

My view for 2011



Gary Webb
RFC® & CEO

We have reached the end of 2010. I am writing to share my thoughts on today's economic outlook and the pessimistic psychology many investors currently share.

Today we are seeing a mood mostly of fear and pessimism. The media is doing a great job of continuing to feed fear to the public, and the public is still buying it. The consumer confidence crisis continues but it is slowly disappearing. Sure, many people feel overwhelmed by problems in the United States, led by high unemployment, government deficits, depressed housing prices, and gridlock in Washington.

In 2009 and 2010 as the market has gone up, rather than rebalancing portfolios (selling overpriced bonds and buying cheap stocks), investors were fleeing stocks in droves. They decided that cash was king, and clung to it like a life preserver. Instead of seizing an opportunity to add to their equity position, they chased performance and bought billions and billions in bonds, which were more expensive than they have been in fifty years.

There are several reasons to be optimistic going forward.

On October 8, 2010, the Dow Jones Industrial Average closed at 11,006, up about 75 percent from the bottom. Who knew that all we needed to do was stick with the same strategy that worked in good times by buying well diversified mutual funds and rebalance as needed and it worked again, as it always has. Staying in the market continues to pay big rewards.

Unfortunately, many investors never benefited from this recovery. They bought into the media hype and sold just in time to miss the rebound. The new paradigm that "capitalism is dead" ended up being just as silly as the one that caused the bubble: "Real estate values can never decline."

Things are better than we are being led to believe. Go out to lunch or dinner and tell me that you don't see drastic improvement over where things were just twelve months ago. Also, last week a news report stated that the retail sector had its best holiday season ever!

Even though American consumers have become stretched financially, they are now paying down debt and saving more than they have in decades. Also, American companies have record low debt and high levels of cash so they are in good financial shape. Quarterly earnings have now exceeded expectations for eight quarters in a row.

Another positive is what's happening in the stock market. Just in time for Christmas, the Dow reached its highest close in two years, since August 2008. You may be surprised but the Dow ended 2010 at 11,577.51, up 9.4% for the year.

My thoughts may be contrarian, but I believe that since March 10, 2009, we have been in the midst of one of the best times in history to invest money in the stock market, for the long term.

We expect continued stock market volatility in 2011. We will continue to make fine tuning changes to client portfolios to handle the volatility, based on client risk tolerance and what we see coming down the road, such as inflation.

No matter how you or I feel about the current economy, certain facts cannot be denied; such as corporate profits are at all time highs, bonds had a ten year bull run and bond rates in the treasury market today are virtually at record lows. This tends to be a good combination for stocks. This year has proven that. The same is expected to continue throughout 2011.

As always, we look forward to continuing to serve you in 2011. We thank you for the continued trust you have placed in us. Please don't hesitate to call our office if you have any questions or you have a concern you wish to address with us. Happy New Year!

Sincerely,

A handwritten signature in black ink that reads "Gary Webb".

Gary Webb, RFC® & CEO

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Webb Financial**



We are frequent guests on

MINNESOTA HOME TALK
LIVE EVERY SUNDAY 7AM AND ON DEMAND

If you would like to listen to our previous presentations the Podcasts are online at www.MinnesotaHomeTalk.com

All of us at Webb Financial Group wish you a healthy and prosperous New Year.



Best wishes in 2011!

In compliance with the SEC rules and regulations, we would like to offer you the most recent copy of our ADV II brochure. Please call if you would like a copy.

Webb Financial Group provides comprehensive wealth management solutions to individuals and businesses. For over thirty years, we have helped our clients achieve financial security.

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The Ever Changing Estate Laws

Last month the President signed into law the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. Under this law the federal exemption for estate taxes is \$5,000,000 and the maximum estate tax rate is 35%. However, the Minnesota exemption for estate taxes remains at \$1,000,000. The federal law is only in effect for the next 2 years. With these new changes, it is a good time to review your estate plan.

Estate taxes are not the only consideration when preparing your estate plan. A good estate plan will also help your family to manage your affairs after your death.

Creating an estate plan will:

- Ensure that assets are distributed according to your wishes.
- Help minimize taxes and court costs, as well as improve the distribution to beneficiaries.
- Protect your young children or grandchildren from receiving a large sum of money without any planning or direction.
- Allow you to nominate a guardian for your child.
- Allow you to choose a person whom you trust, who knows your wishes, knows your family, and has knowledge of your assets to administer your estate.
- Allow you to plan for the succession of your business, minimizing the risk of a forced sale.

Many individuals are under the impression that a will is a sufficient means of estate planning. "Having a will is a great first step, but it may not be enough to attain all of your estate planning goals and objectives," said Sabrina Dolan, Estate Planning Attorney.

According to Sabrina, an estate plan should include:

- A valid, up-to-date will, containing instructions to your personal representative regarding the disposition of your assets.
- A durable power of attorney.
- A living will or health care directive.
- An inventory of your estate.
- Life insurance, as appropriate, to provide additional funds for your survivors, help pay debts and estate taxes, help fund a business succession plan.
- The designations of appropriate beneficiaries on all life insurance policies and retirement plans.
- A trust, depending on the size of your estate and your particular goals.
- Annual exclusion gifts as appropriate for your situation
- Charitable gifting based on your charitable desires



Sabrina Dolan
Estate Planning Attorney

If you have a basic estate plan, you're in better shape than the majority of Americans. Estate planning is an involved process, requiring the knowledge of experienced professionals. Webb Financial Group can help you start the estate planning process and assist in finding a qualified estate-planning attorney.

Health Care Reform in a Nutshell

In October we offered a seminar to our clients on healthy retirement, and Health Care Reform was one of the main topics. Following are some of the highlights we learned about the Health Care Reform as it is today.

- Insurers can't use pre-existing medical conditions to deny coverage.
- Adult children can be on their parents medical plan until age 26
- Requires most people to have coverage by 2014
- Offers immediate tax credits to help small business buy insurance for employees

If you would like more information on what we learned in the Healthy Retirement seminar, please contact Crystal at 952-837-3235.



Crystal Enderson