

STRATEGIC UPDATE

A Registered Investment Advisor
providing Financial Consulting
and Investment Management

to

Individuals, Families,

Small businesses, Non-Profits,

Retirement Plans

and

Endowments.

We have over 39 years of experience in providing financial consulting services. Through dedication, knowledge and consistency we strive to provide peace of mind as well as investment success to our clients.

NOT WHAT WAS EXPECTED

One of the more interesting features of TV business news is the treatment of big market moves...either positive or negative. It seems that on a good day when stock prices are moving higher by more than 1 or 1 1/2 percent, all the news seems to be rosy. On the flip side when the market is going into the tank, all the news seems to be negative.

I don't know if the news people think they need to drum up excuses for the direction of the market, but it reminds me of the little girl with the curl in the middle of her forehead: when she was good, she was very very good and when she was bad, she was AWFUL.

Anyway, the stock market does not need help in justifying the direction it takes on any given day, nor does it need prophets and soothsayers to tell us where it is going in the future. .

In 2010, U.S. stocks did very well despite being told that they wouldn't. For the year the S&P 500 index gained 12.78%(price only) after being down 5.8% for the first eight months. Headlines that tried to convince of the market's doom included, "stocks nearly 50% overvalued", "drilling rig explosion will wreck market recovery", "hundreds of bank failures", "health care reform bill to cost trillions", and on and on.

In 2000 many of you benefited from the sage advice of Economist Jeremy Siegel when he said in March of that year to dump tech stocks. Last year, he

predicted the markets would gain about 10%. Now he is saying another 10 to 20% for this year.

Bob Doll of BlackRock Investments is saying the same thing; earnings are better than expected while interest rates are lower...both positive factors for stock prices.

Liz Ann Sonders, analyst for Charles Schwab, makes a case for both a negative outlook as well as a positive one. In the end, she is optimistic.

So, as we enter the new year we are fully invested in our client accounts. With healthy positions in domestic and international companies, we anticipate good results for 2011.

2010 - A Very Good Year

The returns in the major stock indices showed 2010 to be a very good year.

December capped the year with above-average monthly returns and contributed to the high level of returns in the fourth quarter.

Dow Jones 30 Industrials +11.03%

S&P 500 Index +12.82%

NASDAQ Composite +16.92%

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39 years providing investment advice

Let's Postpone Tax Day

If you are one of the nearly fifty million Americans who itemize deductions, don't count on filing your 2010 tax return any time soon. The IRS has announced that as many as one of every three tax filers will have to wait until mid to late February because the agency won't be ready to process them. This glitch will cause a delay of four to six weeks in processing an estimated \$10 billion to \$20 billion in tax refunds.

Don't blame the IRS. The villains are Congressional leaders who waited to extend expiring tax cuts and prevent the Alternative Minimum Tax from hitting some 25 million middle-class filers. The delay will also inconvenience those who take write-offs for home-mortgage payments, state and local taxes, charitable contributions or college tuition.

So, consider: If taxpayers are late by even a day in filing their returns after April 15, they pay a penalty. But Congress faces no such penalty for foot-dragging on the tax bill. Since tax forms are going to be six weeks late, the new Congress ought to pass a law postponing tax filing deadline for six weeks - to May 31, 2011.

-Wall Street Journal 12/31/10

Housekeeping

With the prior year behind you, attention begins to turn to the task of gathering the data necessary for completing your tax returns for 2010.

Timing-wise, the schedule calls for both our office and TD Ameritrade to get the investment-related 2010 data to you by mid-February.

TD will send the official 1099 reports initially by mid-February. However, they expect to have some corrections to their early data that will result in some number of corrected 1099s to be sent later.

The 1099s report dividends, interest and capital gains initiated by the mutual funds themselves. The capital gains/losses generated by the sale of mutual fund shares initiated by our management are not reported on the 1099. You will receive that information from us no later than mid-February.

As our clients know, we are state-registered in both California and Washington as Investment Advisors. It is a requirement to make us legal in what we do, i.e. charging a fee for giving financial and investment advice.

These registrations subject us to the extensive rules, regulations, requirements and restrictions with which they endeavor to protect the public from those in our business who might be less than careful or even less than honest.

The registration subjects us to on-site examinations by staff members of the Washington State Department of Financial Institutions, Securities Division.

The registration process is based upon our completing and keeping current a lengthy government document that has been developed over the years by the Securities and Exchange Commission, is used by all the states and comes in two parts. It is called ADV Parts I and II. Part II is designed to be a disclosure document to clients and prospective clients. We are required to give one to each new client, to keep it current, and to offer an updated one to each client at least annually.

While we continually offer it to existing clients, **this is our official offer to send you the latest version of the ADV Part II.** All you need to do is make that request of us.

Further, the SEC and the states are moving toward making all that available to the general public via the Internet. So far, the SEC has converted the filing of the ADV Part I to the web where it is now available for viewing/printing. You may access it on the web at: http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx. Our CRD # is 117143.

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Next Month: Update on Social Security