

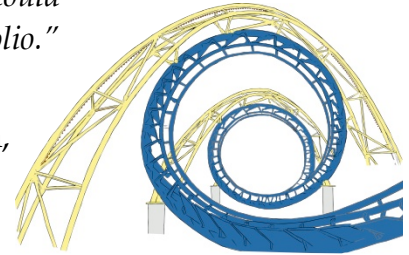


## Riding the Roller Coaster

*"If you expect to continue to purchase stocks throughout your life, you should welcome price declines as a way to add stocks more cheaply to your portfolio."*

*- Warren Buffett*

When the markets are scary, we tend to hear a particular question, "What are you doing to protect me?" As a wealth management firm that promotes the idea of "passive" investing, Abacus runs the risk of being perceived as a firm that does nothing. It's true that we don't peer into the proverbial crystal ball to predict which asset classes are going to do well in the future. However, we are diligent about using a systematic approach to attempt to buy low and sell high. We do this by opportunistically rebalancing your portfolio.



Being opportunistic means that instead of just rebalancing your portfolio once a year, we look at every account several times a month. We then rebalance the account by selling the assets that have grown more than their target and buying the assets that haven't performed as well. To rephrase, we sell the "high" assets, and buy the "low" assets. (Sound familiar?)

Here's a real world example of how our system automatically makes our clients money when markets move up and down, as they have been doing frequently in 2010:

On May 7, 2010, which was a scheduled rebalance day, most equity asset classes dropped significantly, particularly international stocks. As a result, our system proposed buying a significant amount of international equities for 45 (fewer than 10%) of our clients and selling real estate, bonds, and US stocks. By May 12th, our next scheduled rebalance day, the markets had risen significantly, and the accounts we rebalanced on a "down" day were worth several thousand dollars more (in aggregate) than they would have been if we hadn't rebalanced. Of course, on May 12th, we rebalanced again, selling US stocks and buying bonds. (If your account wasn't rebalanced either of those days, it simply means that your asset class allocation was already very close to the targets.)

Because we rebalance systematically, without emotion, we can buy on those days when an asset class has dropped in value and sell on those days when the asset class surges, without having to rely on a crystal ball. Each time, we capture a small piece of value that continues to compound and grow.

If you know someone who is being whipsawed by today's investment roller coaster, please introduce them to your Abacus advisor so we can give them a healthy dose of our version of "doing nothing."

## Do I own BP?



Prior to this calamity, BP was a true blue-chip stock with a good history of earnings growth. Many "prudent" investors wouldn't have thought twice about holding onto inherited BP stock. Then the explosion happened. Notwithstanding the tragic loss of life and habitat, we find ourselves very lucky that BP represented less than one-quarter of one percent of the typical Abacus client's portfolio. Our thesis with investing is that none of us can spot the next BP, Enron, or Greece coming, which is why we don't make concentrated bets.

## Low Mortgage Rates

Bankrate.com reports that mortgage rates hit a new 25 year low, with the 30 year fixed rate benchmark at 4.74% (as of July 8th, 2010). It's a great time to speak to your mortgage broker or Abacus advisor to discuss your options for refinancing.



## Our ADV

As a registered investment advisor, we file a form ADV with the SEC. If you would like a copy of our ADV part II, please contact your Abacus representative.

## Donate More with Less

Abacus is devoted to helping our clients reach their philanthropic goals. Our co-founder, Brent Kessel, describes in his book how you can give more to charity by donating appreciated stock instead of cash (details are available at [www.abacuswealth.com/pdfs/charityexample.pdf](http://www.abacuswealth.com/pdfs/charityexample.pdf)). However, many smaller charities may be reluctant to accept non-cash donations due to the additional hassle of the transfer and sale of the property. You might also want to donate to multiple charities, but the paperwork required for numerous stock transfers may be daunting.

One solution to these problems is a donor-advised fund. Let's say you were given \$10,000 in Apple stock that you're not attached to keeping. However, you're not quite ready to give away \$10,000 this year and you don't want to pay the capital gain taxes. Once the stock is in your donor-advised fund, you can sell the stock tax-free, take the \$10,000 charitable deduction, and then space out payments to various charities over several years (or decades). This is more attractive if you will have a higher income (and tax rate) in 2010 than you expect for 2011-12.

If you're interested in learning more about opening a donor-advised fund managed by Abacus, please contact your advisor.

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