Outlook

A Quarterly Newsletter from Roffman Miller Associates

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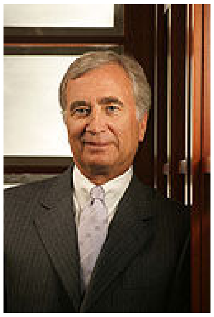
The quarterly 'Letter from the President' is a long standing tradition here at Roffman Miller. Through it we hope to communicate to you, our clients, the firm's view on anything and everything that might be affecting our investments.



Peter Miller
President

One of the pitfalls of providing a quarterly update is that doing so leads us to reporting performance short term, and sometimes losing sight of the long term. It has always been our contention that the past quarter's change in your investments is far less important than the long term performance. Clearly the day-to-day volatility over the past few weeks has been interesting (to say the least), and we're all guilty at some point of getting a little too wrapped up in it. That's ok – unless you're letting it interfere with or dictate your long term plans.

Of course, the older we get the more difficult it is to think about "the long term." This point was really driven home in a recent meeting with a client who was convinced interest rates were not going up anytime soon, and yet instructed us not to buy "any of those long term (ie higher yielding) bonds!" As individuals we always have a degree of unceratinty about the future, and we rely on our instinct to prevent us from suffering losses. At other times, driven by emotion, fear becomes a roadblock to making investment decisions even when our instinct tells us that opportunity is knocking. Clearly, the biggest financial fear as we near retirement is that we won't have enough, or will run out of, money. To give ourselves the best probability for success, we should rely on more than instinct and emotion. We need a long term plan more at that point than ever.

We continue to stress the importance of asset allocation and working with a plan you can be comfortable with through the various market cycles. As a part of that allocation, we will invest our long term dollars in large, multi-national companies where we can rely on talented managers to execute growth plans when times are good, and to make intelligent decisions and steer the companies through difficult times as well.

We invite you to schedule an appointment and review your asset allocation or long term plan with us this summer. As a testament to the success of our approach, Roffman Miller recently crossed the threshold of $500 million of assets under management. This could not have been accomplished without the trust of our clients, our business partners at Charles Schwab, and the great team I work with here at Roffman Miller. Thank you, and here's to continued success for all of us in the long term.

-Peter Miller

How to Handle Beneficiary Designations

Designating beneficiaries for your company retirement plan, life insurance policies, and other assets might seem like a no-brainer. Chances are you would like those near and dear to you to inherit any money you've accumulated during your lifetime, so making sure that happens should be as simple as writing their names on the appropriate forms, right? Well, if only it were that simple. Naming beneficiaries can be more complicated than you might think, and it's a decision that may have significant repercussions for your loved ones.

Know the Basics: You can name almost anyone, or anything, as your beneficiary, including individuals, charities, and trusts. However, it is important to note that children under the age of majority—18 or 21, depending on the state in which you live—cannot be named as beneficiaries of life insurance policies, retirement plans, or annuities. If a beneficiary is not designated, assets will have to go through probate, which can be a lengthy and costly process. Also, be aware that beneficiary designations will override bequests you've made in your will, so please do not rely on your will to sort out these issues. This leads to our second point.

Keep Your Designations up to Date: It would be advisable to review your beneficiary designations on a regular schedule, ideally as part of an annual review of your finances. Major life events, such as a marriage, a divorce, the birth of a child, or the death of a loved one may require that you make changes to your designations. Don't procrastinate on this, as it may end up affecting others' lives. Moreover, you'll also want to review your designations if you or your employer have recently switched retirement-plan or insurance providers. You should not assume that the beneficiaries you specified with your previous provider will automatically carry over to the new one.

Bear in Mind the Tax Consequences: If you decide to designate someone other than your spouse as the beneficiary of your company retirement-plan assets, he or she may have to take mandatory early distributions from that plan and, in turn, pay taxes on the money. Your spouse, on the other hand, will be able to roll over your retirement-plan assets into his or her own individual retirement account (IRA) and won't have to pay taxes until normal distributions begin. There can also be estate taxes to keep in mind if you name a beneficiary other than your spouse. Needless to say, it would be in your best interest to speak with a tax advisor or someone who specializes in estate planning to go over possible tax ramifications.

Be Specific: It pays to be as specific as possible when designating beneficiaries. Most beneficiary designation forms allow you to name multiple primary and contingent beneficiaries and to specify what percentage of assets you'd like distributed to each upon your death. For example, you can state: “I hereby designate my wife, Jane Smith, as primary beneficiary” or “I hereby designate my two children, John Smith and Allison Smith, as contingent beneficiaries, with the proceeds to be divided equally among them.” Of course, it is recommended that you discuss these important matters with your family members beforehand, so that they are prepared and know what to expect.

You Can Use a Legal Trust as a Beneficiary: What if you are in a situation where you can't (or you don't want to) name a person as a beneficiary? You can use what is called a legal trust. A trust means that you don't leave the money directly to the beneficiary, but in the hands of a Trustee who manages it on your behalf for the beneficiary. This is especially useful when minor children or disabled relatives are involved. A trust can be revocable (you can change the provisions later), or irrevocable (can't be undone).

- Lori Hartman
Investment Manager

2011 Making Strides Against Breast Cancer– Save the Date!

The 2011 Making Strides Against Breast Cancer fundraiser 5 mile walk is October 2nd this year. Please mark your calendar now, and help us to make this our biggest event ever.

Review, Outlook

Six months into 2011, the U.S. and global economies are showing the fatigue of a two-year recovery fueled by an expansion of sovereign debt and government expenditures. This is the economic equivalent of force-feeding your children cotton candy and then hoping they can survive both the sugar rush and the crash that follows. We've just finished the cotton candy; it is now time to observe whether the U.S. economy can gain traction and avoid 'the crash' without another round of quantitative easing.

The U.S. stock market, which typically reflects the investing public's collective outlook, has risen and fallen by as much as six percent *twice* so far this year (see chart below), something that tells me two things. One, the institutional players who drive prices in the short term are still playing the game of "Risk-On, Risk-Off" and are happy to book short term profits (or losses) based on global macro events rather than to seek longer-term value in investments as we do. But I don't believe these large trading institutions are alone responsible for the volatility. In order for a long market rally to continue, the investing public also needs to participate. Using equity mutual fund inflows as a gauge, it doesn't look like John Q Public is yet convinced that stocks are the place to go – after the first four months of the year where equity mutual funds saw $18 billion of inflows, the last six weeks leading up to June 22nd saw $26 billion come right back out. The market fell during that period of time, you'll remember, and then shortly thereafter when the consumer confidence number was published it reflected a lower confidence than previous reports. (Coincident data, or the tail wagging the dog? I am not yet convinced that consumer confidence is independent from the general level and direction of the stock market instead of correlated to the actual economy and jobs situation. Further, I believe, so many are getting their news from CNBC today that the financial press is contributing to the generally higher level of anxiety among Americans and *that* skews measurements like consumer confidence)

Chart:
S&P 500
YTD thru
July 6th

Review

The year is half over, and the markets have given us a respectable half-year's worth of returns. No, it hasn't been a straight line but we would not expect that to be the case. Some of the year's winning sectors and industries so far include Clothing, Consumer Finance, Healthcare, Industrials, and Oil & Gas. Excluding Healthcare, they're all indicative of an investing public expecting a robust economy ahead. Healthcare, historically a 'defensive' sector, has been a laggard for some time so there is no surprise that the sector could outperform in a given quarter or six month period just on that basis or because the health care legislation which was predicted to be onerous to providers has not been enacted at a rapid pace.

Technology and Financials are the two notable lagging sectors. In other areas, commodities, international investments, and in particular emerging markets were all unexciting so far in 2011 and lag the U.S. market.

Outlook (continued on back page)

From Operations

Many of our clients have 'opted-out' of paper account statements, but still receive this newsletter by regular mail. If you would rather receive an email version, please let us know by emailing RaRa@roffmanmiller.com

Review, Outlook (continued)

The underlying factor that will drive the market in the long run is corporate profits; that picture has been improving steadily for nearly two years. As we continue to look for investment opportunities, we must understand that some of the margin of safety we look for in a stock is gone – in other words, we are no longer buying "at the bottom." If there are short term destabilizations in the global economy, it will be reflected in our portfolios. The first half of this year serves as a good example, with multiple crises resulting from oil supply constraints, sovereign debt issues, earthquakes, and even inflation issues in some countries having great influence on their, and our, markets. Expect this to continue. But also expect that domestically the trends should continue to look more positive – new applications for unemployment and durable goods orders are two examples of statistics that will have short term volatility but which I believe overall will maintain favorable trends.

Prices for gas and food are off their highs as both oil and grain prices are off their highs for 2011. Maybe that trend lasts through this year, but we do have to face the reality that higher prices at the pump and in the grocery store are likely here to stay.

Within that context of guarded optimism, we continue to believe that investors should own stocks. Several forces have combined to limit the sustainable rate of growth during the current recovery. But low or moderate GDP growth isn't necessarily bad for all companies; many will outperform. Jim Meyer recently said this:

> *Low growth means high corporate cash flows, providing record amounts of money for acquisitions, dividends, and stock repurchases. Competitive interest rates should remain extremely low and the Federal Reserve may hold them at near zero for years to come; if stocks can generate returns of 5-10% per year, they will be highly competitive with other asset classes.*
>
> *True growth companies will stand out and be rewarded with premiums in the market. Lowered total return expectations mean that healthy dividends are important. Companies that do business in high growth areas of the world will benefit.*

I included Jim's comments because I agree with them, and yet I struggle sometimes with being so succinct.

Liquidity for investors should still be a consideration; in other words, if you need income or access to cash, you still need to structure your investments accordingly. And we must account for risks like those mentioned above which are out of our control. But looking out at the host of alternatives, our current outlook emphasizes the opportunity for investors in equities today.

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