

KIELY WEALTH ADVISORY GROUP, INC.



From Left To Right: Joe Kiely, Scott Below, Katie Burr, Brownie Cordell, and Kellie Kiely

BEHIND THE SCENES

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OPENING THOUGHTS

We hope this newsletter finds you outside enjoying this summer weather. While many people only see high temperatures with lots of humidity, we see beautiful gardens and lush trees, which are a result of this year's snowy winter and numerous spring showers. In Asheville our gardens have never been more beautiful. After many years of dealing with drought, pests, temperamental plants, and poor soil, our long-term planning and patience has finally paid off - in spades. When we started this quest to build our gardens, we had been told by a number of master gardeners that great gardens came from a consistent approach, attention to detail, long term planning and an unrelenting commitment to the smallest details. Of course, each expert always added one last tip: Focus on the items that you could control. That plan and our patience eventually paid off...BIG TIME! If you have recently visited our Asheville office, you understand. Even if you haven't seen our Asheville office, the strategy we used to build excellent gardens should sound familiar, as we at Kiely Wealth Advisory Group (KWAG) are even more doggedly determined when it comes to our investment portfolio's.

A Consistent Approach

You see, at KWAG, we like to pride ourselves on our consistent message, our attention to detail, and our unrelenting

commitment to thorough, unbiased, academically-based research. This means we spend an inordinate amount of time listening to the experts, asking tough questions, looking at historical trends and reading until we see double. Why? Because in today's complex, interconnected global economy, the task of ferreting through the endless reams of financial data can be daunting, since it is hard to connect the appropriate economic dots to one another. Fortunately we are educated in the field of finance and we love what we do – which allows us the ability to avoid the same mistakes investors make time and again. For example, many people incorrectly believe an increase in the money supply always results in hyperbolic inflation. In truth, our economy now more likely faces a far worse enemy today... called deflation. People also incorrectly believe gold provides safety and a decent rate of return over time. When in truth, gold is nothing more than a shiny rock that is overpriced and extremely speculative. These are just a few of the “wives-tales” that we will elaborate on later in this newsletter. The unfortunate truth is, most investors have no fundamental “financial” education and they are too focused on “the now”. This obscures the bigger and broader financial picture which may be brighter than you think. And, it leads to

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BE PREPARED!

PLEASE SEE OUR COMPLIANCE NOTES SECTION AT THE END OF THIS QUARTER'S NEWSLETTER FOR MORE INFORMATION ON ESTATE PLANNING

KEEPING YOUR WILL'S AND IRA BENEFICIARY FORMS UP-TO-DATE IS AN IMPORTANT STEP IN THE ESTATE PLANNING PROCESS!

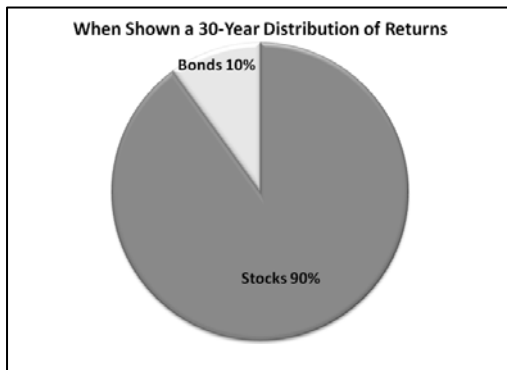
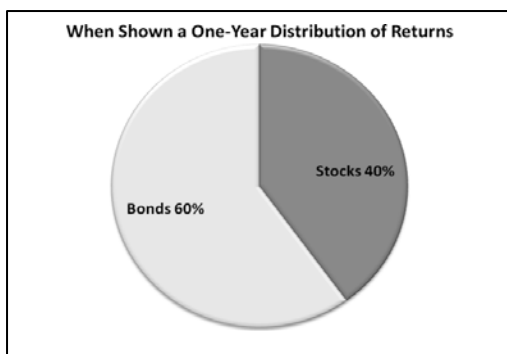


poor financial decisions, which have an enormous impact on your portfolio over time. A few illustrations may help...

CONSISTENT INVESTOR MISTAKES

Mistake #1 - Short Term Thinking

Unfortunately, many investors have limited backgrounds in finance and economics, often causing them to lose focus on many of the simple decisions that have an enormous impact over the long-run. For example, individual investors will frequently overemphasize the “now” in their decision making process and lose sight of the long-run. This preoccupation with the short-term obscures the broader picture and is responsible for keeping legions of investors from reaching their financial goals over the years. A telling example of the power that short-term thinking can have on investor decisions was illustrated in a famous academic study. Researchers randomly selected two groups of 401(k) investors, all with long time periods to their expected retirement. One group was shown a distribution of one-year returns for stocks and bonds while the other group was shown a distribution of 30-year returns. The subjects were then asked to select an asset allocation strategy for their retirement portfolios, with the results shown in the charts below.



The findings from this study are extremely compelling. Since stocks are volatile over short periods of time, the subjects viewing the one-year distribution of returns tended to overestimate the perceived risk of investing in stocks, on average choosing an allocation with a 60% exposure to bonds and 40% to stocks. In contrast, the group viewing the 30-year distribution of returns allocated their portfolios much more aggressively, with 90% of their money being devoted to stocks and just 10% to bonds. The lesson is that a short-term focus alters perceptions and impacts investor behavior. If you have a one year investment horizon, then basing your allocation decisions on a one-year distribution of returns might make sense. However, the subjects in the study all had a long time to retirement, so focusing on a short-run (one-year) return distribution led to overly cautious allocations that would have left many well short of their goals at retirement. The important thing for investors, regardless of their investment horizon, is to manage their long-term investments with a long-term focus and their short-term investments with a short-term focus. Above all, it is critical to resist reverting to a short-term focus with your long-term investments during periods of high volatility like we've seen recently. When investors engage in this short-run practice, they invariably buy assets when they're overvalued and sell assets when they are screaming at you to buy them.

Mistake #2 - Poor Forecasting

Another variant of short-term investment bias is found when investors forecast future events by extrapolating recent events or investment performance out into the future, then use these forecasts to drive their investing decisions. For example, there is currently no shortage of investors who believe Gold is a terrific investment, provides excellent safety of principal, and is outstanding as a hedge against inflation. Unfortunately, their opinions are based on what has happened to gold recently and bear little or no resemblance to the performance of gold over the long-run. As the table at the top of the following page clearly shows, gold has been a poor investment historically, returning just 2.5% annually over the last 30 years. This not only greatly underperformed stocks over the same period, but lost ground to inflation by an average rate of 1% annually! For such a poor performing asset it was also extremely volatile over the 30-year period, at one point losing much of its value over a 23 year period between 1980 and 2003.

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COMPOUND ANNUAL RETURNS, 1980-2009

U.S. Stocks	11.2%
International Stocks	10.2%
Inflation Rate	3.5%
Gold	2.5%

On the opposite end of the spectrum, you have the stock market. Over long periods of time, stocks provide the best rate of return among all of the major asset classes. In fact, stock market returns are typically even better after significant dips and recessions. The evidence is irrefutable. Unfortunately, many investors are not well diversified across the entire stock market, and to make matters worse they extrapolate prices from where they were a short period ago in 2008. They forget that small and large cap stocks are up more than 50% since last March. They forget that stocks provide the best returns over long periods of time. And they forget short term market dips after significant run-ups are quite normal.

Mistake #3 - Overconfidence

Another investment mistake we often see investors display is overconfidence, which is frequently associated with a focus on the recent past. A form of this bias is typically on display every day shortly after the financial markets close, when market analysts and pundits begin to explain with great confidence why the market has performed the way it has - after the fact. Then, to make matters worse, they profess the ability to predict the future based on their analysis. In this context, consider the following news item taken from Time Magazine. As you read it, look for evidence of overconfidence and extrapolating recent events into the future ...

“The US economy remains almost comatose. The slump already ranks as the longest period of sustained weakness since the Depression. The economy is staggering under many “structural” burdens, as opposed to familiar “cyclical” problems. The structural faults represent once-in-a-lifetime dislocations that will take years to work out. Among them: the job drought, the debt hangover, the banking collapse, the real estate depression, the health care cost explosion, and the runaway federal deficit.”

The author is clearly very confident in his assertions and is also extrapolating recent negative economic events well into the future, making him 0-2 in terms of bias avoidance and raising a big red flag as to the validity of his arguments. Surprisingly, however, this passage didn't

appear last week or even last year, but in September 1992! Incidentally, in the decade following publication of this article the S&P 500 index rose by more than 200%! Yet at the time it was written, we're certain the author and most of those who read it were fully convinced of its accuracy. This is because current problems can seem terrifying in the short run, especially when the recent past has been difficult. This leads to a natural preoccupation with the recent past. However, we urge you to remember if you want to be a successful long-term investor, your informational and emotional perspectives need to match your investment time horizon.

Our Point: If you are going to be a long-term investor, behave like one. Simply put...Do not focus your energies on the short-run. This works in gardening, life, relationships and investing. In addition, do not extrapolate short-run behavior out over the long-run. Things change. If you use a little common sense and have some perspective, they usually change for the better. Finally don't be so confident that the world is going to end as you think you know it. Our country has an unbelievable track record of overcoming some pretty steep odds. So far, the public companies (and the managers) that we invest in have done a remarkable job navigating through this tough period. We still have some tough days ahead of us...but we feel confident that our best days are still ahead. We can't tell you what's going to happen over the next few weeks, months or years, but we can tell you that you'll probably underestimate the outcome.

STOCK MARKET RETURNS

After starting the second quarter out strong, the broad market indexes finished the quarter down across the board. In April, stocks were up nicely, continuing a streak of 11 out of 13 positive months for the broad market. In fact, by the end of April the Small Cap Russell 2000 index had more than doubled in value since its March 2009 low, while the S&P 500 index was up more than 80% over the same period. In May and June we saw a return of volatility and the broad market indexes dropped roughly 15% from their April highs. In fact, most of this drop happened over a three week period in May. Since that time, volatility has ratcheted up, but the markets have remained virtually unchanged. As we have noted many times before, a 10%-15% dip in year two of a



recovery is common and should have been expected. In fact, if you go back and look at our past newsletters, we wrote the following:

1. We predicted a significant bounce back after the near collapse, which occurred in 2009.
2. We predicted increased volatility and a near certain 10%+ correction at some point this year.
3. We predicted some short-term consolidation and increased volatility after the drop.

So far...so good. Now, we believe the market will continue to rise over the long-run, with normal market corrections of 10%-15% every year.

The Numbers

By the end of the second quarter all nine style boxes were down for the calendar year. Overall, small and midcap stocks performed better than their large cap counterparts, and value stocks performed better than growth stocks. In terms of the individual indexes, midcap value held up best in the first six months of the year (down less than 1%) while large cap growth performed the worst (down 7.64%). Even though all styles were in negative territory at quarter-end, the "pattern of performance" remains typical of an economic recovery, with small and midcap stocks outperforming large caps across the board.

Russell Style Index Performance YTD through 06/30/2010

Value	Blend	Growth	
-5.12%	-6.40%	-7.64%	Large
-0.88%	-2.06%	-3.31%	Mid
-1.64%	-1.95%	-2.31%	Small

If you go back and examine the one year returns, you will observe the same patterns of performance across the style boxes, where small and mid caps outperform large caps, and where value significantly outperforms growth. In fact, this recovery is eerily similar to past recoveries, where there is a significant run-up over the first year, a typical dip during the second year and then a period of consolidation. Right now, we're in the midst of that consolidation.

1-Year Russell Style Index Performance ending 06/30/2010

Value	Blend	Growth	
16.92%	15.24%	13.62%	Large
28.91%	25.13%	21.30%	Mid
25.07%	21.48%	17.96%	Small

If you go back even further and examine the style boxes over the last decade, the differences are even more pronounced. Small and mid cap value stocks have averaged double-digit returns, while large cap growth stocks have lost 4% annually! We understand why most investors are frustrated with stock investing. If we had invested most of our hard earned money in large caps (only), we'd be disappointed too. However, if one invests in the entire stock market; uses active money managers; and rebalances when appropriate, you end up with an entirely different result over time. And you'd have less risk exposure over too!!

10-Yr. Annualized Russell Style Index Performance ending 06/30/2010

Value	Blend	Growth	
2.65%	-1.16%	-4.10%	Large
10.71%	5.15%	-1.82%	Mid
10.57%	3.44%	-1.60%	Small



BOND MARKET RETURNS

Since the onset of the credit crisis back in 2008, bonds have become a more important piece of our overall investment strategy. During a typical credit crisis, the ensuing panic generally affords an opportunity to purchase certain asset classes at very attractive prices. In 1998, for example, Russia defaulted on their sovereign debt. The default spooked bond investors across the globe and we saw massive selling of corporate bonds in favor of Treasuries. As is often the case, however, this “flight to safety” provided a major opportunity for savvy investors. The fact is, crises in the financial markets generally create opportunities, as we saw once again in 2009. The market panics in late 2008 and early 2009 were characterized by massive sell-offs in virtually every asset class, with the proceeds being funneled into U.S. Treasuries. For those who were paying attention, the indiscriminate nature of the selling created a situation where even high-quality, low-risk investments like high-grade corporate bonds saw their prices driven down to extremely low levels. We capitalized on the situation by increasing our holdings of several bond funds that we felt were particularly well-positioned to benefit from the rampant mispricing and the managers of these funds didn’t disappoint. The easy returns available to bond investors back in 2009 are now mostly gone. However, given the still high levels of fear and anxiety in the financial markets, we continue to see attractive opportunities in fixed income and believe bonds should continue to play an important role in most client portfolios going forward.

Bond Market Fundamentals

When it comes to building our bond portfolios, we value flexibility (or liquidity) highly, as it allows us to react quickly to changes in interest rate levels, market sentiment, or our clients’ income needs. As with stock funds, we favor bond managers with long, highly successful track records. Fortunately, the bond market behaves very differently from the stock market, with less uncertainty and trends that tend to develop more gradually over time. As a result, we construct bond portfolios in a manner that is quite different from the approach used with our stock portfolios. The bond funds we prefer to use at any point in time will be a function of current economic climate, interest rate levels and a client’s need for safe, steady sources of income. Prior to the major downturn in late 2008 our bond portfolios were generally quite conservative, invested primarily in Treasuries, Treasury-

equivalents, and high-quality corporate bonds. During the downturn we recognized that Treasury bonds and their equivalents had become seriously overpriced, while some other fixed income investments had been beaten down so severely that they offered tremendous investment opportunities without compromising much in the way of safety. As a result, we significantly reduced our exposure to Treasuries and their equivalents and increased our exposure to corporate, convertible, and foreign bonds. This strategy paid off handsomely as prices returned to more “normal” levels. As we look forward, market fundamentals now dictate that we increase client exposures to Treasuries and their equivalents, along with high-grade corporate bonds, while keeping average bond maturities short. This will protect our clients against rising rates, any additional credit crises and any other unknown shocks that may occur in the future.

THE ECONOMY OVERALL

Overall, we believe there's little doubt that an economic recovery is underway. What is debatable is the strength and sustainability of the expansion. We have averaged about 100,000 in private sector job growth each month in 2010, and about 119,000 jobs over the latest three months, or slightly above 1% at an annual rate. If overall productivity gains continue to stay above 2%, GDP growth should be above 3%. That’s decent news. Digging a bit deeper suggests slightly stronger growth due to the sizeable rebound in the office workweek. So while job creation has grown by just over 1% annually, hours worked has also increased by more than 1%. When you put all of this together, man hours are rising by more than 2%. If we now add productivity into the mix, we estimate that GDP growth could reach 4% this year. That said, this would still qualify as a slower than normal recovery to this point.

What about the future? Opinion is very divided, of course, but the uncertainty revolves around the pace of expansion, not really whether the recovery is sustainable. The recovery seen so far has unfolded against a financial restructuring of the banking sector, industry, and household finances. Despite those significant headwinds, the economy has made the transition from recession to recovery quite quickly. Some new headwinds are now apparent. European growth will be a bit weaker which provides a small headwind. That said, domestic headwinds should abate as jobs are created. Banks have recapitalized which makes them much safer. However, it would be nice

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to see lending increase a bit more. Companies today are sitting on about \$1 trillion in cash and profit margins have recovered very sharply. Although hours worked have increased, it would be nice to see more permanent jobs. Thankfully, households have reduced debt, inflation is very low and interest rates are likely to remain quite low for an "extended period" of time. In addition, our population continues to grow faster than new housing construction, cars are being junked faster than new production, and computer replacement is overdue, reflecting improvements in computer productivity, all of which imply pent up demand. Sooner or later, growth should pick up. Apparently, we all need to be a bit more patient.

Overall, we continue to hold some cash and bonds in our portfolios, reflecting our judgment that investors remain quite nervous, despite cheap stock valuations. It is our further judgment that the market is overly pessimistic, which is why stock values are depressed, but also why we think purchases at current levels will prove rewarding in time. So we intend to invest our cash, although we also intend to proceed cautiously, reflecting the market's nervousness.

In a nutshell, we believe not much has changed since last quarter. After a fantastic run-up, the market is consolidating a bit and then we believe as the economy expands...the market will naturally follow.

AN INTERVIEW WITH DR. JOE & DR. SCOTT

The feedback regarding the previous Q&A sessions at the end of our recent newsletters has been so positive that we've decided to expand on the theme a bit by adding Dr. Scott Below to the mix. The questions and answers cover a wide range of topics from the economic recovery to the major provisions of the financial overhaul bill. Enjoy the interview and feel free to follow up with additional questions to Dr's. Scott, Joe & Brownie.

Q1: In general, what really worries you guys right now?

Joe: I don't think our worries have changed all that much, to be honest. We know what we can and can't control when it comes to investing, so we focus our energies on the things we can control. Things like manager selection, asset allocation, rebalancing, maintaining focus on the long run, educating clients, etc. In addition, there is little doubt that an economic recovery is underway. What is debatable is the

strength and sustainability of the expansion. So, my biggest worries are focused on our clients and their emotions. We don't want them to make emotionally based decisions. Fear and greed are powerful emotions and the media acts as a very effective catalyst. I worry that some of our clients may get impatient or scared and make some poor decisions based on bad facts. So far, we have done a pretty good job of explaining our strategies, which has led to virtually no turnover...or panic.

Scott: My biggest concern right now is not the economy, but the possibility of another round of fear-induced panic selling. Once set in motion, panic selling tends to feed on itself, much like a wildfire, and before long you've got something like what we experienced last February and March. The memories of what we went through in 2008 and early 2009 are still fresh in most investors' minds and we always worry how much volatility a person can stand before they just want to give up. I'm not the least bit concerned with our clients' portfolios because our allocations are conservative, our managers are excellent, and we won't let ourselves get caught up in a panic selloff. However, I am concerned about the emotional toll a second market panic would have on investors, especially if it were to come so close to the last one. Everybody has a tipping point and I worry a second panic could cause many investors to swear off investing in stocks for good.

Q2: Where do you guys stand on the overall economy?

Joe: I believe I'm a bit more optimistic than the average person, but I base the optimism on economic data. In general, we got the initial bump in the economy that we expected last year. The stimulus did what it was supposed to do - it jumpstarted the economy. This year, we are seeing jobs being created instead of lost, so we are moving in the right direction. In addition, consumer confidence is up, housing has bottomed in a number of communities, hours worked and pay rates are up, and manufacturing is rising. So, you can see that we have turned the "economic" ship around and have it pointed in the right direction. That said, this is going to be a long slog. Even CEO's, who are much more optimistic than they were last year, are holding more cash than they have ever had on their balance sheets. Why? They want to protect against a possible rainy day. Although I am optimistic, I realize this expansion could be muted over the next year. When you look back at every economic expansion, there was an "inflection point" when things took off. That inflection point could be two months or two years from now.



Scott: I may be less optimistic than Joe but I'm definitely not pessimistic about the economy. As we've stated numerous times, financially-driven recessions take longer to recover from than ordinary demand-driven recessions. This is largely because, with financial institutions struggling, financial activity is inhibited and it is more difficult for consumers to borrow and for companies to raise the capital they need to grow and expand their operations. Don't get me wrong, I think we're headed in the right direction. However, recovering from a major financially-driven recession is generally slow going, so we need to remain patient and not let our expectations get ahead of reality.

Q3: Everyone was worried about inflation a few months ago...now people are talking about deflation. Why?

Joe: In order to have inflation, you have to have 1) Increase in the velocity of money, where money changes hands at a quicker pace. 2) Banks lending at a rapid rate, which increases the money supply. 3) Cost push or labor price increases, where those hikes are passed onto the consumer and/or 4) Rising commodity prices. Right now, you have none of these issues. People are not spending a lot, banks are not lending a lot, labor prices are virtually frozen and in many cases commodity prices are going down. That can lead to lower prices...or deflation. Frankly, given the current economic data, I think both the concept of inflation and deflation are way overblown.

Scott: I know some people were worried about inflation but since the recession began, the Fed has never once signaled any serious concerns about it. The Fed views inflation as Public Enemy Number One, so if they aren't worried it's probably not something to get overly concerned about. Deflation is a possibility, however, although right now it seems unlikely to become a severe problem. We will probably continue to see deflation in the housing markets of cities like Miami and areas where developers significantly overbuilt, but this is a regional phenomenon and not a trend we expect to see nationwide. In fact, in many areas of the country we're seeing home prices starting to rise again.

Q4: Where does the U.S Economy stand with Greece and Europe? What are each of your opinions?

Scott: The European Union probably plays a smaller role in the U.S. economy than most people realize. Right now, total U.S. exports only make up about 11% of U.S. gross domestic product (GDP) and only about 20% to 25% of

U.S. exports go to Europe—even less goes to countries on the Euro common currency. This means that less than 3% of our over \$13 trillion economy has direct exposure to the European export market. So even if Europe slows dramatically, the direct impact on the U.S. economy would be relatively minor. The biggest threat we see from the European predicament would be the possibility that problems in their financial markets spill over to the U.S. financial markets. As of now, no problems have materialized. In fact, the only significant impact we've seen on U.S. financial markets so far is increased demand for U.S. Treasuries, which has driven interest rates lower and actually helps the U.S. economy.

We think major Euro-zone countries like Germany and France have way too much at stake to allow a small player like Greece to drag them down. The problems in countries like Greece and Portugal are long-standing, well known, and they need to be fixed. The medicine will be tough for the citizens of those countries to swallow and we would expect to see continued protests across Europe this summer. As unpalatable as the medicine might be, the only way they can achieve a palatable outcome is to plug their noses and swallow hard. Frankly, we hope our politicians are paying close attention...

Joe: I concur and could not have stated it better. The Greece issue was way overblown with regard to how it would affect our economy. Of course, what issue isn't overblown these days. Investing is a long-term proposition, so the amount of energy that goes into over-analyzing every little short-term economic item seems like such a waste of resources. That said, the dips they create help us provide long term value to our clients.

Q5: There is much discussion everywhere of double-dip; where the economy goes into a recession again. What are your thoughts?

Joe: Well, you never want to say never, because anything is possible. I would say that there is maybe a 5% chance that it could happen, so I obviously don't think it's very likely at this point. Our economy is now turned in the right direction and moving forward. The economy will probably move in fits and starts until it hits the "inflection point". After that, people will wish they were invested in the stock market. The unfortunate part is there is no way to predict the "inflection point" until after the fact. It's kind of like the people who got out of the market last year. I bet they wished they had remained patient. I believe that's what will happen going forward. At some point, we're going to have a monster year. I hope that year is soon for our clients...



Scott: I agree with Joe that the likelihood of a double-dip seems small at this point, but we don't have a crystal ball and neither does anyone else. Like I mentioned earlier, financially-driven recessions take longer to recover from and I think we need to resign ourselves to that fact and remain patient. The economy is growing again, but growth will likely be subdued for some time and we'll probably experience some ups and downs along the way. The most important thing for investors during periods like this is to have a solid investment strategy and stick to it. Trying to guess where the economy is going next and change your allocations accordingly is a good way to wind up poor.

Q6: Where do you guys stand on the deficit?

Joe: Again, I don't think you'll find much difference in our opinions here. We both prefer less debt to more. Neither of us thinks the deficit will continue to grow at the same rate and we both believe it will trend downward. As long as we continue to run lower and lower deficits, our economy will be fine. Frankly, this is another topic that gets beaten to death and most of the people who get incensed by our deficit really don't understand how it works. (Note: There is a reason why credit agencies around the world give our US debt a AAA rating and why investors treat our bonds as the safest option in the world. We're not even remotely close to defaulting. In addition, it's also why everybody buys treasury bills when they get scared...it's the safest place you can be when things get dicey.)

Scott: Using government spending (i.e. fiscal policy) to help control business cycles is cumbersome and I'm not generally a fan, but in extreme situations like the one we've just been through I think it was warranted. It is easy to criticize proponents of fiscal policy as liberal spenders, but that's only part of the story. Promoting deficit spending in severe economic downturns makes sense economically, but you also need to promote aggressive austerity measures (and run budgetary surpluses) in the subsequent economic upturns in order to keep the national debt in check. Unfortunately, our politicians (from both parties) have never been very good at control spending or running surpluses during economic booms. We're fortunate that our past budgetary indiscretions aren't causing a major problem, at least not yet. We've still got plenty of investors lining up to buy our Treasuries and the strong demand is keeping the cost of borrowing low. We've dodged a bullet for the time being, but the demand for U.S. Treasuries isn't inexhaustible. So once the economy recovers we need to get serious about fiscal responsibility and bring our deficits under control...which we believe will happen.

Q7: The general consensus seems to be that the consumer is the only one who can lead us out of the current mess. What do you think?

Joe: Well, the consumer is certainly a huge part of the equation. But they're not the only piece. It begins with job creation, a general confidence and animal spirits. If we believe everything will be okay, we'll spend more and magically grow out of this. However, if we (as a whole) believe the world will be a worse place and the future is bleak...it can be self-fulfilling. That said, I believe we are on the verge of some very special innovations in health care, technology, and energy. You see, entrepreneurs, business owners and innovators never change. They love to problem solve. Luckily, we have more of those types of people on our planet than we have ever had before. In the old days, you had one job during your lifetime and that was basically it. Today, anyone can be an entrepreneur. Anyone can be a success. And they don't have to come from America. The idea that will change our future can come from anywhere. With more minds and greater access to information...the sky is the limit. As an entrepreneur and business owner, I've never been more excited about the future. And I can assure you, there are a bunch of us out there.

Scott: Consumers are important to any economy. After all, without consumers, producers would have no one to sell their goods and services to and the economy would grind to a halt. American consumers will continue to consume going forward—I don't think that's in doubt. The real question is whether the consumption levels will be as high as they were before the recession? Given the levels of debt U.S. consumers have amassed it's hard to argue that they can continue consuming at pre-recession levels, but what Joe says about entrepreneurs not having to come from America is equally true of consumers. In fact, we currently have more consumers worldwide than at any other time in history, and the billions of consumers residing in what were previously some of the poorest nations on earth are the ones making the biggest strides in terms of growing their disposable incomes. As a result, over the next decade we'll probably see consumer demand grow at levels that are historically unparalleled, and that's good news for the U.S. economy and the global economy.

Q8: What are your thoughts on the Financial Overhaul Bill?

Joe: Well, I'm not one of those guys who expects every bill passed to be perfect, so I like a lot of the provisions.

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Bank capital standards, oversight agencies, and the new derivative rules all make sense to me. I would rather have too many regulations than none at all. In the past, investment banks, hedge funds and many derivative securities were either minimally regulated or not at all. Some rules are very burdensome, but it beats the alternative of no regulation. The bill also attempts to hold broker dealers to the same standard as registered investment advisors...so that will help consumers. Overall, most of the rule changes make sense. At the end of the day, the new rules should create a more level playing field for the consumer. Now, do I think it will stop the next bubble or market crash? No, that's virtually impossible as new securities and markets are developed. I fully understand that some of the bills will stifle innovation...but that will be temporary as innovators figure out how to skirt any issue.

Scott: After every financial crisis we tend to see increased regulation, and this time is no different. Historically, we've had a tendency to over-regulate initially in response to a crisis and then tweak and gradually relax some of the regulations down the road. We clearly need new regulations to help protect both investors and consumers and to level the playing field, and the biggest need is probably transparency. A big part of what got us into this mess was the mercurial rise of unregulated mortgage derivatives. Since they were unregulated, no one knew the extent of the risks they posed to the economy. That obviously can't be allowed to happen again and the overhaul bill looks to do a reasonable job of addressing this, which is good.

A FINAL NOTE

Thank You

As usual, if you have any questions regarding the markets, the economy, our managers or your personal portfolio do not hesitate to call or e-mail us. In fact, if you have any questions about anything financially related, do not hesitate to call us. Your confidence in our management and your recent client referrals are very much appreciated. Remember, we are always looking out for your best interest and are here to help you with any of your financial needs. Enjoy the summer weather...

~ Joe and The Gang at KWAG

COMPLIANCE NOTES - BE PREPARED!

A Note From KWAG's Chief Compliance Officer

We would like to take this opportunity to remind each of you how important Estate Planning is. Two important parts to this planning is having an Updated Will and IRA Beneficiary Forms. If you have not updated these recently, please take the time to do so now!

Your IRA Beneficiary forms can be requested through Katie Burr at the email address below. They are simple and easy to fill out. Please let Katie know if she can provide one for you.

Regarding your Will, we have many resources that we can provide for you if you do not have one or just need to update yours. Contact Katie or your advisor to get you pointed in the right direction.

These items play such an important role in what happens to your accounts in the event of your death. Before it's too late - don't leave your loved ones unprepared!

Best Regards,
Katie Burr, Chief Compliance Officer
Email: katie@thekielygroup.com

KIELY WEALTH ADVISORY GROUP, INC.

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*IMPORTANT DISCLOSURE INFORMATION

Performance results represent results reported by each reflected mutual fund during the corresponding time period. Kiely Wealth Advisory Group, Inc. ("KWAG") currently utilizes these mutual funds in managing actual client portfolios. However, the individual mutual fund performance results **do not** reflect the results of any specific KWAG client portfolio or any KWAG composite.

Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the performance results reflected or any corresponding historical index. The historical index performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a specific investment meets, or continues to meet, investment objective(s). It **should not** be assumed that any account holdings will correspond directly to any comparative index. The performance results do not reflect the impact of taxes.

Please Note: the individual depicted mutual fund results **do not** reflect the results of any specific KWAG client portfolio or any KWAG composite. **For reasons including** variances in portfolio account holdings, market fluctuation, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated reported mutual fund results. In addition, the above results only reflect the results as reported by each respective mutual fund company. Portfolios managed by KWAG would also incur a KWAG advisory fee, the deduction of which would result in decreasing the reported performance results. **For example:** a KWAG advisory fee of 1% compounded over a 10 year period would reduce a 10% return to an 8.9% annual return).

Please Remember: In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise KWAG immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by KWAG) will be either suitable or profitable for a client's or prospective client's portfolio. **In addition,** the mutual funds depicted are funds that KWAG may utilize and/or recommend as of specific date, and are subject to change without notice. **Accordingly,** no client or prospective client should assume that the above reflected mutual funds serve as the receipt of, or a substitute for, personalized advice from KWAG, or from any other investment professional. **Information** pertaining to each depicted mutual fund is set forth in each respective fund's prospectus, a copy of which is available directly from each mutual fund company or from KWAG upon request.

All performance results reflect the performance results reported by each respective mutual fund to Morningstar, and have not been independently verified by KWAG. KWAG also maintains all information supporting the reflected mutual fund performance results.

Information pertaining to KWAG' advisory operations, services, and fees is set forth in KWAG' current disclosure statement, a copy of which is available from KWAG upon request.
