



**ON THE HORIZON...  
NEWS, NOTES, AND COMMENTARY  
FOR CLIENTS AND FRIENDS OF THE HORIZON GROUP**

January 1, 2007

**GUARDING AGAINST COMPLACENCY**

Happy New Year! It amazes me how many times a day I'm asked what the market is going to do in the coming year. Most people understand financial predictions are an exercise in futility. In reality, the person asking the question is wondering if there is anything they really need to be concerned about. Absent a dire response on my part, my meaningless reply usually fades into oblivion. The vast majority of clients go about their lives - secure in the knowledge that we're minding the store - rarely giving the market a thought between statements or account reviews. In short, we've steered them correctly to focus on what's important in life.

Over the past four years, relative calm and steady returns have people feeling secure once again about investing. But security and tranquility can breed a dangerous side effect - complacency. Complacency isn't a mindset that overtakes us one day; it creeps up on us slowly and methodically. In the investment world it starts when people are lulled into a sense of security, forgetting that risk is inherently correlated with return. Complacency becomes dangerous when risk is overlooked, rationalized, or even ignored. Sound familiar? You only need to look back to 2000-2002 to be reminded that the market has a way of slapping contented investors back to attention.

The fact that 100% of the strategists recently polled by CNBC are bullish raises concern. Not that I'm suggesting the market is in imminent trouble. But after the longest period in market history without a 9% correction, common sense dictates we're long overdue. That is why my theme for the coming year, and our 14<sup>th</sup> Annual Financial Fair, is guarding against complacency. By reacquainting yourself with the risks and volatility of the markets, you'll be mentally prepared to deal with the correction when it comes. Which begs the question, "If a correction is coming, what are we going to do about it?"

Corrections are a fact of life that can happen at any time, and without warning. This is a basic premise on which we initially built your portfolio - and why we diversify, utilize our "two bucket" approach, and dollar-cost-average new clients coming in. It's also why we make adjustments during portfolio reviews, using common sense to battle complacency. For many we've skimmed emerging market, real estate, and small cap value funds that have doubled since the low of 2002 - and also talked a number of clients out of adding to hot positions. The hard work has been done - just remember that market drops are the price of admission to the only arena where your investments can seriously outpace inflation. Knowing that you are properly positioned to ride through a downturn, or capitalize on the opportunity it presents, makes a correction much easier to stomach.

Good investing is counter intuitive. The time to buy is when everyone else is selling. Smart shoppers know the time to buy is when the price is reduced. We instinctively know this when cans of tuna are 39 cents with a Shopper's Club card, but tend to lose all reason when the market suffers a 12% correction. Savvy investors know the middle of a correction is the time to add or upgrade positions, not liquidate them. Sometimes the biggest service we provide our clients is doing nothing at all – keeping a level head and grabbing the scissors when you start to run.

No matter what hand we're dealt in 2007, resolve to take a step back and let common sense prevail. If we have another year of smooth sailing, resolve not to become complacent. That's good advice for money, love, work, and play! A dedicated team of professionals at The Horizon Group will be watching out for you and helping you keep those resolutions. I can assure you it will be easier than the losing weight I'll add to my list, *once again*.

### A WORD ABOUT THE HORIZON GROUP

This Thanksgiving marked the completion of my 20<sup>th</sup> year as a financial advisor. Taking stock of all that has happened since I started The Horizon Group in 1993 it struck me how much we've accomplished – the beautiful office, a tremendous client base, and a great team of dedicated employees to serve them. Still, I knew a great deal of “polishing” was left to do. Tackling complacency head-on, I interviewed Robin Montgomery, an elite consultant who works solely with established financial advisors. Her conclusion is what I've known all along – although I'm a very good planner, retirement coach, and money manager – I'm just mediocre (and fairly disinterested) in running a business. Like most successful advisors, helping clients is my passion, but I have little patience for scheduling employee vacations or negotiating service contracts on the copier.

I hired Robin in August, and her team sprang into action. Within a month, every aspect of the Horizon Group was analyzed from both a client and business perspective. All of us were skills tested and psychologically profiled (thank God I'm an owner, so I can't be fired). We're a quarter of the way into a grueling, year long journey that will take us from an advisor centered practice to a finely tuned business, built to serve clients with a life expectancy far beyond that of my own.

In three short months we've made great strides. We now have a 38 page employee handbook with written policies on everything from vacations to a disaster plan. Every employee has a written job description, career track, and compensation ladder. Carrie has been promoted to Operations Manager. Tim's ownership piece of The Horizon Group has been formalized and he is focusing on building the ultimate client service experience. After exhausting rounds of interviews and testing, we welcome Phyllis Eddy as our full-time Director of First Impressions. The morale of the entire team and atmosphere in the office has never been better.

A number of client service improvements have been made as well. The Horizon Group's website is in the final stages of development, and our client review procedure has been expanded to include a detailed meeting agenda for you (along with the usual account statement) at every review. We've formalized our “master list” of investments and procedures for updating performance. But our work is far from done. Projects on the grid for the coming year include a procedures manual for every position, developing a consistent policy regarding small accounts, re-pointing the entire cobblestone, and implementing the master landscaping plan.

I'd like to thank the entire team for burning the midnight oil and sacrificing to help us make changes for the greater good. I'd also like to thank our clients as well for their thoughtful input. Difficult decisions have been (and continue to be) made on our quest to become a premier investment and retirement planning firm. There are no easy answers as we wrestle with service standards, minimum account size, and pricing of our services. I can assure you that, as always, we will keep you up-to-date and informed as we go.

The average consultant tells you what's wrong and leaves. I chose Robin because she hangs around to make sure the hard work gets done. The parallels to the investment industry and what we do for our clients is enlightening. Vanguard, Morgan Stanley, and the entire industry would have you believe it's all about picking the right investment. Picking investments is the easy part! Few in my business hang around for the hard jobs – getting income, monitoring taxes and withdrawal rates, asset protection, and working with beneficiaries. What's more, a caring and engaged professional can make a critical difference by providing advice, education, coaching, and making adjustments when necessary. For that, you can rely on us – it's certainly why we turned to Robin for help. Every journey is safer and easier with a second pair of eyes and an experienced guide!

### POTPOURRI

I'm requesting all clients bring their completed 2006 tax return to their next appointment so I may review it for key planning information! Late filers may have to mail it later.

One item we check for is room for IRA withdrawals or Roth conversions while remaining in the 15% federal bracket. This is especially true if you are over 59½ and aren't taking advantage of your \$20,000 New York State pension & annuity exclusion.

Many people balk at taking money from an IRA after age 65 because they don't want the income to hurt their enhanced STAR exemption for property taxes. IRA distributions do not count toward the \$67,850 income limit for the enhanced STAR exemption, but 401K withdrawals do. This exemption is administered locally, but the NYS average is \$56,000 off your assessment. If you're over age 65, under the income limit, and haven't applied for enhanced STAR, don't hesitate – it could save you a small fortune in taxes!

Speaking of age 65: Many people worry about being eligible for Medicare Supplement insurance because of pre-existing medical conditions. It's against the law to be turned down for coverage within six months of becoming eligible for Medicare. Check with your existing insurer shortly before turning age 65 *regardless* of your situation. Be forewarned that you'll receive a slew of mailings and applications about the time you turn 65. BE CAREFUL! These are marketing offers by competing insurance companies. Contact your existing insurer first – they are often the easiest and most helpful to deal with – especially if your spouse is under age 65 and in need of regular insurance.

Plan ahead if you are thinking of applying for Long Term Care or Life Insurance in the next few years. Underwriters rely on reading doctor's notes when deciding whether or not to issue a policy. If you are exploring minor aches and pains with your doctor, do it off the record. Explain that you will be applying for insurance in the future and clear notes that accurately reflect your good health would make the process much easier. Unresolved issues found in notations can lead to major delays and declinations.

Mark your calendar! On Sunday morning, January 21<sup>st</sup>, we'll be guest hosting our old show on WHAM 1180. I've also agreed to guest host "Ask the Experts" at 8pm Sunday evenings following Bob Brinker on 1/28, 3/18, 5/20, 7/15, 9/23, and 12/16 this year. →

Clients who purchased the unlisted Inland Eastern REIT recently were notified of a takeover solicitation at a 40% premium to their initial purchase price. Unlisted REIT's pay dividends but the share price generally remains fixed until the REIT ends or goes public. Many clients own the Wells REIT which has until February 2008 by prospectus to sell properties or go public. Current developments in the REIT market, along with Inland's success, are cause for guarded optimism.

Cadaret, Grant recently established a partnership with AST Trust Company to provide trustee and trust administration services to our clients. It's common for clients ask if we can move a trust to our management – now we can simply submit any trust document to AST and inquire if it can be legally moved. Generally, the minimum trust is \$500,000.

Several younger clients have inherited IRAs and started their "stretch IRA" withdrawals. An important tax note – If the original owner of the IRA would have been over 59½, the distribution received by the beneficiary may qualify for the \$20,000 New York State pension and annuity income exclusion – even if the beneficiary is under age 59½!\*

Special thanks to historian Helen Elam and the Town of Henrietta for bestowing us with The Henrietta Architectural Heritage Award last month. The award was presented for our efforts restoring the 1832 Abel Post Homestead back to its original Federalist glory. Over 4,800 hours went into the renovation by decorator Glenda Barcklow, myself, and 42 subcontractors. What a thoughtful 175<sup>th</sup> birthday present for our historic office!

\*The information presented is general in nature and should not be considered legal or tax advice. You should consult your legal or tax advisor for information concerning your own specific situation.

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YOU'RE INVITED ....

THE HORIZON GROUP  
**14<sup>TH</sup> ANNUAL FINANCIAL FAIR**  
"TACKLING COMPLACENCY"

SATURDAY MORNING, FEBRUARY 3<sup>RD</sup>  
RIT INN & CONFERENCE CENTER  
8:45AM – 12:15 PM



2006: THE YEAR IN REVIEW

AVOIDING THE TOP FIVE IRA MISTAKES  
Terry Muchler, EPS, The Horizon Group

"BULLS, BEARS, & BONDS; INVESTMENT OUTLOOK 2007"  
Rob Almeida, MFS Investment Management

COMMODITY FUNDS – INFLATION HEDGE OR GROWTH OPPORTUNITY?  
Mark Congdon, CFS, CLTC, The Horizon Group

"PLANNING FOR TOMORROW"  
Mark Colgan, Author of The Survivor Assistance Handbook

**CHOOSE FROM TWO GREAT BONUS SESSIONS! (12:30 – 1:30PM)**

"CARING FOR AGING PARENTS"  
Marsha Raines, LMSW, Geriatric Care Consultant

"529 COLLEGE SAVINGS PLANS"  
Joe Hurley, Saving for College.com

A variety of speakers will cover important planning and investment topics. Don't miss these entertaining and informative presentations. Reservations are required – **call (585) 334-3600 to reserve your free seat** – We guarantee you'll find it a morning well spent!