WEBB FINANCIAL GROUP LLC
INVESTMENT ADVISORS

Quarterly Update

July 2006

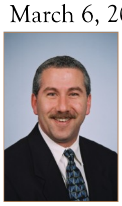
In the News

The national media considers Webb Financial Group a credible and reliable source for financial expertise on various topics. This section of our newsletter is designed to share with you some brief article summaries of a few publications. For full access to all articles go to www.webbfinancial.com/media.html

BusinessWeek

Funds that Play the Field

March 6, 2006



Gary Webb

Gary Webb, Chief Executive Officer of Webb Financial Group, lends his knowledge in an article about mutual funds that look outside the box, in a recent *BusinessWeek* article. To read this full article visit: www.webbfinancial.com/BusinessWeek2.pdf

THE WALL STREET JOURNAL.

Allure of Fixed Annuities Fade

March 8, 2006

Michael Bischoff

Michael Bischoff, CFP® at Webb Financial Group, states in this *Wall Street Journal* article that, "The fixed annuity has totally lost its appeal in the market." To view this entire article visit www.webbfinancial.com/TheWallStreetJournal.pdf

- Check out our interactive website at www.webbfinancial.com

  Features include:
  - Financial calculators
  - Online account access
  - Strategic Alliance network
  - Media page
  - Information sign up

Jerry Webb's Market Commentary

Ignore the News!

If most of you are like us, you are sick of the media pundits who earn a living by taking the temperature of the market on a daily basis. Since the market is irrational on a day-to-day basis, its movement does not matter. Whether stocks run up or down 40 points today is no more important than whether or not we get a half-inch or an inch of rain. The market is getting hammered because of fear: Fear of rising interest rates, fear of energy uncertainty and, most of all, fear of the unknown. After a dynamic first quarter, we are not at all surprised that equities suffered setbacks in the second quarter. It's an odd declining performance that I believe is making the correction look more severe than it really is.

The Federal Reserve raised interest rates for an 18th consecutive time at its June 28-29th meeting. Since 12/31/99, the total net worth of Americans has gone up 28% to 54 trillion dollars, yet the gross value of real estate owned (ignoring mortgages) has increased 93%. 854,000 previously unemployed Americans have gotten jobs in the first half of 2006. Unemployment is 4.6% and 95.4% are employed.

You may not remember this but, just about three years ago, in defiance of all market signals – most notably rising gold and commodity prices, the Federal Reserve cut its funds rate to one percent. We saw the funds rate driven down from 6-1/2% to 1% over a two-year period. Granted, that was a period of economic contraction, the worst stock market decline since the 1929-32 event and the first great act of catastrophic terrorism in our nation's history. The Fed went to – and stayed for quite a while at – one percent. We have all paid the price for one overriding reason: Interest rates have risen too much and gone on for too long. Along the way, we have also experienced a developing war scare with respect to Iran, a nuclear missile threat from North Korea and the kidnapping of Israeli soldiers by Hezbollah, which is supported by Syria and Iran.

> **"We believe that inflation, interest rates and commodity prices are much closer to the end of this cycle than to its beginning."**
>
> - Jerry Webb

We believe that inflation, interest rates and commodity prices are much closer to the end of this cycle than to its beginning. This is very similar to the stock market bubble disaster in March of 2000. The Fed's funds rate has gone from one to five. It's not going to ten, and it may not even go to six (unless it needs to) in order to kill inflation, for kill inflation it surely will and, with it, the commodities bubble.

It is always at this point, when a great price movement is nearing its terminal point, that the American investor decides that the fun has just begun, and starts throwing huge amounts of money at it. The American investor isn't really an investor at all: He is a speculator. An investor searches for value ~ usually found in situations where prices are low and even falling. Oil has risen from $20 to over $70, and gold from $250 to $625. The speculator believes it will continue to rise even further. That is, it will go up because it has gone up. Remember, as any commodity's price rises, consumption of that commodity declines even as production of it soars. April's issue of Barron's stated that the Great American Investor was gearing up to ride the commodities boom right over the cliff. As Yogi Berra said, "Prediction is very hard, especially when it's about the future."

(Jerry continued on page 2)

ANNOUNCEMENTS


Ryan Shannon

We are proud to introduce our new Investment Advisor, Ryan Shannon. Ryan has two years of investment industry experience and is a graduate of the University of Saint Thomas. He will provide money management and financial planning services.

Our congratulations goes out to our office assistant Andrea Smith and her husband Mike on their healthy and beautiful baby girl —

Kiesli Isabella
05-04-06
7 lbs. 20.5 in.

INSURANCE


Crystal Holmen

There are five basic elements to understand when you consider purchasing long term care insurance.

- Daily or monthly benefit
- Inflation Protection
- Elimination Period
- Benefit Period
- Additional Riders

For more information on the five elements, check out Crystal's article on our website at www.webbfinancial.com

Portfolio Managers

Jerry Webb, *CFP® & Chairman*
Michael Bischoff, *CFP® & COO*
Gary Webb, *RFC® & CEO*
Ryan Shannon, *Investment Advisor*

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Quarterly Update

(Jerry continued from page 1)

I'm not calling a top here. Bubbles are irrational and you can't market time a bubble. Commodity prices – however briefly – can get much crazier. Remember, what goes up must come down. I'm simply suggesting that the wise investor will see the commodities bubble for what it fundamentally is ~ an episode of inflation brought on by an epic wave of excessive monetary stimulus, which itself is in the last stages of being wrung out of the system. Inflation in general is about to become yesterday's news.

Today's news, however, is the world's deepest, most liquid, most transparent stock market, selling at 16 times this year's earnings. Great value, although not a timing tool, can only happen in a cloudy outlook, which is exactly what we have in today's stock market.

Rising interest rates took real estate completely off the boil, when we all thought it could only keep going up indefinitely, at double-digit rates. Rising rates will also move commodity inflation off the boil in the same manner. The new Fed will have price stability, whatever the cost.

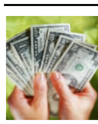
This brings me to the focal point of my comments. I want to remind you, our clients, of our proven system of financial planning and money management.

After reviewing your financial goals and objectives and risk tolerance for the long term, we select mutual funds that have been thoroughly analyzed. We then assemble your portfolio. You and I are investing for the long term. We try to mitigate risk in down markets by being properly diversified and we adhere to our asset allocation strategy. It is best not to make major changes midstream. The benefit of being a contrarian is that, since no one knows for sure which way the market will move short term, we do not follow the media or herd mentality. We do not want to be led to the slaughter!

Lower equity prices may be a good time to invest, not to sell. It is my firm belief that, by following these strategies and procedures, we should achieve the results we desire, and the security we all deserve.

Sincerely,

Jerry Webb, CFP®
Chairman



MoneyTalk

Plan Now for Educational Costs

By Michael Bischoff

Invest early. Invest often. Invest for growth. These are the basic principles of any investment plan and it is even more important in saving for a child's college education. According to the recent College Cost Crunch report, 71% of college undergraduates in the state of Minnesota take out student loans. The average debt per graduate is $19,468. Students and parents are willing to sacrifice a lot to pay for a college degree. There are many types of educational savings plans including 529 plans, Coverdell saving accounts, and UTMA custodial accounts. Others save money in an individual account and gift it later. There is no right answer when it comes to educational savings. It is based on the individual's situation and their objectives. The wrong answer is to not plan and take money from your daily cash flow to pay for educational costs. This may put you behind in reaching other goals such as retirement, especially if you have more than one child. If you're not concerned yet, take a look at the costs of two local institutions:

2005 – 2006 Academic Year including, tuition, fees, room & board, books and supplies.

Public: University of Minnesota	Private: University of St. Thomas
$18,398 per Year	$34,840 per Year

Why Start Early

Family 1 started a saving plan with **$100** per month when their child was born and continued it for 18 years.	*Family 2* waited until their child was 10 and started a saving plan with **$200** per month and continued saving for 8 years.
Account Balance at age 18 = $48,008*	**Account balance at age 18 = $26,773***

**These hypothetical indicators are calculated based on an 8% average annual rate of return. Past performance does not guarantee future rates of return.*