Webb Financial Group LLC
Investment Advisors

Quarterly Update

October 2005

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

THE WALL STREET JOURNAL. RADIO NETWORK

Listen to Gary Webb on the radio…

July 18, 2005

Gary Webb

Chief Executive Officer & RFC®, Gary Webb, lends his expert insights to "Wall Street Journal This Morning" for the personal finance update discussing how best to craft one's retirement portfolio. Listen in at *http://webbfinancial.com/images/Clip_1996.wma*

MarketWatch

"Spouse in the house… "

August 15, 2005

Michael Bischoff

Chief Operating Officer & CFP®, Michael Bischoff, says, "it's really easy when people are the same age and they've saved properly and retire at the same time." Full article at *www.webbfinancial.com/MarketWatch1.pdf*

- Check out our interactive website at www.webbfinancial.com
  Features include:
  - Financial calculators
  - Online account access
  - Updated market quotes
  - Media page

Jerry Webb's Market Commentary

Resiliency and Flexibility

The resiliency and flexibility of the American markets and economy are truly amazing! Every conceivable roadblock has been thrown at them this year; yet the markets are still positive. They refuse to go down.

Natural disasters – be it hurricanes, earthquakes, or wild fires – are unfortunately an inevitable fact of life. Oil prices have gone up; gasoline prices have soared and consumer confidence is down.

"By all measures, the U.S. economy remains in a 'sweet spot' and corporate earnings continue to boom."

- Jerry Webb

By all measures, the U.S. economy remains in a "sweet spot" and corporate earnings continue to boom. Even though GDP growth is less than 4%, corporate profits are up nearly 15%. It would be a shame if investors go through these years without seizing the advantages that this economy and these markets offer!

Investors around the globe showed relief that Hurricane Rita did not wreak as much havoc on U.S. oil facilities and oil production as had been expected and was not enough to disrupt moderate growth. This is good for global markets.

Some economists are predicting a "profits recession." We think that prediction will be as wrong as predictions of deflation and recession were two years ago.

Mr. Greenspan's new data show that borrowing against home values added a stunning $600 billion to consumers' spending power last year (equivalent to 7% of personal disposable income), compared with 3% in 2000 and 1% in 1994. We are in a "Goldilocks" economy ~ not too hot and not too cold ~ with steady growth, stable employment and muted inflation. The underlying strength of the economy has been overlooked and under-reported.

The Fed is closely monitoring interest rates so inflation will not be a problem. Job loss should be temporary; job growth will bounce back in the next few months and will be very good during 2006.

The U.S. economy is likely to continue its solid expansion into 2006, even as price spikes in oil and natural gas cause ripple effects in the coming months.

Hurricane Katrina showed the wrath of Mother Nature, causing hardships too painful to discuss, but it also is an economic story in terms of its impact on commerce, trade, energy, shipping and overall growth. Here, the pessimists and doomsayers will again be proven wrong. This is not the 1970s. Even a temporary $100 billion economic loss will not stop U.S. free enterprise from moving forward. Today, the U.S. economy is flexible and resilient – even in the face of short-run shocks. In fact, the economy going into the Katrina shock was very healthy. Unemployment declined to 4.9%. U.S. employment stands at a record 134 million business payrolls and 142 million people working.

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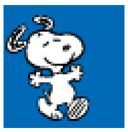
ANNOUNCEMENTS

- Webb Financial Group's Insurance Division is now a Minnesota licensed insurance agency. We offer a wide range of products and services that can help protect and preserve the hopes and dreams of you and your family.



Did you know? According to MetLife Market Institute, the average stay in a nursing home is **2.4 years**, for a total average cost of **$177,828**. Can your portfolio handle this type of expenditure?

For more information contact one of the our licensed agents:

– Jerry Webb – Michael Bischoff

– Gary Webb – Crystal Holmen

- We would like to welcome Samuel Schaetzke to our team as our new Marketing Coordinator. He will be graduating in May from the U of M with a degree in Marketing.

Our sincere thanks to Isaac Forstner for his hard work as our Marketing Coordinator this past summer, and best wishes in his senior year at the U of M.

Portfolio Managers:

Jerry Webb, *CFP® & Chairman*

Michael Bischoff, *CFP® & COO*

Gary Webb, *RFC® & CEO*

Staff:

Michelle Ganske, *Administrative Assistant*

Crystal Holmen, *SPHR, Office Administrator*

Andrea Smith, *Office Assistant*

Samuel Schaetzke, *Marketing Coordinator*

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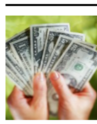
We see better times ahead. Despite higher short-term interest rates, we think conditions are favorable for stocks in the coming months. The markets' seasonal patterns appear favorable and, although October is known for its crashes in 1929 and 1987, stocks usually do well during this month. Since 1990, the average October gain for the S&P500 has been 2.4%. The fourth quarter has been positive for the S&P500 in 13 of the 15 years since 1990. A strong market with good showings by tech and consumer stocks could put investors in a merry mood by the end of 2005. I am in this camp. As stocks have continued climbing a wall of worry, an increasing number of money managers will be forced to buy into the current rally. After all is said and done, I suspect that most market indices will be higher on the last day of the year than they are today, barring other unexpected shocks.

American business today is highly profitable, registering huge productivity gains with an enormous amount of cash on hand. That is why stock prices actually increased during the hurricane breakout, a market signal of confidence in the economy's future outlook. With all the shocks, the upturn may not be happening as fast as we all might like, but it IS happening. The best defense is to be prepared with a broadly-diversified portfolio and to realize that we have witnessed events before that tested our national confidence. The economy has always persevered because Americans have always risen to the occasion.

When things go wrong, we fix them. Stay calm and keep a cool head. Have reasonable expectations and we will all be just fine.

Sincerely,

Jerry Webb, CFP®
Chairman



MoneyTalk

Not Outliving Your Assets

By Gary Webb

Webb Financial Group manages broadly-diversified investment portfolios and suggest an annual withdrawal rate of 4% to 6% when income is desired. Our clients main concerns are where their income is going to come from and that they are not going to outlive their assets. Clients can receive a consistent monthly income which can always be modified. Staying within the 4% to 6% range creates the most likely scenario of not outliving your assets.

In contrast to many advisors, we use "reverse-dollar cost averaging", by liquidating assets out of clients' accounts each month into their checking account. This keeps the money invested until it is time to withdraw each month's distribution; thus giving us the opportunity to rebalance investment assets.

Most of the time people underestimate their income needs at retirement. The conventional wisdom, among planners and consumers alike, has been that it takes only 60% to 80% of a person's pre-retirement living expenses to survive in retirement. While this may have been accurate in the past, it may not be accurate today. Some expenses go away in retirement, but they are often offset by taxes, health care and travel costs. Health care costs are rising much faster than other consumer expenses. We believe in many cases, clients need 100% or more of pre-retirement living expenses during their retirement years.

As a general rule, we suggest making withdrawals from taxable assets before tax-deferred assets, although there are exceptions to that rule. As you sell assets in taxable accounts, you will need to be aware of built-up capital gains and losses. To the extent you can offset capital gains with capital losses, you can minimize the tax you pay. Consider a strategy of selling over a period of years to reduce the tax payments owed in any one year.