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The U. S. Director of National Intelligence testifying before a Senate Select Committee in February indicated that, “the primary near-term security concern of the United States” is the global economic crisis. Each of you has experienced aspects of this crisis on your personal wallet and daily witness its effects in the news. Increasingly, governments manipulate budgets to protect domestic industries, enact protective tariffs, and increase their role in the individual’s life.

The United States is still by far the world’s leading economic power. As such, what it does plays a pivotal role in our personal lifestyles and also in the actions and interactions of virtually all world governments and, thus, in the lifestyles of their citizens. At the same time, our power as a nation is diminishing. The risk of unforeseen challenge increases. Our responsibility to the world community is great.

What model for the economy and for society are we exporting? It used to be free enterprise and was openly envied and copied throughout the globe. The world saw the benefit of incentivizing, what we gained from our hard work and competition, and the inventions we produced. Merit was rewarded. The thinkers and scientists of the world congregated here.

But the model decays. The capital accumulated by our former economic system is being used to pay for a different way of life. From substantial surplus has come substantial debt. Now, we’ve exported our debt. We are often seen as the originators of this most recent world financial crisis. Here and abroad the American free enterprise system is being transformed by governmental controls.

Reflect for a moment on what was ours. Our founding fathers advocated a broad interpretation of property rights so as to include not only real and personal property but so called intellectual property, strictly defending all these rights as God given. They instituted a republic with three co-equal branches, a major reason being that they “feared the tyranny of the majority”. Before the institution of mass media they came to the belief that, in their system, no faction would become so potent as to control the operation of government to personal ends. Preventing such a takeover would be the checks and balances of our national government and the state system of which it was comprised.

What illustrates this transformation from the free enterprise system? Consider an American tax code regularly referred to as a piece of social engineering, of federal and

state courts rendering decisions on issues of social equity and not regarding existing law. Consider how the New Haven firefighter case can possibly garner four votes from justices of the United States Supreme Court. Consider the takeovers in the banking and automobile industries while competitors continue *without the assistance of virtually free federal dollars*. Citizens assume these debts by the consequent reduction of purchasing power in the money they have accumulated. What of the debt we have exported? And, most importantly, what do these governmental moves import for the financial markets of America and the stock markets of the world? What, in turn, should be your financial moves?

Index ¹	2 nd Quarter Return	YTD Return
S&P 500	15.93%	3.16%
NASDAQ	20.34%	16.98%
DOW	11.96%	-2.01%
MSCI EAFE	25.64%	8.09%
Lehman Bond Composite	2.24%	-0.30%

It may be pleasing to see the dollar value of your portfolios increase following the devastation of the last year. At least for now the increase in your dollar value also represents an increase in your purchasing power. Economists term this still a deflationary market. Americans have lost many dollars from their home equity and from the financial markets making those who retain dollars appear wealthy. Are they?

Why do German, Chinese, Indian, Russian and Brazilian leaders call for a multinational reserve currency to replace the U.S. dollar as the world currency reserve? Why are the Chinese so significantly adding gold to their balance sheet? What do these trends imply for our import driven economy? The U.S. dollar retains its AAA credit rating *for now*.

By United States government statistics 9.4% of our domestic labor force is out of work and that number (greatly understated) is projected to grow. Out of work, these folks reduce both the gross national product and this nation's wealth. Who will take over their jobs in the future?

The impact provided by our present financial markets is being felt throughout the world. Writing in the July August issue of Foreign Affairs Klein and Cukier reported that, "By April (2009) hundreds of empty ships representing more than 10% of the world's cargo capacity, floated idly in Asian waters....shipping rates between China and Europe temporarily fell to zero....The collapse in shipping...underscores the degree to which Asia is bearing the brunt of the global slowdown." The title of their article is "Tamed Tigers, Distressed Dragon". Asian countries are uncommonly dependent on the West for their export trade. In some instances export business exceeds sixty percent of gross

¹Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

domestic product. As the West moved from consumption Asians suffered. In the West, countries like Iceland and Turkey struggled with bankruptcy. Ask yourself why, with this idling of trade, did the stocks of underdeveloped countries mushroom during the past quarter?

Here, at home recently, I had to counsel a dedicated professional who had just received very bad news concerning his health. He could continue to work or look to his disability coverage. If he opted for the disability, his pension would continue to accrue and the elimination period for the receipt of social security disability would start to run. If he continued to work, he would receive quite limited additional income but by not informing his disability carrier of the health finding in a timely manner, perhaps lose that coverage. In addition, delay would reduce if not eliminate the potential receipt of disability social security. He opted to work. But how many would? Have we come to a time when the hard working, dedicated contributors to our society are to be disadvantaged?

Investment Considerations:

The increasing presence of governmental action in the global market place is frightening to those who are used to dealing with a financial arena where stable governments have protected a more or less free market system of enterprise. We are not schooled in predicting the next move of government action and must rely on what we deem to be either the stable elements or those elements of the economy deemed worthy to receive the benefits of government largesse.

Starting last summer or fall in selected client portfolios we have recommended and continue to recommend certain discounted tax free² municipal closed end funds. Here, the elevated nature of the tax free income receipt and the close proximity of the issues contained in the fund to state and local government have suggested a decent return and a measure of stability. Caution is called for when one considers the financial conditions of some government entities. For example, become aware of what has occurred in California and the downgrading of that state's security ratings. California may be the first of several states to have downgrading take place. Be aware that many of the suggested closed end mutual fund issues are leveraged, can be volatile and that their return is stated in dollars not purchasing power.

Corporate and high yield³ securities have enjoyed nice runs during the past quarter and deserve a place in suitable portfolios. There are some excellent bond managers who utilize open end funds. When utilizing our IMPAC accounts both front end and 12 b 1 fees are excused. Corporate and high yields also denominate their returns in dollar not purchasing power value. Their recent market climbs may well indicate a limitation to their ongoing appreciation. In certain instances we would recommend replacing some of your bonds with cash flow master limited partnerships focusing on energy transfer,

² Income from this bond fund is not subject to state or federal taxes; however, for certain investors, it may be subject to local taxes or the federal alternative minimum tax.

³ High yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio.

energy, or certain real estate. We're aware of instances where the cash accumulations and potential appreciation suggest just such a substitution.

Acutely aware of the power inherent in technology and communication we are advocating investment in certain funds and individual issues that focus in these areas. Their inherent utility is displayed both in the civilian and in the defense sectors. Our defense issues locate themselves more and more with space and cyberspace, with communication and technology.⁴

For some clients we are also recommending investments in selected securities of the developing world.⁵ We are particularly attracted to instances where there is stable government, a strong work ethic among the labor base, natural resources. Here, there exists the opportunity to learn and improve upon the manufacturing and industrial model that has given such advantage to the West. This opportunity can be so greatly leveraged with the advance of modern communication and technology.

Our government has markedly favored certain companies over others. Warren Buffett provided an excellent insight as to the advantage of such favoritism when he wrote the first twenty pages of his 2008 annual report. The tables may be tipped against domestic businesses that practice according to the old free enterprise system.

This is a time of immense change when I would strongly suggest that each of you take the opportunity to meet with us, go over your personal needs, financial capabilities and objectives.

1. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material.
2. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.
3. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.
4. Any opinions are those of William Haas and not necessarily those of RJFS or Raymond James.
5. Expressions of opinion are of this date and are subject to change without notice.
6. Investments mentioned may not be suitable for all investors.
7. Past performance may not be indicative of future results.

⁴ Investments related to a specific sector, where companies engage in business related to a particular industry, are subject to fierce competition, the possibility of products and services being to rapid obsolescence and limited diversification.

⁵ Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or loss, including the loss of all principal.