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LPL Financial

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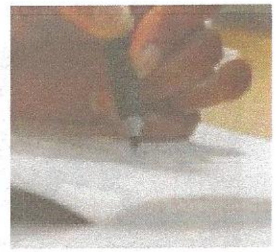

Memorial Day is a day of remembrance for those who have died in our nation's service. A million thanks to every soldier past, present, and future.

I hope that you all have a wonderful Memorial Day Holiday and I look forward to catching up with you all as we head into the summer months. Please feel free to stop in or call to set up an appointment for a review.

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In This Issue

Interesting Facts

576,000

Number of miles 93-year-old Floridian Rachel Veitch drove in a 1964 Mercury Comet before retiring the car because she is legally blind and can no longer drive-lawfully, at least.

Making Your Finances "Picture Perfect"

While most people find the notion of creating a budget about as appealing as mowing the lawn or shoveling snow, most would agree that the yard work is well worth the effort once they've achieved picture-perfect surroundings.

Two financial pictures you can take at anytime to help view your financial landscape are a **balance sheet** (or **net worth statement**) and a **cash flow statement**. Along with showing you where you stand today, they can help provide the basis for important financial comparisons in the future. Although there are software programs available to help with budgeting needs, it can also be easy, and sometimes helpful, to create your own worksheets.

Assessing Your Net Worth

To create a balance sheet, simply draw a line down the center of a blank piece of paper and label one column "Assets" and the other "Liabilities." Assets are everything you own, and liabilities are everything you owe.

You can add structure by grouping your assets into three categories: 1) cash or cash equivalents-checking and savings accounts, money market funds, and certificates of deposit (CDs); 2) investments-stocks, bonds, mutual fund accounts, and retirement accounts; and 3) personal property-your house, home furnishings, autos, boats, and other personal items.

Liabilities can be labeled as follows: 1) short-term-auto loans, most personal loans, and credit card debt; or 2) long-term-home mortgages, some home equity loans, and some educational loans.

Enter all of the relevant numbers and add up the two columns. We'll examine the outcome later.

How Fluid Is Your Cash Flow?

Next, you will need to create a cash flow statement. Divide a piece of paper down the middle and label one column "Cash Inflow" and the other "Cash Outflow." On the inflow side of the ledger, list monthly (or yearly) income from all sources such as wages, self-employment, rental properties, and investment income (e.g., interest and dividends).

On the outflow side, list all monthly (or yearly) expenditures, separating fixed expenses (e.g., mortgage payments, other periodic loan payments, and insurance premiums) and variable or discretionary expenses (e.g., utilities, food, clothing, entertainment, vacations, hobbies, and personal care). You might want to put taxes (federal, state, FICA) in a separate category. Again, fill in the relevant numbers and total the columns.

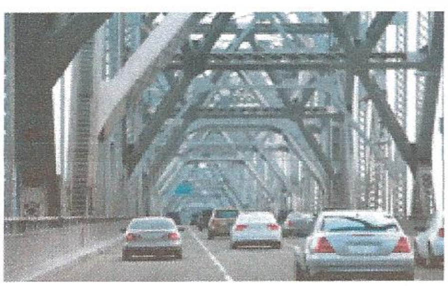
The Results

If your balance sheet shows your assets exceeding your liabilities, you have a healthy **net worth**, especially if your cash flow statement shows more inflow than outflow. This picture shows that you are solvent and spending within your means. The degree of your financial health depends on the amount of your surpluses.

Your financial outlook may be less positive if your balance sheet shows your liabilities exceeding your assets and/or your cash flow statement shows more outflow than inflow. This picture indicates that you are spending beyond your means, so it may be wise to assess the areas in which you can decrease your liabilities.

Two goals worth pursuing are increasing your net worth each year and keeping your annual expenditures under control. If your financial picture is a little out of focus, taking action now to sharpen the view will make your financial future far more promising.

A "Crash Course" in Auto Accidents



If you are in an accident, it's important to know what to do. Even a minor "fender-bender," can be upsetting. Here are some specific steps to take immediately after a car accident:

1. Stay calm. Don't accuse the other driver or accept blame. Leave it to the police and your insurer to determine who was at fault. Focus your attention on dealing with the situation at hand.

2. Assess injuries and call for help. Even before you call the police, check to see if anyone at the scene is injured. If so, try to assess the severity of the injuries and seek medical attention immediately.

3. Leave the scene "as is." It's best to leave an accident scene untouched until the police arrive. However, if your vehicle is obstructing traffic, you may need to move it to prevent further damage.

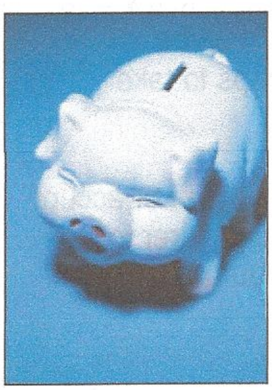
4. Notify authorities. Call the police. If you do not notify them at the time of the incident, contact them as soon as possible after it. Having a record of the accident, even if it was minor, can help protect you from unfounded claims that may arise later.

5. Obtain information on the other driver(s). Write down the name, address, telephone number, license number, insurer, and insurance policy number of every driver involved in the incident. Also, note each vehicle's year, make, model, and license plate or registration number. Ask to see each driver's license and registration. These two documents provide most of the information you'll need. If the other driver does not own the vehicle, ask for information on the owner.

6. Identify eyewitnesses. If possible, obtain the names, addresses, and telephone numbers of any eyewitnesses.

Hopefully, you will never be involved in an auto accident. If you are, following these simple steps may simplify the situation. Also, review your insurance coverage frequently so that you are familiar with your coverage.

Mutual Fund Fees and Your Market Basket



Many mutual fund companies display their performance figures prominently, but they may take a low-key approach when it comes to fees. After all, when funds are doing well and returns are strong, investors often tend to overlook the fees charged by mutual funds. However, regardless of the performance of your investments, why pay more than necessary?

Understanding the fee structure of your fund(s) will help you realize the amount you're paying for professional management, and will provide insight into how efficient fund management is with your money. It also allows you to make realistic comparisons between several mutual funds or between a mutual fund and another investment.

All Fees Are Not the Same

There are four basic costs that can impact mutual fund returns: fees for managing the fund; brokerage costs incurred when trading securities; front-end or back-end loads (sales charges); and 12b-1 fees. These fees , when applicable, are detailed in a mutual fund's prospectus.

Every mutual fund charges fees for fund management, custodianship, and market auditing. The day-to-day expenses of running the fund are paid from these fees. The expense ratio-a measure of these fees compared to the total assets of the fund-is usually expressed as a percentage of assets under management (e.g., 1.5% for a domestic stock fund). In addition, some funds trade securities often and have high brokerage costs, while others control brokerage costs through infrequent trading.

Sales loads vary and may, or may not, be part of a fund's fee structure (i.e., funds may be high-load, low-load, or no-load). Loads are further categorized by when they are incurred. If a fund imposes a front-end load, the charge is taken from the amount invested. For example, a fund with a 5% front-end load would take $50 out of a $1,000 investment. The investor's account would reflect a beginning balance of $950.

Back-end loads are levied when shares are sold (also called redemption). For example, a fund with a 5% back-end load would take $50 out of a $1,000 redemption. Some funds use redemption fees to discourage short-term trading and protect longer-term investors. For example, they will impose a sliding scale of sales charges, so that the longer the investor remains in the fund, the lower the charge to redeem shares.

The 12b-1 fee permits a fund to use a percentage of fund assets to pay certain costs, such as for advertising and distributing fund literature (prospectuses and annual reports). Some funds use 12b-1 fees as hidden loads-that is, they use the money to pay commissions to brokers, rather than imposing front-end loads. Since 12b-1 fees are charged annually, they can result in a total cost to the long-term investor that exceeds a high front-end load.

Be Sure to Compare

The popularity of mutual funds has prompted many investors to forgo other traditional savings mechanisms in favor of funds yielding higher returns. However, as you have just seen, the various fees charged by mutual fund companies can add up significantly over time.

Does this mean that you should eliminate mutual funds from your portfolio? Not at all. What it does mean, however, is that you need to carefully analyze your current mutual fund earnings-less any fees-and compare them with other options offering similar objectives and risk exposures. High fees can have a negative impact on your portfolio's overall performance.

Fe, Fi, Fo, Fees!

In general terms, avoiding funds with high expenses is one way to help improve the bottom line of your investments. At the same time, it is also important to recognize that "fees" are just one of many factors to consider when pondering the addition (or subtraction) of a mutual fund to (or from) your portfolio. Therefore, use this mutual fund fee primer as a springboard to reviewing your current savings and investments. By staying on top of mutual fund fees, you can gain a better understanding of which investment and savings vehicles are appropriate for your particular situation.

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