GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

At this writing it appears that the dreaded "sequester" will begin on March 1st in some form or the other. Neither party was willing to blink and the leadership of each party wasn't strong enough to gather enough votes for compromise ideas floated in the last few weeks. Some observe the intransigents as strong willed leaders when in reality it is the opposite. If John Boehner and Harry Reid were strong leaders of their parties in each chamber they could have crafted a compromise deal that would have included the three essential elements necessary to create truly important fiscal remedies. The elements are: expense reduction phased to create meaningful longer-term debt reduction on total, not annual, deficits; social entitlement eligibility requirements adjusted to reflect current and future forecasted life expectancy; and revenue requirements sufficient to pay for promises made.

Across the board cuts are a simple, intellectually weak way to reduce expenditures but reflect the current political reality. Lobbies are so effective that all expenditures have a vested interest behind them. The past weeks have demonstrated the demagoguery and demonization tactics associated with the practice. Rather than truth telling the vested interests use scare tactics and polls to justify their positions. Let's look at some realities the "sequester" would force $85.0 billion in cuts but… not really. The "sequester" date is March 1st but lags in impact due to actual budget timing. Even if it were a true total $85.0 billion in actual expense reductions it is 2.5% of the total projected budget. I say projected because there is no actual approved budget so even the $3.6 Trillion annual budget figure is approximate. Because the cuts are across the board and only impact discretionary spending items, which amount to 31% of the total projected budget, the hit to discretionary line items equates to, at the worst, 13%. Is this easy to do? No, but certainly not impossible. Will it retard our growth? Maybe, but only marginally and then not permanently. Is it a smart approach? Not really, but if we have really weak political leaders it may well be our saving grace for future (25 years) impending doom. Over the next decade this "sequester," assuming it stays in place, will only reduce our total deficit by $1.1 trillion. To put that in perspective, our real need is to reduce our total deficit by about $6.0 trillion, which will put it in line with projected GDP and requires annual budgets that have surpluses of significant size in at least seven of the next ten years. Scare tactics and stonewalling will not produce the needed result but may be short-term

Commentary, continued

politically expedient for weak leaders. Demagoguery raises money, wins primaries and gets people elected. True leadership makes hard decisions, takes heat, and tells constituents and special interests the truth.

So if the dreaded "sequester" becomes the fiscal reality what happens to our economy? Not much. Those who said we were in for a decade of stagnation after the Great Recession of 2008 – 2009 were, and remain, right. Four essential components of growth — population growth, income growth, employment growth and GDP growth — have been dormant and will remain so for some time to come. The "sequester" will take GDP from 2.0% to 1.3%, unemployment from 7.2% to approximately 9% and the "sequester" wasn't ever a game changer for population growth or income growth and, therefore, from a macroeconomic perspective doesn't matter as much as we are scared into believing. Don't misunderstand me, I am not in favor of the "sequester" but if that is the only option available due to weak political leadership on both sides of the aisle, I can learn to develop an appetite for it because I fully understand the larger and more fatal mistake is to keep doing what we have been doing and suffering the same result. If the economy is not in significant current danger how are the markets going to react?

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We have often written that markets hate uncertainty and are largely apolitical. Markets love trends in place and level landscapes though they do tend to climb walls of worry and fall into valleys that appear peaceful. So what do we have here? If "sequester" becomes operational, markets can value and therefore price future results because they will be able to accurately forecast essential components of GDP growth, correlation of S&P earnings to GDP growth and corporate margins. Continued flat economic prospects also keep in place accommodative Fed policy which is essentially easy money supply and low interest rates. The bull market in bonds is certainly over but the bear market in bonds has not yet started. Fixed income remains little competition for equities which means a moderately priced equity market with a near 2% dividend yield could go 10% - 12% higher. That's right, an economy that languishes can still produce a pretty good historical return in equities at least in the short term. Corporate balance sheets are in the best position that they have been in for nearly a decade and are holding significant cash balances. We of course would like to see more investment of this cash but for the present, cash as a stability measure and as an indication of free cash flow growth is valued by investors, we don't look for there to be a significant change in corporate investment of cash that is different from 2012. Tax rates increases are rearview mirror issues and have been priced into the current market.

The next shoe to drop beyond sequester is debt ceiling and federal budget. If you recall in our January newsletter we laid out three really important issues that would have to be dealt with during 2013. Beyond the "sequester" the next issue is the debt ceiling. This could well be the issue that triggers the most important legislative body of work. The reality is that we will reach our legislatively authorized debt ceiling in August and without budget action combined with legislative authority, the government would eventually not be able to meet its obligations from an operational and debt payment perspective. In essence, this issue travels beyond shutdown to default. This is an order of magnitude that is hugely different. Weak leadership fears this prospect and therefore we expect to see it replace the "sequester" debate quickly. One political party (you guess) has been far more effective at social networking and using the medium to form public opinion. The impact of the success of social networking as a tool of ideological advancement is that we are now in a constant campaign mode from both sides of the aisle. My inbox is a virtual description of the entire bandwith of both political parties' perspectives, ranging from the extremes of each and resting near the center. I am certain yours is not much different. When I engage with, respond to, or have actual conversations with the congressional and senatorial elected representatives that contact me, I find mostly reasoned perspectives and receptive minds. It is only when they return to "inside the beltway" that their memory fades, as does their ability to change the condition we are in. I know it has everything to do with party agendas driven by ideology, coupled with a new phenomenon called the politico-industrial complex amplified by the egocentric desire to survive, not necessarily serve. The result is that the majority of us are not served. Let's take a real life look at just one public policy issue that is a radar range issue for both parties and has GDP, environment, employment and fossil fuel dependency issues. We can identify the extreme issues and also craft a middle ground approach to actually accomplishing the majority of the extreme agenda's while also getting the practical solutions that move our country forward now, not later.

"… it has everything to do with party agendas driven by ideology, coupled with a new phenomenon called the politico-industrial complex amplified by the egocentric desire to survive, not necessarily serve."

Issue: Keystone Pipeline

Environmentalist issues

1. Fossil fuel dependence
2. Unknown environmental long-term results similar to Alaskan pipeline

Proponent's issues

1. Brings North American supply to export ports and reduces North American dependence on foreign oil.
2. Historical results of Alaskan pipeline are known and would be less invasive in a less harsh environment.

Solution Possibility — allow pipeline while simultaneously:

1. Increasing CAFE standards and reduce fossil fuel consumption.
2. Increasing audit requirements and environmental standards of pipeline management to increase jobs and protect the environment

Neither extreme would be happy (good), but the public would be served and the vested interests and lobbyist industry (politico-industrial) would be rendered mute. In the process, jobs would be created, energy independence would be enhanced and longer-term fossil fuel dependency would be diminished. If that sounds familiar to you, then you are aging yourself because it is exactly how public policy was formed decades ago and, I submit, how it should be formed today.

Commentary, continued

Over the years, many who read this commentary monthly have tried to guess my political party affiliation. I get several comments, calls, and e-mails monthly trying to ferret the question out. The truth is that I am a captive of neither but I embrace elements of both. Each makes me equally crazy as well as optimistic. Both are equally wrong in my view, equally void of leadership and equally on-point in certain policy areas. Both want government for something and each want government involved in nothing but they have disparate wants in all directions. I am both wildly optimistic and frantically pessimistic about our future but increasingly I am longing for honesty, candor and a willingness to have legislators that are intellectually honest and willing to do the right thing always, and willing to do it irrespective of the political consequences.

Michael F. Odar, CFA
President

"Education for the purpose of knowledge acquisition and to increase the breadth and depth of service to clients has always been a part of our culture."

Knowledge is Power

As part of our 2013 Strategic Plan to "Be the best by focusing on what we do best", we are focusing on four primary initiatives: Process Improvement, Benchmarking, Data Collection and Analysis, and Education and Training. All are equally critical to our plan, however I wanted to take this opportunity to highlight our Education and Training initiative. In part because I don't think educational pursuit is something most people put out there about themselves and because we are committed to making sure those that serve have opportunities to engage in sophisticated knowledge acquisition. After all, knowledge is power.

Education for the purpose of knowledge acquisition and to increase the breadth and depth of service to clients has always been a part of our culture. This can be evidenced by the number of our teammates with professional designations. For example, we currently have six teammates with their Certified Financial Planner (CFP) designation, seven with their Chartered Financial Analyst (CFA) designation, twelve with their Certified Trust and Financial Advisor (CTFA) designation, and four with their Juris Doctor (JD) degree. This year however we are purposely reinforcing the importance of education by including it in our strategic plan and doubling the amount budgeted for education and training versus our 2012 budget.

In 2013, members of our team will be pursuing their Six Sigma certification in Financial Services, Masters of Business Administration (MBA), CFP designations, CTFA designations, and Certified Private Wealth Advisor (CPWA) designations in addition to numerous specialized training sessions focused on impact in their role. This is part of their personalized coaching with their division leader that focuses on their growth.

I'm proud because I know how hard

everyone here works on behalf of our clients during "normal" business hours and then adds on the rigors of studying. I'm also proud because I know why they do it. It's not to have an alphabet soup of letters after their name or to build a resume for a future employer, it's to be the best they can be for our clients. I know this because we use continuous improvement and mission/purpose lenses as part of our hiring process.

Are You Sleeping at Night?

Allison L. Birmingham
Wealth Management Advisor

Whether you are a new investor or seasoned investor, you have undoubtedly encountered the questions that go something like this, "What are your financial goals?" or "Are you currently relying on your investment accounts for income needs?", and others very similar. Investing is a lifelong activity suitable for anyone wishing to set financial goals, short- and long-term. The said questions, along with meetings to understand an investor's lifestyle and goals, assist in determining the appropriate asset allocation for an individual's portfolio.

Identifying the structure of a portfolio, or asset allocation, using qualitative and quantitative data is one of the most difficult aspects of investing. A portfolio designed for a 25 year old versus a portfolio for a 65 year old will undeniably differ in many ways. The portfolio for each, however, has one common interest which is to meet the goals of the investor.

The allocation of a portfolio should be determined with an eye toward providing the investor a sense of relief and comfort; knowing their hard-earned money is working for them and toward their goals. An investor experiences many phases, whether that be saving and accumulating assets for retirement or preserving assets to withstand volatility during distribution years. Sleepless nights are not a question.

A portfolio will generally shift from growth-oriented with a long investment time horizon towards a conservative asset allocation as the individual nears retirement. During this shift, the investor should remain comfortable through violent ups and downs of the market because their asset allocation is appropriate for the stage of their investment time horizon.

As the individual enters the distribution phase (or retirement) it is crucial the asset allocation is structured to survive the test of time. The mechanics of an investment portfolio during pre-distribution (or the saving phase) are very different than those of a portfolio which is in distribution phase. Should an investor begin to rely upon their investment portfolio for current income and the market turns downward, multiplied by recurring distributions, the portfolio drag can be

"Identifying an appropriate asset allocation for a portfolio, which will allow the investor comfort and nights full of rest during market highs and lows, is essential at all stages of an investor's time horizon."

Sleeping at Night, continued

difficult to overcome. Alternatively, a portfolio in the accumulation phase, or pre-retirement, has more time to recover from volatility and can therefore endure greater amounts of risk.

Simply said, when determining an asset allocation for the distribution phase it is crucial that it is structured to avoid significant losses and extreme volatility. Diversification has proven to be an effective and valuable guideline for new and seasoned investors, as it assists in the reduction of risk and volatility. As research has proven, there is not always a true winner year after year among the countless asset classes, and predicting next year's winner is nearly impossible.

Identifying an appropriate asset allocation for a portfolio, which will allow the investor comfort and nights full of rest during market highs and lows, is essential at all stages of an investor's time horizon. Diversifying a portfolio during the saving phase is just as important during the retirement phase; if one asset class were to underperform significantly it doesn't drag the entire portfolio down, as there are other asset classes which will smooth the ride.

Keeping an Eye on ILITs

Carlene R. Korchak, CTFA
Vice President
Trust Relationship Officer

As was discussed in our January issue of Perspectives, we finally have more "permanent" estate and gift tax law with the passage last month of the American Taxpayer Relief Act. The "moving target" of changing estate tax exemption amounts and tax rates over the past 12 years brought forth some creative writing on the part of estate planning attorneys, and made great estate plan reading for mathematical types that enjoy "if/then" challenges. Beginning in 2013, the personal estate and gift tax exemption amount is $5,250,000 which is indexed for inflation in future years, and the tax rate for any amount over that exemption is set at 40%. Now that there is more permanence, this is a good time to review past planning and make sure that what is in place makes sense with your goals going forward. Following is a discussion of a planning option that is worth reviewing carefully in today's environment.

One technique that is used to "replace wealth" to heirs where estate tax might be an issue is the use of an Irrevocable Life Insurance Trust (ILIT). This was especially popular 10 to 15 years ago when the estate tax exemption amount was much lower. Using this method, a trust is created and owns a life insurance policy on the grantor's life. Since the irrevocable trust owns the policy, the death benefit is not included in the value of the grantor's estate unless an existing policy was gifted to the trust within three years of the grantor's death. At the insured's death, the proceeds of the policy are collected by the trust and paid to the beneficiaries, usually the grantor's children. In effect, this can compensate heirs for the amount of estate tax due at the grantor's death, or perhaps could compensate heirs for significant charitable gifts in a grantor's estate plan. This also works well for business owners or others with illiquid estates where those illiquid assets might otherwise need to be sold to pay estate tax.

For those who have created an ILIT in the past, this is a good time to determine if it still meets your needs and fits with your goals. When making this determination, keep in mind that the trust owns and controls the policy, and the trustee is in charge of all decision making. In light of those facts, current circumstances should be considered. Is it still necessary to replace wealth to heirs or generate cash to pay estate tax, or is estate tax no longer an issue under the new law? Is it worth continuing to pay premiums, or perhaps increased premiums, to support the death benefit? Under the terms of the trust, is the trustee empowered to "unwind" the policy and terminate the trust? What are the terms of the policy (e.g. surrender charges, tax consequences, etc.) that might impact a decision to surrender it? Also, if the policy is surrendered, any proceeds received will be paid per terms of the trust to, or in trust for, the beneficiaries, not to the grantor. Is this an appropriate time to do so?

Holding an insurance policy within an ILIT is a method that works well when managed properly. The key words in that sentence are "when managed properly." There are many types of policies, and the various options available are often misunderstood. Term, whole life, variable or guaranteed universal life are just some of the types, each with their own characteristics, benefits and risks. A life insurance policy, and the company providing it, should be selected carefully to fit the circumstances.

In contrast with conventional wisdom, timely payment of premiums does not guarantee receipt of the planned death benefit. Over the past several years, we have all heard of the failure or near failure of various insurance companies, even large, well-known ones. Relying on ratings from agencies such as Moody's or Standard & Poor's to determine the viability of an insurance company is no longer acceptable. A thorough, objective analysis of the insurance provider on a regular basis is very important.

More critically important is a "deeper dive" into the viability of the insurance policy itself. Insurance policies are not savings accounts. While many policies function as intended, understanding the type of insurance owned and examining ongoing performance is crucial. Especially for certain types of policies that were purchased years ago under assumptions and projections when market conditions were very different from what has actually occurred, and as the insured ages and mortality

"The "moving target" of changing estate tax exemption amounts and tax rates over the past 12 years brought forth some creative writing on the part of estate planning attorneys, and made great estate plan reading for mathematical types..."

Eye on ILITs, continued

"...while ILITs can work well and are appropriate in certain situations, they also have risks and require serious due diligence on the part of the trustee."

charges within policies increase, internal expenses of the policy may exceed the earnings and premiums paid. This can cause the policy to "implode," meaning reduced or no death benefit available for payment at the insured's death.

Worse yet, when certain types of policies collapse not only is there little to no death benefit, in some situations there can be "phantom gains" or other income tax incurred, all at ordinary income tax rates. In this worst case scenario, not only is the original funding lost, but tax can be due even though the policy owner received nothing. This certainly was not intended in the original plan! To add insult to injury, the only notice the insurance company may provide is a lapse notice with a premium due bill, and the premium due may be so high it makes no sense to pay it. Keeping abreast of the "inner workings" of the policy annually can help prevent such issues and provide more options for resolution if a concern develops.

As you can see, while ILITs can work well and are appropriate in certain situations, they also have risks and require serious due diligence on the part of the trustee. This due diligence sometimes requires hiring an objective third party expert (not the insurance agent receiving a commission) to assess the situation and make recommendations for resolutions. For these reasons, Greenleaf Trust is willing to serve as trustee for an ILIT only when there is an existing wealth management relationship where we are familiar with the family's circumstances and comfortable that such a plan is suitable for our client's goals. Please contact one of your client centric team members at Greenleaf Trust if we can answer any questions regarding this technique.

Kathleen J. Waldron, QKA
Vice President
Senior Plan Manager

Required Testing in Qualified Retirement Plans and Solutions to Consider

This time of year retirement plan providers are busy completing the annual Actual Deferral Percentage (ADP) tests for qualified retirement plans. This test in particular can be very impactful to certain plan participants. This is a non-discrimination test for 401(k) plans mandated by the IRS to ensure that a plan does not unduly benefit highly compensated employees (HCE) at the expense of other employees. It is one of many tests in the suite of compliance testing that Greenleaf Trust prepares on behalf of our clients. Under the ADP testing rules, the average employee contributions (both pre-tax salary deferrals and Roth 401(k) contributions) of the highly compensated employees and non-highly compensated (NHCE) employees are calculated and compared on an annual basis based on the plan year. To pass the test, the ADP of the HCE group may not exceed the ADP for the NHCE group by 1.25 percent or 2 percentage points. If the plan fails the ADP test, corrective action must be taken to protect the qualified status of the plan arrangement. The law and related regulations provide various methods for correcting failures during a "correction period." This statutory correction period is the 12-month period following the close of the plan year in which the failure occurs. If corrective distributions are made after the first 2½ months of the correction period, the employer (not the HCE) is liable for excise tax. If correction is not made within the correction period, the plan is considered disqualified. In essence, however, it is important to note that there is no inherent problem with failing the test as long as corrective action is taken within the proper time frames.

Failing this test can inhibit employee contributions to a 401(k) plan by individuals who meet the criteria and are considered highly compensated. Receiving a distribution of previously deferred compensation dollars including any gains or losses is not well received by most individuals who may be impacted following an ADP test failure.

"Failing this test can inhibit employee contributions to a 401(k) plan by individuals who meet the criteria and are considered highly compensated."

One solution to this problem is to incorporate a safe harbor provision to the plan. This option, while adding costs, would alleviate the requirement for completing the annual ADP test, thus allowing all HCE's to defer the maximum amount allowed by law and no returns of contributions would be required. There are two basic options for a safe harbor contribution provision.

1. 3% Safe Harbor Non-Elective Contribution
2. Basic or Enhanced Safe Harbor Matching Contribution

The first option requires a 3% mandatory employer contribution to all eligible participants based on compensation. Some things to consider regarding this option include:

a) All participants who have met the plan's definition of eligibility share in this contribution regardless of whether they terminate within the plan year or work less than 1,000 hours.
b) The Safe Harbor Non-Elective Contribution source is immediately vested in the participant's account (cannot attach a vesting schedule).
c) Generally, the 3% Safe Harbor Non-Elective Contribution may satisfy a top heavy mandatory contribution requirement.
d) This contribution can be easier to budget as it is a straight percentage of compensation.

The second option requires a matching contribution which is comprised of different tiers based on the Basic or Enhanced design. A few things to consider with this option are:

a) The Safe Harbor Matching Contribution is only made for those participants who are contributing pre-tax salary deferrals or Roth 401(k) dollars into the plan.
b) Participants who contribute would share in the Safe Harbor Matching Contribution regardless of whether they terminate within the plan year or work less than 1,000 hours
c) The Safe Harbor Matching source is also immediately vested in the participant's account (cannot attach a vesting schedule).

Required Testing, continued

d) This contribution may not satisfy any top heavy mandatory contribution.
e) This contribution is more difficult to budget as costs could potentially be high if everyone participates in the plan to the fullest extent.

The typical safe harbor match is 100% of salary deferrals up to 3% of compensation deferred plus 50% of salary deferrals up to the next 2% of compensation deferred.

Both of these safe harbor contribution options require a plan amendment and an annual notice which must be provided to all employees no later than 30 days prior to the beginning of the plan year. Ongoing, on an annual basis, a plan sponsor must declare that the plan will be a safe harbor design. Our Retirement Plan Division within Greenleaf Trust would be happy to discuss these options with you at any time. Please contact us for more information.

Josh D. Wheeler, CFA
Research Analyst

Sell Discipline

In last November's newsletter we introduced the Four-Pillar Test, which is our new equity selection framework that focuses on buying good, well-managed, cash-generating businesses at attractive prices. This month, we highlight our new sell discipline, which guides our decisions to exit or trim equity positions. In the same way our Four-Pillar Test retained the spirit and many concepts from its predecessor (the 12-Point Test), the new equity sell discipline looks much like the old one, but has been revised to be made more clear and concise.

Our updated sell discipline is comprised of four instances in which a stock may be sold or trimmed. The Research Analysts at Greenleaf are always monitoring client holdings on a day-to-day basis, but if one of these triggers occurs, it causes the analysts to look more closely at a stock to determine if the position should be exited or reduced. The first two triggers relate to fundamentals and require a fair amount of subjectivity by the Research Team in their evaluation, while the third and fourth are related to portfolio and risk management and are more automatic.

1. The thesis is compromised. No one achieves a 100% success rate in selecting stocks to buy. That is why it is important to have a policy-driven framework for recognizing when the initial rationale for the investment, or "thesis," no longer holds true. When we recognize that a thesis is not materializing as anticipated, we typically sell the stock to reposition clients' money into a better idea.

   The thesis outlines, in a few concise sentences, what we like about the company (driven by our Four-Pillar Test) and why we think the stock will outperform over a long-term horizon (five years or so). Remember, a good company may not make a good investment. It depends on the price paid. So it's not good enough to say why we like a company. The thesis must also state why the stock is undervalued and what we think the market is missing. It could be that the company so happens to be in a temporarily out-of-favor industry, or that the market is too focused on short-term, transitory headwinds and not giving enough credit to its long-term growth prospects. As part of our normal process of staying up to speed on our companies through reading quarterly and annual filings, monitoring news flow, and conducting periodic analysis on their performance, we may realize that our initial thesis was flawed. At that point, the analyst covering the company will do a deeper study and bring his review to the Research Team, which will collaboratively decide if the stock should be sold. Occasionally, the market may overreact to new information, resulting in a swift and material decline. In this case, the Research Analyst may re-evaluate the stock to determine if the change in valuation more than offsets the fundamental change in outlook. However, if the company no longer fits our Four-Pillar Test, we will likely exit the position.

2. The valuation target is reached. Whereas the previous point relates to correcting a mistake, this trigger deals with the opposite – an investment that plays out the way we anticipated. For each stock on our Focus List, we have an estimate for its fair value which we update periodically based on new information. We aim to buy stocks well below their fair value and sell them when they appreciate to fair value. Valuation is an imprecise discipline and more art than science, so we may allow a stock room to maneuver in a modest range around our discrete estimate, particularly if we really like the business. We look at each position in the context of the broader portfolio, looking to trim or sell those stocks with less upside to fair value and add exposure in existing stocks or new stocks (see the fourth point) with more upside to fair value.
3. The position exceeds its target weight. Each stock on the Focus List has a target weight set by the Research Team – typically 2-4%. In order to maintain adequate diversification in client portfolios, we will trim stocks that have appreciated back to their target weight and add to stocks which have dipped below. This prevents clients from becoming overly exposed to stocks which have seen significant gains, and allows clients to maintain exposure to stocks which have become more attractively priced.
4. Another security is more attractive. The fourth instance in which we would sell a stock is simply to make room for another more attractive candidate brought to the table by one of the Research Analysts.

A disciplined, clear sell policy is as important as a sound buy strategy. At Greenleaf Trust, our buy and sell disciplines have been structured to reflect our investment philosophy that buying good companies at attractive prices with a long holding period in mind, while actively maintaining broad diversification, is the best way to conservatively grow wealth for our clients.

"... the new equity sell discipline looks much like the old one, but has been revised to be made more clear and concise."

Stock Market Pulse

Index	2/28/13	% Change Since 12/31/2012
S&P 1500	350.85	6.77%
DJIA	14,054.49	7.77%
NASDAQ	3,160.19	4.87%
S&P 500	1,514.68	6.61%
S&P 400	1,102.64	8.27%
S&P 600	510.43	7.27%
NYSE Composite	8,868.72	5.04%
Dow Jones Utilities	480.41	6.90%
Barclays Aggregate Bond	110.83	-0.03%

P/E Multiples	2/28/13
S&P 1500	15.0
DJIA	13.7
NASDAQ	16.2
S&P 500	14.7
S&P 400	17.8
S&P 600	18.7

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.10%
T Bond 30 Yr	3.09%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	350.85	15.0x	2.12%
S&P 500	1,514.68	14.7x	2.21%
DJIA	14,054.49	13.7x	2.49%
Dow Jones Utilities	480.41	NA	3.99%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.98%

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