



# The Quarterly Report



## Celebrating 25 Years!

Following a strong March, all domestic equity asset classes are now well into positive territory year-to-date. The large-cap Vanguard 500 Index was up 5.4% for the quarter, while the domestic intermediate-term, investment-grade Vanguard Total Bond Market Index posted a positive 1.7% return year-to-date. High-yield bonds posted a 3.1% gain in the month, ending the quarter up 4.8%.

As I reflect on the end of this quarter, I realize that in June, I will be remembering my 25th anniversary as a financial advisor in Hampton Roads. I have seen a great deal of important and life changing events during this quarter century resulting in many valuable lessons learned (e.g. Crash of 87, Tech Stocks Skyrocket in the 90s, Tech Bubble Burst 2000, Enron/WorldCom, Iraq War, September 11th, and recently the Subprime Debacle) to name only a few. This experience will continue to shape my future decisions as I continue to advise our clients with their financial planning needs.

Please know that I am grateful for your trust and confidence over the years. I pledge to continue to work hard to maintain that trust which means so much to me. Making decisions is easy; making good decisions is the hard part. Some environments are more difficult than others because the consequences of being wrong are potentially higher, and/or because the range of possible outcomes is wider. Our understanding of the current environment will influence the investment

decisions we make.

We have seen massive growth in debt throughout society, reaching binge levels in the last decade. This debt growth fueled a lot of spending, but reducing debt means the money has to come from somewhere, and much will come from reduced spending. This suggests a sluggish economy, possibly for many years to come.

Meanwhile, government spending has kept the economy from falling off a cliff, but at a longer-term cost of massive deficits

that will be difficult to fix without causing more damage—including the possibility that shifting gears to cut budget deficits too early could throw the economy into a significant and ugly decline.

The recent economic strength stems mostly from this stimulus spending and smaller inventory drawdowns, both of which cannot be sustained. A key factor in the economy is jobs, and data suggests the job market remains poor and there is little basis to think this will change quickly or dramatically.

With all that said, there are some positives that may contribute to a better outcome, including continued strength

from emerging economies. Domestically, we could see stimulus spending, low rates, and inventory rebuilding create a virtuous circle in which businesses with strong balance sheets add jobs, and consumer and business confidence builds and feeds on itself.

A year ago the stock market had just started its rebound from the depths of the worst bear market in over 70 years. The powerful rally in “risk” assets over the past year is

certainly comforting. And we take some satisfaction in the returns we

have achieved for our clients since that time. However, we remain concerned and diligent, working to assess the key macro issues and risks that the global economy must deal with in the coming months and years.

So as we embark on this new decade, despite a far-less-than-rosy outlook, we will allow ourselves some optimism for two reasons. First, we believe our investment philosophy and process is particularly well suited to an environment that could be volatile. Second, we have a solid record over the past 25 years which will forge our continued pursuit of successful long term financial management for our clients.

~ RWT ~

*“I’m living so far beyond my income that we may almost be said to be living apart.”*  
~ E. E. Cummings ~

Returns of Major Indexes	1st Qtr. 2010	12 Months
Vanguard Total Bond Market Index	1.69%	7.35%
Vanguard 500 Index	5.35%	49.75%
iShares Russell 2000 Index	8.83%	62.62%
Vanguard Total International Stock Index	1.52%	59.50%

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Sound Financial Planning.*

## TFG Wants to Know:

### *Are You Receiving Your Monthly Custodian Statements?*

Your enclosed TFG Quarterly Report gives a detailed account of your managed investments with various custodians (such as Schwab or Fidelity). This is just a reminder that those custodians are required to send you statements on a regular (typically month-end) basis, whether by paper mail or electronically. TFG urges its clients to cross-reference TFG quarterly reports with these custodian statements to verify accuracy. If you are not receiving account statements directly from your custodians, please contact our Associate Advisor, Kirstin Hark.



## *Stepping in Financially at a Time of Need*

**N**o one wants to give up control of their lives. That's true for someone who's 20 or 80. But if you sense an older relative is slowing down, or if a serious illness is threatening the finances of any loved one, it's time to fashion a battle plan. Some suggestions:

**Understand their condition and strike a cooperative balance:** Before talking about money issues, do everything possible to understand how they're feeling and most important, how they want to handle family, work and money issues at each stage of their illness. It's not unreasonable for someone to want to keep control until the point when they really have to give up the reins. Get them to talk about what they believe will be triggers for them to give up control, and then find out how they would like to proceed and formulate a transition plan.

**Talk about legal documents:** Does this parent, relative or friend have a will and necessary health directives in place? Health directives name a single individual to manage all key health decisions if a patient cannot make them; a will depending on their assets and lifestyle situation – if they have kids to raise or a business to run, for example

– check to see what detailed legal instructions they have in place to manage their finances or run their business if they are incapacitated. And if those plans have not been made, they need to be made immediately with the help of necessary financial, tax and legal experts.

**Talk about long-term care provisions:** According to the American Association of Retired Persons, the average nursing home stay is 2.5 years. Whether an individual chooses long-term care in the home or in a facility, it's important to understand that while some direct medical expenses will be covered by private insurance, Medicare or Medicaid, most of the cost including daily living expenses, will not.

**Get a handle on bills and other key financial events:**

**Electronic transactions:** By gathering all bills that need to be paid and programming in their payment dates, there's little or no risk that any regular bills will be paid late. Automatic bill payment should be one of the first decisions made if an elderly relative establishes a joint checking account with a caregiver or whoever holds their financial power of attorney. Also, if a rela-

tive wants to continue a regular savings or investment plan while they are incapacitated, those payments can be made as well. Most important – once those automatic transactions are set up, all the security codes and passwords must be kept in a safe place for both to access.

**Set up a home maintenance schedule:** If the relative is hoping to return to the home or if it must be sold at a later date to pay bills or to settle the estate, it must be maintained to assure its value at the time it needs to be reoccupied or sold.

**Set up a correspondence system:** Set up a system for collecting and sorting medical and non-medical financial correspondence. Keep mail secure to avoid identity theft, and buy a shredder for all mailed materials that don't need to be filed.

**Pull credit reports:** Get permission from your relative to pull the three annual credit reports they are entitled to during the year so you can confirm all accounts are current and that identity thieves haven't targeted their accounts.