



THE HOTTEST TOPIC OF ALL...

What is the single most-asked question in investing? There's a good chance it's "Where's the stock market going?" From individual investors with modest accounts to the largest professional investment managers, it's the universally hot topic. Especially this year. After two down years for most equity market indices, the historical record suggests a return to the plus side. But, as the familiar disclaimer goes, "past performance is no guarantee of future results." Rather than wonder "Where's the stock market going?" individual investors would be better off asking themselves "What can I do about it?" The old saying is that the best defense is a good offense. Individual investors can't influence the direction of the market, but they can prepare their own portfolios for a range of possibilities. That's why asset allocation should be one of the decisions.

Diversification by Asset Class:

Most investors are familiar with the term. Asset allocation means diversifying one's investable assets over a range of asset classes according to one's investment objectives, time horizon, appetite for risk and personal circumstances. The rationale for diversifying one's portfolio among various asset classes is twofold: counterbalancing market volatility with the potential for achieving a higher return based on a given level of risk. The landmark 1991 Brinson study put asset allocation in the spotlight for the investment world when it statistically demonstrated that more than 90% of investment returns were attributable to asset class decisions.

Zigging While Other Assets Zag:

It's clear that the stock market is not a monolithic machine with working parts that move in the same direction at the same time. Investors look back at 2000 as an off year for the stock market. Large-cap growth, small-cap growth and international stocks all posted negative returns. Small-cap value stocks, however, returned more than 22% to the plus side. With asset allocation, all assets do not move in the same direction at the same time. That's why it's important not merely to diversify, but to have available asset classes that are different from one another. Active reallocation to asset classes showing the best relative strength may be the way to a smoother pattern of returns for the portfolio.

Balancing Risk and Reward:

Asset allocation doesn't eliminate risk. (The way to do that is to put money in a savings account, which isn't entirely risk-free after all because inflation may reduce the real value of the account over time). But asset allocation helps manage market risk by balancing risk and reward. Asset allocation is also a long-term decision. Worrying about short-term fluctuations or chasing the hot performers can result in a rough ride. Think of asset allocation as a long-term plan to help achieve financial objectives, taking into consideration a range of personal factors. Of course, those personal factors change as life's stages progress, so an asset allocation plan should also change over time. Investors don't control the markets' direction but, through their asset allocation decisions, they have the potential to control how they participate in them.

Asset allocation is a sophisticated method of diversification which positions funds among major investment categories. This tool can be used in the effort to manage risk and enhance returns. It does not guarantee a profit or protect against loss.

PHONE PRO

Chances are good that even if you have never heard of Phone Pro, you have felt the effects of their products. Their products are people. Phone Pro has trained the customer service telephone staffs of over 125 companies. Many of these with household names like Wal-Mart, Frito-Lay, The Ford Motor Company, and Coca-Cola. Jetting across the country, and to Canada, trainers provide an on site experience where they teach professional phone skills and guidance for customer service and sales people.



Mary Beth Ingram

Mary Beth Ingram first learned the power of excellent customer service telephone skills at Indiana Bell. After her department was eliminated during the deregulation of the telephone industry in the 1980's, Mary Beth got the idea for Phone Pro. It was such a hit that within five years her husband Terry left his job as vice president of a Midwest insurance company to join the "family business". Over the next eleven years Terry and Mary Beth turned their Indianapolis based company into a million dollar a year business with a staff of twelve.



Terry Ingram

Phone Pro has been so successful that during this past year Terry and Mary Beth have been able to step back from active participation and management of the company. By developing such a dedicated and well-trained staff, Terry and Mary Beth have assured Phone Pro's success well into the future. Mc Donald's executive Barbara Novak had this to say about a Phone Pro employee: "Suellen is tops--and now I know firsthand why Phone Pro and your staff are so highly regarded".



Terry & Mary Beth with their daughter on the set of Wheel of Fortune

Since entering a self-described "retirement with cash flow", the Ingram's have began pursuing opportunities that support their sense of social obligation and love of family. When they are not spending time enjoying their four grandchildren in Indianapolis, Mary Beth will be attending classes at the Christian Theological Seminary. Currently a volunteer driver for the American Red Cross, Terry also has a commercial drivers license for an over the road coach operated by the Methodist Mission Ministry. Their activities are best summarized in a statement made by Mary Beth " We have been so fortunate and have received many blessings. It's now our turn to return some blessings to other folks, and have some fun while we do it!" Well said Mary Beth.

*For more information about Phone Pro visit www.phonepro.com

-Jennifer Hornberger Slone-

Retirement can be Taxing

Taxes can take a big bite out of your retirement savings. Deferring taxes on your retirement savings may help grow your assets faster.

The Shrinking Dollar

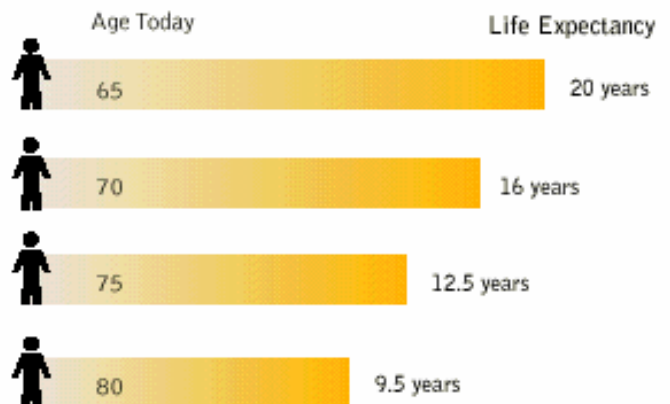
“Inflation risk” is the risk that your money will not maintain its purchasing power over time. If the annual inflation rate averages 3% over the next decade, you’ll need more than \$134 to buy the same goods or services that \$100 buys today. Invest in an account that doesn’t earn more than the rate of inflation and your money could actually be worth less each year.



As a rule of thumb, you’ll need 70-80% of your salary, adjusted for inflation, to live comfortably when you retire.

Life Expectancies are Increasing

The Facts of Retirement.
Retirement can account for a third – or more – of your life. If you’re like most retirees, you may be concerned about outliving your assets and becoming a financial burden on your family.





David R. Kern
Stauffer

Timothy L.

- Market Measures -

	<u>5 Year</u>	<u>Year to Date (As of 9/30/02)</u>	<u>Quarter</u>	<u>Index Close</u>
Dow	-4.2%	-24.2%	-15.7%	7591.93
S&P 500	-13.9%	-29.0%	-14.0%	815.28
NASDAQ	-30.5%	-39.9%	-13.7%	1172.06
Russell 2000	-20.2%	-25.8%	-16.3%	362.27
30 Year Bond	61.1%	16.3%	10.7%	11573.42