

FALL 2011 NEWSLETTER

Community Support

Giving back to our community has always been very important to everyone here at Hart & Patterson. We support many organizations throughout each year and thought you might like to know about some of our most recent contributions of time and/or financial support.

Food Bank of Western Mass

Recently we all spent the day volunteering at the Food Bank of Western Mass. We sorted non-perishable groceries contributed by local supermarkets. Although we were all good and tired when we were finished, we were happy to help out!

About 6,000 low-income elders across the four western Massachusetts counties participate in the Brown Bag program, receiving a free bag of healthy groceries once a month. The Brown Bag program for Elders is just one of the many services offered by the Food Bank. You can learn more about this wonderful organization at www.foodbankwma.org.

Women's Fund of Western Mass

We have supported the Women's Fund of Western Mass for many years. This year we increased our support -- we were the Presenting Sponsors of the annual Women's Fund of Western Mass Golf Tournament. The Women's Fund provides support for girls and women throughout the four counties of Western Mass. This year's tournament raised \$13,000, even though it was held on a very rainy day.

Amherst Survival Center

We have also supported the Amherst Survival Center for many years. We continue to be the lead sponsor of the annual Trash to Treasures event. This year's event was held September 10-11 and raised \$30,000. Since 1976, the Amherst Survival Center has promoted the health and well-being of residents of Franklin and Hampshire counties with a wide variety of programs designed to assist people in meeting their basic needs. The Center serves over three thousand people each year. Their services, all of which are free, include a Food Pantry, Soup Kitchen, Drop-In Health Clinic, Free Store, and a variety of other support services.

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Dakin Pioneer Valley Humane Society

The 1st Annual Dakin Humane Awards Celebration event will be held on Friday, November 4 at Wyckoff Country Club in Holyoke. We are a "Best Friends" level sponsor of this event which is raising funds for Dakin. This event promises to be a wonderful evening of great food and dancing to benefit the animals in our communities.

THANK YOU!!!

We would like to take this opportunity to thank all of our clients and neighbors who donate time, energy, and/or financial support to the many worthy organizations in our communities. Together we all can make a difference.

Refinancing

With mortgage rates at historic lows, it is a terrific time to consider refinancing. As we write this, Freddie Mac reports that the average 30 year mortgage rate is 4.09 percent; the lowest rate in 60 years.

If you would like to discuss refinancing, please call or email us. We will need the following information: length of initial term (i.e. 30 years), current interest rate (i.e. 6.25%), current monthly payment (principal and interest only), number of months remaining, payoff amount, total interest paid over the life of the loan, and the amount of interest remaining to be paid.

Social Security Statements

Please note that the Social Security Administration has suspended issuing paper copies of its annual statements. Typically, you would have received this mailing one month prior to your birthday. You can now go online to estimate your benefit. The website address is <http://www.ssa.gov/estimator/>

Social Security Webinar

We recently had Steve Richardson from the Boston office of the Social Security Administration in our office to tape a webinar. Social Security retirement benefits play a significant role in many people's lives and often times there are many questions regarding these benefits. During this informative presentation, some of the key topics that Steve will address are how benefits are calculated, strategies for maximizing benefits, and how state pensions impact benefits. Please check our website in mid-October to view this very informative webinar. If you would prefer to watch this in our office, please contact us to set up a time.

Also, please let us know if you would like us to arrange a time for Steve to come back to Western Mass to offer a live meeting with interested clients. If we have enough interest, we would be very happy to arrange this during 2012.

20th Anniversary

Speaking of aging, though we find it hard to believe, Hart & Patterson Financial Services has been in business almost 20 years! Many of you have been with us through all 20 years as our staff has grown (from two to nine employees), our location has changed (twice), and as we've added some gray hair (perhaps many gray hairs). We'll of course need to celebrate this milestone next year, so be on the lookout for details in an upcoming newsletter.

CFP® Designation

Congratulations to Vikki on her upcoming Certified Financial Planner Practitioner Certification which will be granted in October. While many believe that all financial planners are "certified," this is not true. Only those who have fulfilled the certification and renewal requirements of the CFP Board can display CFP certification marks.

To obtain this designation, individuals voluntarily submit to the rigorous CFP education and certification process which includes a board registered financial planning program, a comprehensive exam, a minimum of three years of full-time personal financial planning experience, and an agreement to abide by the board's strict code of professional conduct. CFP® coursework includes a range of topics pertinent to financial planning including estate planning, taxation, insurance, investment management, and retirement planning. Congrats Vikki!

A Year of Increasing Volatility

2011 has been an interesting, and increasingly volatile, year in the markets to say the least. In the first two months of 2011, we experienced only five 100+-point swings in the Dow Jones Industrial Average (DJIA). To clarify, a "100+ point swing" in the DJIA is defined as a one day gain or a loss that amounts to 100 or more points. Even though the weather outside was frightful (at least for us New Englanders), the markets were keeping their cool.

Over the next three months (March 1-June 1), the volatility increased and there were a total of 16 100+ swings. Then came the summer's rollercoaster.... This volatility was no doubt fueled by concerns about the U.S. debt ceiling, Standard & Poor's (S&P) downgrade of the U.S. debt, and the instability of several European countries and resultant fears that they would default on their debt payments. From June 1 through the close of business on September 12, 2011, we have experienced 32 100+ point swings – a 640% increase from the first two months of the year. We are more than 2/3rd of the year through 2011 with only 78 trading days remaining, so we won't be breaking any records for the highest number of 100 point swing days (**see the statistics noted of the most volatile years in recent history). However, by the time this newsletter reaches your hands or your inbox, who knows where we'll be on the count? Nonetheless, the severity of the swings in August did set a record. For the first time in the history of the DJIA, we had four straight 400-point swing-days.

What is our intention in sharing all of these statistics with you? We simply want to validate what many of you have been feeling lately. The markets have been increasingly volatile as the year has progressed. However, our approach to investing remains consistent. We will remain long-term investors in a short-term world. We do not believe in changing a portfolio in response to negative market conditions—i.e. trying to "time the market." We continue to believe in a disciplined approach whether you are in the accumulation phase or in the phase where you're taking

withdrawals from your portfolio. Keep in mind that while the markets are down, many of you are still reinvesting dividends and capital gains. When these dividends and gains are reinvested at lower share prices, you are buying more shares "on sale". As you all have heard us say (but we'll remind you again), there is no other alternative to the stock market which has given investors the opportunity to outpace the effects of inflation and taxes over the long term.

There are many ways that corporate earnings can be reported. One figure that is often referenced is "corporate profits as a percentage of U.S. Gross Domestic Product" (GDP). GDP measures the total economic output of the United States. This "profits as a percentage of GDP" figure has been tracked quarterly since 1947 by the Bureau of Economic Analysis. The most recent number placed corporate profits at +10.1% of GDP; the highest it's been in the 64 year history of tracking the data. While we still don't have a crystal ball that tells us (or anyone else) where the markets will go, historically corporate earnings (aka profits) and revenue have been great predictors of the markets' direction. If profits and revenue are up, the markets tend to move in that direction and vice versa. While the news coverage tends to focus on all that is wrong with the economy, we want you to remember that not all of the news is negative. With corporations reporting record earnings and many looking to boost dividends in the future, we like what the future might hold for the markets.

**All indices are unmanaged and investors cannot actually invest directly into an index. Past performance is not indicative of future results. The NASDAQ Composite Index measures all NASDAQ domestic and non U.S. based common stocks listed on the NASDAQ Stock Market. The Dow Jones Industrial Average is a price weighted average of 30 actively traded blue chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks.*

***For the record, the highest number of 100+ point days came in 2008 (146) following by 2002 (118) and 2000 (106).*

Gold

No doubt, many of you have been hearing about gold hitting new market highs. Gold has certainly performed well recently and over the past decade, after a less than stellar run in the late '90's. As the following chart shows, every asset class has had its ups and downs; this is one of the many reasons we don't recommend chasing the latest 'hot' investment.

Looking back over a longer time horizon (43-year period ending in June 2011), the average annual increase for gold, accounting for inflation, was 3.82% compared with 4.92% for the S&P's 500-stock index. Gold, however, was 28% more volatile which means it's a riskier investment than owning the S&P 500.

Year	Highest Return									
	U.S. Stocks	Non-U.S. Stocks	Emerging Markets (EM)	Small Cap	U.S. Bonds	Non-U.S. Bonds	Gold	Commodities	Tech	Real Estate
1990	-3.11%	-22.81%	-10.55%	-19.48%	8.96%	11.22%	-2.37%	-0.95%	-17.80%	-17.35%
1991	30.40	12.44	39.91	46.04	16.00	16.04	-9.76	-7.71	56.84	35.68
1992	7.61	-11.93	11.40	13.41	7.40	5.80	-5.73	-1.25	15.45	12.18
1993	10.06	32.61	74.84	18.88	9.75	11.08	17.32	4.32	14.75	18.55
1994	1.32	7.64	-7.32	-1.82	-2.92	0.23	-2.05	16.52	-3.20	0.81
1995	37.53	11.76	-5.21	28.45	18.47	19.66	1.12	1.09	39.92	18.31
1996	22.95	7.20	6.03	16.49	3.63	4.91	-4.50	-0.30	22.71	35.73
1997	33.35	2.56	-11.59	22.36	9.65	3.79	-21.78	-5.69	21.64	18.86
1998	28.58	19.11	-25.34	-2.55	8.69	13.71	-0.48	-13.46	39.63	-18.82
1999	21.04	28.27	66.41	21.26	-0.82	-5.17	1.13	-3.39	85.59	-6.48
2000	-9.10	-13.16	-30.61	-3.02	11.63	3.18	-6.20	-1.43	-39.29	25.89
2001	-11.88	-21.16	-2.37	2.49	8.44	1.57	1.41	-5.31	-21.05	15.50
2002	-22.09	-15.51	-6.00	-20.48	10.26	16.53	24.01	15.19	-31.53	5.22
2003	28.67	40.01	56.23	47.25	4.10	12.51	21.56	16.07	50.01	38.47
2004	10.87	20.84	25.95	18.33	4.34	9.27	5.00	3.31	8.59	30.41
2005	4.91	14.96	34.54	4.55	2.43	-4.49	16.99	3.43	1.37	8.29
2006	15.78	26.23	32.59	18.37	4.33	6.64	23.79	19.58	9.52	34.35
2007	5.49	12.92	39.73	-1.57	6.97	9.48	31.78	14.09	9.81	-17.83
2008	-36.99	-43.23	-53.18	-33.79	5.24	4.79	3.12	-24.29	-40.54	-37.34
2009	26.47	34.39	79.02	27.17	5.93	6.93	27.12	34.55	43.89	27.45
2010	15.08	9.43	19.20	26.85	6.54	5.54	29.35	23.56	16.91	27.58

Sources: Standard & Poor's 500 Composite Index (U.S. stocks), MSCI World ex USA Index (non-U.S. stocks), MSCI Emerging Markets Index (emerging markets), Russell 2000 Index (small cap), Barclays Capital U.S. Aggregate Index (U.S. bonds), Barclays Capital Global Aggregate Index (non-U.S. bonds), Gold Bullion LBM U\$/Troy Ounce (gold), CRB Spot Index (commodities), NASDAQ Index (tech), FTSE NAREIT U.S. Real Estate Index Series (real estate).

An Overview of Our Computer Systems

We thought it might be helpful to provide you with an overview of what our office has in place to protect our computer systems in the event of a power outage or threat of a security breach. We have partnered with an Easthampton-based firm, Innovative Business Systems (IBS), to assist us with our Information Technology (IT) needs. Since the world of IT is constantly changing, we rely on their expertise to keep our systems operational and secure. IBS has assisted us in developing a comprehensive back-up and disaster-recovery solution that allows us to continue operating after, and even during, a system failure or catastrophic event. How is this possible? Our systems include a device that takes a snapshot of our data and server image every 15 minutes and stores it locally. Routine file restorations or recoveries are accomplished from the local copy. Should a server completely fail, the backup device also allows us to activate it as a virtual server to keep our business up and running while IBS solves the problem with the offline server. In addition, our company data is backed up daily and replicated to an off-site location.

IBS is also monitoring all our servers and devices. This monitoring includes maintenance of antivirus software and updates and security patch management (meaning, if one of the many programs we use on a daily basis makes a change to their program, IBS has a system in place so that the software upgrade occurs automatically).

We feel confident that our systems are as secure as they can possibly be, and that we have the mechanisms in place to continue working in the event of an outage. With the help of IBS, we will continue to stay on top of the latest tools to keep our business operational and secure throughout the years to come.

A Note to Our Income Tax Clients* - 2011 Income Tax Preparation

In early January, we will be mailing the 2011 Tax Organizer to all of our 2010 tax clients, as well as to those of you who have indicated that you wish to receive the organizer. If you have not yet contacted our office requesting the organizer but would like to have our office prepare your 2011 income taxes, please call to have an organizer sent to you. The cost for tax preparation is \$185/hr with a \$185 minimum charge.

**Representatives of Cambridge do not offer tax advice. Attorney Penny A. Manners is not affiliated with Cambridge Investment Research, Inc.*

Questions/Concerns

As always, please contact our office whenever you have questions or concerns.

Holiday Wishes – a tad early!

It is a little early, but since this is our last planned newsletter for 2011, we wish you all the best for the upcoming holiday season. Please look for our next newsletter in January of 2012.

Our Holiday Hours

Thanksgiving week

Monday, Nov 21	open 8:00am – 4:00pm
Tuesday, Nov 22	open 8:00am – 4:00pm
Closed the remainder of the week.	

Christmas week

Monday, Dec 26	Closed
Tuesday, Dec 27	Closed
Wednesday, Dec 28	open 8:00am – 4:00pm
Thursday, Dec 29	open 8:00am – 4:00pm
Friday, Dec 30	our office is closed every Friday

New Year's week

Monday, Jan 2	closed
Tuesday, Jan 3	open 8:00am – 4:00pm
Wednesday, Jan 4	open 8:00am – 4:00pm
Thursday, Jan 5	open 8:00am – 4:00pm
Friday, Jan 6	our office is closed every Friday

Thank You

As always, we'd like to thank you for the many referrals you send our way. We sincerely appreciate this!

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