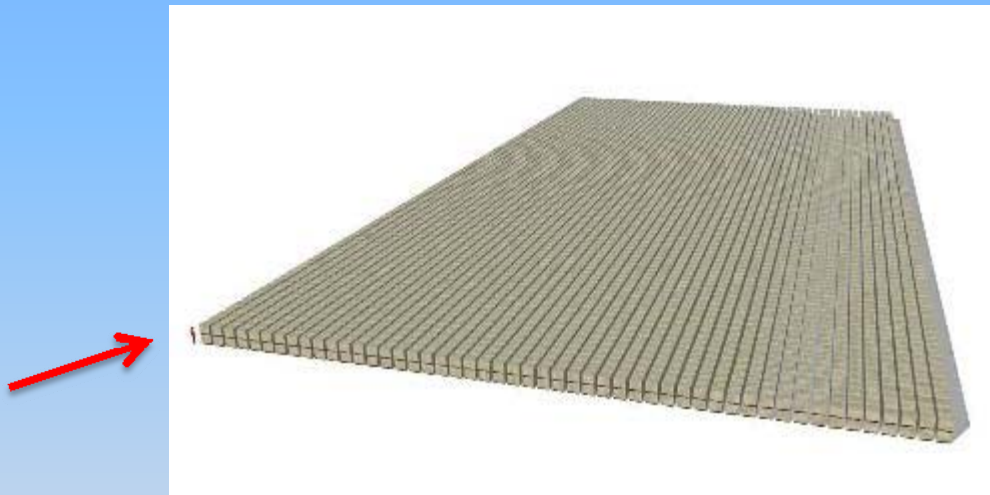
Here is what \$100 million looks like.
That's real money and it fits pretty neatly on a
standard pallet.



Earn a net worth of one billion dollars and you end up ranked 937th on Forbes' List of Billionaires. And while that doesn't put you in the same league as Bill Gates or Warren Buffett, it's still an exclusive club – and a ton of dough.



Our next stop is the number that everyone hopes will bailout all of Europe: a thousand billion – or a one followed by 12 zeros.
Ladies and gentlemen, I give you *\$1 trillion dollars*:



(Our man is the tiny figure on the left that can barely be seen)
Keep in mind, of course, those pallets are double stacked, and each one is stuffed with \$100 bills.

Famous Last Words

The Best Thing about the future is it only comes one day at a time.



Abe Lincoln

Thank You for Attending Today's Meeting

Patti Brennan CFP®



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