Comprehensive FINANCIAL PLANNING INC.

October 11th, 2011

Here is our newsletter for the 4th quarter of 2011.

September Benchmark Returns (Preliminary)

Large-Cap Benchmarks	**Sep**	**3Q**	**YTD**
Vanguard 500 Index	-7.0%	-13.9%	-8.8%
Russell 1000 (iShares)	-7.5%	-14.7%	-9.3%
Russell 1000 Growth (iShares)	-7.4%	-13.2%	-7.3%
Russell 1000 Value (iShares)	-7.5%	-16.2%	-11.3%
Mid-Cap Benchmarks			
Russell Midcap (iShares)	-9.6%	-18.9%	-12.4%
Russell Midcap Growth (iShares)	-10.1%	-19.4%	-11.7%
Russell Midcap Value (iShares)	-9.2%	-18.5%	-13.1%
Small-Cap Benchmarks			
Russell 2000 (iShares)	-11.2%	-21.8%	-17.0%
Russell 2000 Growth (iShares)	-11.5%	-22.2%	-15.5%
Russell 2000 Value (iShares)	-10.9%	-21.5%	-18.6%
Other Benchmarks			
Vanguard Total Int'l Stock Index	-12.3%	-20.9%	-18.0%
MSCI World ex USA Index	-2.0%	-11.8%	-7.3%
Vanguard Emerging Mkt Stock Index	-16.2%	-24.0%	-23.4%
Vanguard REIT Index	-11.0%	-14.6%	-5.9%
Vanguard Total Bond Mkt Index	0.9%	4.0%	6.6%
Merrill U.S. High Yield Cash Pay	-3.5%	-6.2%	-1.6%
Barclays 7 Yr Muni Bond Index	0.1%	3.1%	7.2%
S&P/LSTA Leverage Loan Index	0.4%	-3.9%	-1.4%
Citigroup World Govt. Bond Index	-2.0%	2.4%	6.5%
JPMorgan GBI-EM Global Div. Index	-9.8%	-8.5%	-2.2%
DJ-UBSCI (Commodity Futures)	-14.7%	-11.3%	-13.6%

The Markets

Concerns about Europe's debt woes and negative global economic news sparked recession fears and drove stock markets down to their worst quarter since 2008. Large-cap domestic stocks fell 13.9% during the third quarter and have lost 8.8% year to date. Smaller-cap stocks suffered larger losses, down 21.8% for the quarter, and 17% for the year through September. International stocks also suffered double-digit losses, with developed-market equities losing 20.9% for the quarter and 18% year to date. Emerging-markets stocks were hit hardest, losing 24% for the quarter and 23.4% year to date.

Domestic and foreign high-quality bonds were the only asset classes with gains for the quart and year to date, with U.S. bonds gaining 4% in the third quarter and 6.6% year to date. These gains were driven by investors' flight to the relative safety of Treasuries. Municipal bonds have the best year to date gains at 7.2%. Local-currency emerging-markets bonds dropped significantly in September as capital flowed out of emerging-market currencies, and ended the quarter down 8.5% and are now in the red by 2.2% year to date.

For the quarter our equity-tilted composite dropped 9.7% compared to 10.7% for the benchmark and our balanced composite dropped 7.7% vs. 7.8% for the benchmark. Our mostly bond Conservative portfolios dropped 7.3% vs. 3.8% for the quarter. Our portfolios benefited from a significant underweight to equities. However, the bond portion of our portfolio performed very poorly compared to the U.S. Treasury heavy bond index. Even our high quality PIMCO Total Return Bond fund underperformed the index as Bill Gross's highly publicized shunning of Treasuries earlier this year backfired in the short-term as the

10-year Treasury yield dropped from about 3.7% in February to around 2.0% currently, resulting in a large increase in Treasury prices. Our high-yield and emerging market bonds were hit particularly hard. The yields on our high-yield and emerging market local currency bond funds have risen to over 8% and 7% respectively. Despite their recent performance (actually even more so because of their recent performance) we consider these two asset classes to provide risk-adjusted returns going forward that are superior to equities or Treasuries. We just don't see a large allocation to Treasuries yielding only 2% for a 10 year as a good strategy despite their diversification benefit. They will likely have a negative real return as inflation more that eats up the interest payments.

So, with our continued outlook for modest equity and high-quality bond returns going forward we will continue to use alternative assets to enhance our performance going forward. Our outlook really has not changed much for over two years (go to our 4th quarter 2009 newsletter on my website at www.CompFinancial.com for details). While returns for equities going forward have improved some, equities still carry a lot of risk with the U.S. and European economies reaching stall speed and probably heading into a recession. The Federal Reserve has danced every dance it can in an attempt to keep the economy going with short-term stimulus (I can't believe we're doing the Twist again). Now the only hope for anything positive coming out of Washington is in the hands of congress. We're <u>not</u> in good hands with this congress.

Creating a Sustainable Financial Lifestyle

Often the most neglected yet most important aspects of our financial lives concerns managing cash flow. We help our clients build a plan that enables then to discover what is a financially sustainable lifestyle for them. Any business advisor will tell you understanding your current cash coming into and out of the business is crucial to success and it's no different for one's personal finances. As part of any financial plan we put together for our clients, analyzing cash flow enables us to produce many specific recommendations. Here are some of the issues we help clients address.

1. How much cash should you have in savings in case unexpected expenses or a drop in income occurs? How much is adequate depends upon several factors including the sources and nature of your income and expenses, insurance coverage, assets and debt.
2. Debt. This is a big problem for some and an opportunity for others. The first step is to make sure you have an adequate emergency fund so you never have to use credit card or other debt to fund living expenses. We help our clients work out a plan to pay down and/or restructure their debt and use the tax laws to their advantage. With home loan rates at record lows now is a great time to consider refinancing. Rates are around 4.0% for 30 year loans and 3.25% for 15 year loans.
3. Saving for short-term goals. Identify, quantify and set up accounts to save for future cars, vacations, college for the kids or other goals you may have.
4. Create a Budget. For many this is an unwelcome chore but there are many ways to accomplish this. The first step is to determine your current level of expenses. One of the best ways I have found to keep track of your expenses is by using Mint.com. This is a website where you can consolidate all your financial information in one place.

After you set up a secure login name and password you can link bank accounts, credit cards, loans, and investment accounts. The Overview page shows you all your accounts with current balances. The Transactions page lists all expenses, income and transfers in the accounts. Here you can set up categories for the transactions if you wish to track expenses by type. Mint will set a category for you but sometimes you may want to change these. On the Trends page you can track your income and expenses over time, month-by-month or year-by-year. You can also filter out some of your accounts here. For example, if you have business accounts you may want to leave those out to only track personal expenses. You can also export data to other applications if you wish. After you have a good feel for your current expenses you can then set up a budget by the categories you set up for your expenses and keep track of them over time. You can set up alerts that warn you when you exceed your budget.

The above issues are what makes or breaks a retirement plan. Higher or lower investment returns pale in comparison of importance.

TD Ameritrade Client Website Do-over

In response from clients and advisors to do so, TD Ameritrade has made some improvements to their website recently. Check out the changes at www.advisorclient.com. There is a video that will introduce you to all the features. When you logon you may be prompted to check a few boxes in a Market Data Agreement to enable access to charts and research reports.

The site gives you 24/7 access to account values, positions, recent trades and much more. All monthly brokerage statements, trade confirmations and tax forms (1099s) are stored on the site under the Documents page under the Accounts tab. You can save any of these documents on your own computer if you wish for reference or for your tax accountant. Those that use these documents on the website vs. receiving paper documents save $6 per trade on transaction charges. You can also track your cost basis for all your holdings and click on the holding description or ticker symbol to get detail research reports on the holding.

Let me know how you like the changes. If you would like to see any other changes or additions let me know and I'll try to get them implemented. I'd love to hear your feedback and let me know if I can help you through the site. And for those that would rather just give me a call when you need something that's ok to as I have access to all the information and am happy to help.

Sincerely,

Stan Johnson, CFP(R)
Comprehensive Financial, Inc.
Registered Investment Advisor