



Optimism and Pessimism

Todd Brand, President

Below, you'll see an updated excerpt from a newsletter we shared with you almost three years ago (July 2004). As luck would have it, it seems rather appropriate yet again. We'd guess that every three to five years it will have timely application. We hope you agree.....

In the words of Harry Truman; "A pessimist is one who makes difficulties of his opportunities and an optimist is one who makes opportunities of his difficulties." When it comes to financial markets, you can trust that we will steadfastly remain the optimists.

We receive a wide array of opinions on all things financial. Most of us are incessant readers. Many of you are as well. Financial news fills our lobby every day. I can't help but watch more of the same once I get home. I've heard it accurately described as "investment pornography." Each day, Jan brings me thirty minutes of additional reading materials and I usually forward relevant information around the office. Our intake is enormous. It has to be.

Maybe because I'm thinking about it just now, or maybe because it's true, I feel the weight of a thousand "what ifs". Everything seems pregnant with bad potential. In short, I choose not to worry about much of it. Not because some won't come true, but because fussing over it won't prevent it and can stifle my productive activity. As a firm, we have chosen to believe that there is no economic/financial disruption on the horizon that can permanently impede your progress towards your goals - unless you or we let it.

My Dad once told me "Optimism spreads slowly, can be lost quickly, and is hard to regain. Pessimism spreads rapidly, is hard to reverse and slow to erase." I think he came up with this himself and I think it is a core value he holds. As such, it has become a core value that we hold.

That being said, one role we are auditioning to play in your life is this: that of the most optimistic and forward-looking planner and consultant you will ever meet. We realize that there will be a continuous drip of financial challenges

facing us but we maintain tremendous faith in "markets" and in our ability to help you behave prudently in them. In the last decade, we as a business, and you as investors, have been through some of the best and worst environments that have been offered. This month (March 2007) has surely been "exciting". The characteristic of markets that seems most prevalent is change.

When we shared these thoughts with you three years ago, we were seeing great concern for IRAQ, terrorism, oil prices, deficit spending, and election jitters. After three very strong years in the global markets, we're now seeing concerns for many of those same issues along with fears surrounding China and the subprime lending struggles in the US. We get to wait until next year to have election jitters again.



While we know that geopolitical and market "risks" are omnipresent, we have a system that we think helps mitigate those risks, and in some ways takes advantage of them. I want to share with you the system running in the background of your investment plans. Many years ago, Dad crafted the idea of "ACIDITY" as it relates to wealth management. He's even published this concept in Donald Trone's book, "The Prudent Investor." It is a collection of ideas working in concert, that if rationally employed make it a bit more difficult to fail financially. Note, I didn't say "make it easy to wildly succeed", a fairy tale I've heard more than once. ACIDITY means this:

- A = Appropriate **A**llocation of wealth
- C = **C**ost effective implementation and maintenance
- I = Quality **I**nvestments
- D = Employ rigid **D**iscipline in maintaining your plan
- I = Provide **I**ndependence and objectivity in your advice
- T = Control investment **T**axability
- Y = **Y**our Goals should drive your plan

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It may not be obvious, but when we meet with you we're almost always addressing one or more of these topics and making improvements when and where we find opportunity.

ACIDITY is a loop. You never sit back and sigh, knowing you've done it just right. The financial environment changes, the tax law changes, the economy cycles, the investment opportunity set expands, you age, we age, some improvements don't improve anything, your goals change, new systems are created, costs go up/down, Mr. Greenspan (now Mr. Bernanke and sometimes both) gets a bad night's sleep. You get the picture.

We believe that adherence to the principals of ACIDITY allows investors to succeed in virtually all investment climates. We've not seen an economic environment in which it fails. This gives us our optimistic spirit in times such as these, just as it did in those past and will in those to come.

That's what is on my mind for this edition of the Compass. As I type, the Dow Jones has dropped below the "psychologically important level of 12000." My optimism for the future just went up accordingly.

Todd H. Brand, President

PS – After a quick lunch, I see that the Dow Jones has rebounded through the "psychologically important level of 12000." Looks like my optimism paid off for the day 😊

What Should I Do With My Tax Refund?

Brad Howard, Assistant Advisor



April 17th is coming quickly and that means that it is time to file your 2006 taxes. Filing your taxes is no doubt a burden, but it doesn't have to be all bad. Often, after the dust settles, you will find a nice tax refund is headed your way. New legislation will allow you to put that refund to good use.

New in 2007, the Pension Protection Act (PPA) allows for 2006 income tax refunds to be directly deposited into an IRA or Roth IRA account. There are a couple of benefits of the new "retirement contribution refund". Most likely the biggest advantage is that this new contribution method eliminates the temptation to spend the refund as the money never passes through your hands. Like a salary deferral into a 401k, money that you never see is a lot easier to save than the kind you have to put in the bank manually. The second advantage is the steps taken to otherwise invest the money are eliminated. No longer are checks made out to investment companies or money transfer requests required. At most, a call or online transaction to invest the funds is all that's needed.

You will likely have to include some extra information on your return (such as an IRA account number) to have the refund deposited directly into your IRA. Of course, an IRA account must be open before you file your return (so you can provide an account number), and you must inform your investment company in advance for which tax year the contribution should be coded. If you want the refund to be a 2006 contribution, be sure to file early so the contribution will be deposited by the April 17th tax filing deadline.

As with all new legislation there are some caveats - IRA eligibility requirements must be met and all the rules regarding IRA contributions are still in effect, including contribution limits. So, if you have questions, be sure to ask a tax professional.

I encourage you to consider using the direct deposit method this year, especially if you still need to open an IRA or Roth IRA account. This method is a great benefit for everyone that is eligible to contribute to an IRA, so please feel free to pass on the good news to your friends and family.



Opportunity is Knocking – For Some

Phil Daniels, Advisor

It's faint, but that is opportunity knocking. And it will get louder as 2010 approaches.

Roth IRAs can be a very powerful tool because while the contributions are made with after-tax dollars, the gains on Roth accounts are never taxed (as long as the account is owned for at least five years and withdrawals aren't taken before age 59 ½). Additionally, they are not subject to the Minimum Required Distributions that apply to traditional IRAs. Unfortunately, there are income restrictions that prevent some people from being able to make contributions to a Roth.



Income restrictions also apply to Roth conversions, an alternative that allows for a traditional IRA balance to be converted to a Roth. At the time of the conversion the converted amount is treated as income for tax purposes, with the exception of any after-tax contributions that had been made to the traditional IRA. This can be a valuable alternative to investors who've retired and now have lower taxable income than they had prior to retirement. Some of you have already benefited from this strategy.

Well, there is a new wrinkle thanks to recently passed legislation, but it doesn't become available until 2010. At that point the income restrictions will no longer apply, creating the first opportunity for those with higher incomes to gain access to Roth IRAs. And for those who elect to convert in 2010, it won't result in any taxable income in that year. Half of the amount

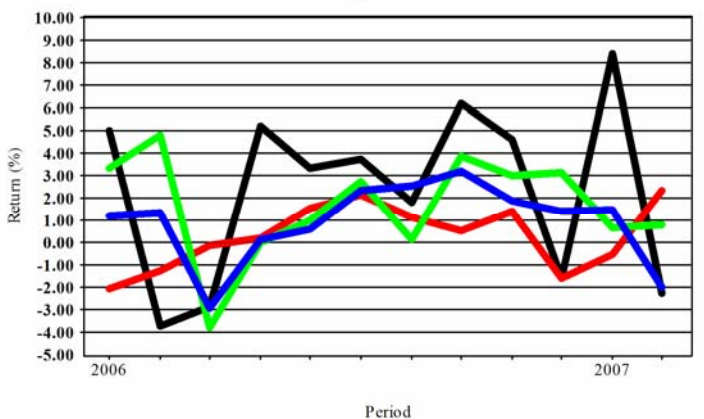
converted will be recognized as taxable income in 2011 and the other half in 2012. This aspect can be particularly powerful for investors who will be in lower tax brackets in 2011 and 2012. Additionally, the ability to pay the tax in the two years following the conversion is like getting a discount on the taxes owed as compared to if the taxes had been due in the year of the conversion. You can think of it as a tax-free loan from your Uncle Sam.

For those who are likely to convert IRA assets to a Roth in 2010, it may also be to their advantage to fully fund their traditional IRA in the years leading up to 2010 to potentially include non-deductible contributions. Just be aware that when you convert, you can not select just the after-tax contributions. You have to consider all IRA account balances and pro rate the portion that is tax-deferred vs. after-tax.

It remains critical, as it is for any Roth conversion, to evaluate your tax situation when determining if a conversion is to your advantage. For that reason, your accountant should be consulted to determine the appropriateness of this strategy as well as the amount that should be converted.

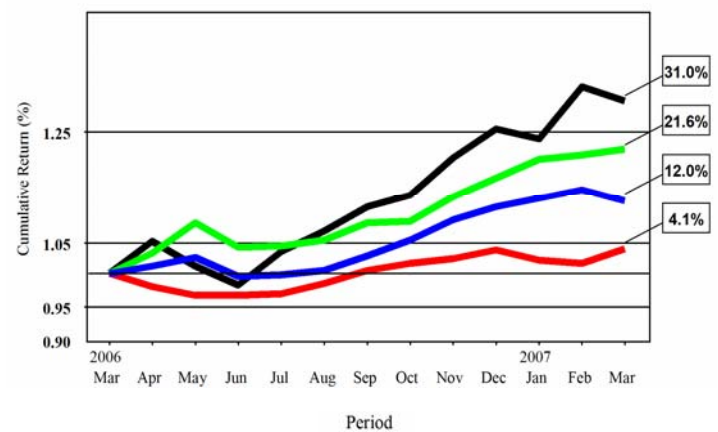
Yes, opportunity is knocking. And you can expect us to help you determine, along with your tax advisor, whether it is an opportunity for you and if so, how best to take advantage. We look forward to the conversation.

Wednesday, March 01, 2006 through Wednesday, February 28, 2007
Monthly Returns



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Wednesday, March 01, 2006 through Wednesday, February 28, 2007
Cumulative Returns



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2007 Client Symposium

This year's Client Symposium will be held on May 18th from 10 a.m. to 2 p.m. at Forest Hills Country Club. Please do not miss this event. If you have friends or family that might have need of our services, this would be a great opportunity for them to meet us and learn something of value.

Please R.S.V.P. Jan Roberts at jroberts@brandamg.com, or call 636-532-7333.

Tax Returns

Jason Akridge, Advisor

As a reminder, you will need to provide the following items for your taxable accounts to your tax return preparer:

1099 Information

This came from Fidelity in a report titled "2006 Tax Reporting Statement". In most cases, the last few pages will contain realized gain/loss data that may be based on incomplete historical information.

We recommend using the realized gain/loss data provided by our office (see next item).

Realized Gains/Losses

This package came from our office, and contained two separate sets of reports. The first set of reports was from our previous portfolio



management system, and covered the first six months of 2006. The second set of reports came from our new portfolio management system, and covered the last six months of 2006.

The total realized gains/losses for 2006 will be the sum of the two sets of reports.

If you have questions, or need copies of any information mentioned above, please call me.

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"A multi-asset, multi-style, multi-manager investment strategy is not so much about the enhancement of investment performance, as it is about the enhancement of investment performance consistency. Investment performance consistency in turn enhances investor behavior. Investor behavior enhances wealth accumulation and preservation."

Bryan Brand
Retired Chairman
Brand Asset Management Group