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THE FSAG ADVISOR

Inside this issue:

Market Update

After having weathered many storms, the markets stand tall as they enter the New Year. Last year we withstood a second consecutive year of brutal hurricanes. Interest rates continued to rise as the Federal Reserve (the Fed) lifted short term rates every time it met this year. The Federal Budget Deficit, while enjoying increasing revenue, is burdened by our position in Iraq and continues to widen. Oil prices have not stopped increasing since 2002 when West Texas oil fetched $20 a barrel compared to the price of $60 today. GM bonds were downgraded to junk status. One would think that with all these problems we had an awful year.

Actually, it wasn't such a bad year after all. Stock and bond markets both registered positive returns. Corporations are on their way to posting another year of double digit earnings growth. They are flush with cash and looking for ways to use it. Consumers have maintained their pace of spending as real wages have grown to record levels. With the economy bottoming in 2001, we have now enjoyed 4 consecutive years of growth!

Stock Market

Investors were rewarded for taking risk in 2005. The more volatile mid and small cap stocks outperformed large cap stocks. Those willing to go overseas fared better investing in international stocks. Emerging market stocks, one of the riskiest stock indexes, beat all the major indexes returning just over 30%.

While domestic stock market returns were in the single digits, the market's price earnings (P/E) ratio has fallen back to historical levels. P/E measures how much one is willing to pay for future earnings. Low P/Es reflect a cheap valuation compared to higher or more expensive P/Es. At the peak of the market in 1999, market P/Es approached 30. Today this figure is approximately 16. As stock prices have moved up slowly, earnings have increased more rapidly, causing the P/E to decline. This more reasonable valuation should help to provide a bit of a floor for stocks going forward.

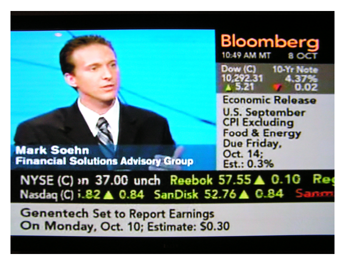
Interest Rates

The Fed boosted the Fed Funds rate 2.0% during 2005. Short term rates moved commensurately. Chairman Greenspan, who is attempting to remove excess liquidity in the monetary system, leaves his post in January. Mr. Ben Bernanke will assume the role as leader of the Federal Reserve. He will have his hands full deciding how and when he can successfully stop the rate increases. As always, inflation is the biggest issue. While the bond market does not see much inflation in the markets, the price of gold topping $500 an ounce may reflect the feeling that the rest of the world disagrees. Either way, a growing economy and a low inflation should bode well for the markets.

2005 Returns

DOW	*1.72%*
S&P 500	*4.91%*
NASDAQ	*1.37%*
Russell 2000	*4.55%*
Mid Cap 400	*12.56%*
MSCI EAFE	*10.86%*
Lehman US Agg.	*2.43%*
Lehman Muni.	*3.51%*
10 Year Treasury Yield	*4.39%*

FSAG in the News



Mark Soehn was featured on Bloomberg Personal Finance to discuss what to do when your investment advisor sells out. Please visit our website for a transcript of the interview.

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What to Do When Your Investment Advisor Sells Out

"Sit down face to face with both the new advisor and the former advisor and ask the right questions…."

- Mark Soehn, Principal, Managing Director of FSAG as seen on Bloomberg Personal Finance, October 8, 2005.

Is your investment advisor nearing retirement? If so, what will happen to you and your money? Investment advisors are aging and looking to sell their entire client bases to a new generation of advisors. It's an established trend... and growing. Depending on the age of your advisor, your money could potentially be managed by someone you've never met.

But the firm that will acquire the firm you work with wants to bring you over as a client. That's the whole point behind the acquisition. Since you've come to expect certain levels of service, expertise and comfort that you don't want to give up, you'll have questions about how the transition will impact you, and if the new advisor is worthy to manage your money.

Financial Solutions Advisory Group, a registered investment advisor, understood those needs when it acquired the clients of a smaller RIA firm in early 2005. FSAG offers the following questions to help investors get answers about their new advisor. They're also helpful for those considering an investment advisor for the first time, or those in the process of switching on their own.

1. Should you just sign on?
No. The principals of the acquiring firm — as well as the principals of the acquired firm — should meet with you face-to-face. You should feel comfortable with the advisors and how they operate before you swing your hard-earned assets over to their camp.

2. What's the acquired firm's role?
Your trust in the new firm won't be instant, nor should it be. Ask what role your old firm's advisor will play and the lifecycle of the transition, such as if the principal will stay on, and his or her involvement in the acquiring firm.

3. Who will be your primary point of contact?
If your advisor's plan is to retire, you'll work with someone new. Ask how long your advisor plans on staying active in the new firm and who specifically will be managing your money. You should have met that person in your initial meeting.

4. Where is the new firm located?
It's possible that the acquiring firm might not be where you are. Often times, location is not an issue, given that technology allows firms to communicate and connect with clients practically anywhere. But if you like your advisor close by, it could be a yellow flag.

5. How does the acquiring firm operate?
The new firm might manage your account differently than what you're accustomed to. Is the new firm a wealth management advisor with a focus on flawless service, or an aggressive investment manager out to beat market averages? Make sure the firm's approach and management philosophy matches the kind of service you want. Firms should provide timely reporting on a monthly, quarterly and annual basis, and they should be available and responsive to practically any request.

Also check if the new firm has a similar client profile. And a good way to find out is to talk with current clients. Ask to speak with two or three to get a broad perspective on the acquiring firm's service.

6. Will the new firm's knowledge and experience be the same?
Demand "at least the same," if not "better." A number of factors will reveal if the new firm is a good fit. Look at the principals' *level of expertise.* Designations such as Chartered Financial Analyst and Certified Financial Planner can point to a greater level of skill.

Also ask about *client experience.* For high net-worth clients, in particular, some investment advisors may not have the relevant skills in managing portfolios for wealthy individuals. Ask how the new firm plans for its clients. Progressive advisors should provide *financial planning* as a way to better understand how to best serve your individual needs. Developing a customized portfolio and investment strategy is completely different from the programmed portfolios (run by computers) that many larger firms and

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What are the Benefits of Donor-Advised Funds?

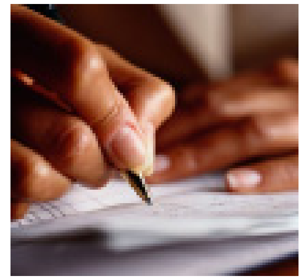
If you plan to make significant charitable gifts over a long period of time, a donor-advised fund (DAF) can be an attractive alternative to a private foundation. While private foundations are separate charitable entities operated by their donors, a DAF is merely an account set up with a host organization, such as a community foundation or educational institution. You make contributions to the account, and the organization makes grants to qualifying charities in your name. Although the organization legally owns your contributions and has ultimate control over grants, you can advise the organization on how to invest your contributions and how grants should be made.

Donor-advised funds have become popular recently because they require less money, time, legal assistance, and administration than private foundations. DAFs also enjoy greater tax advantages.

Generally, you can open a DAF with a smaller initial contribution than would be required with a private foundation (as little as $10,000). And because DAFs are qualified public charities, you generally get an immediate income tax deduction for your contributions (subject to the usual limitations).

Additionally, while private foundations are required to distribute a minimum of 5% of their assets each year, DAFs currently have no such minimum distribution requirement. You can let your account build up tax free for many years, deferring distributions until a later date. Further, DAFs are not subject to excise tax as private foundations are.

Finally, DAFs don't need to fulfill many of the reporting and filing requirements that are imposed on private foundations. And because the host organization handles any legal, administrative, and filing requirements (including tax returns), you're completely freed from these responsibilities.



"Donor-advised funds have become popular recently because they require less money, time, legal assistance and administration than private foundations."

Are Your Ready for Retirement?

If you're like most pre-retirees, you're probably concerned about your retirement. In addition, most pre-retirees have a misconception about what they will spend in retirement. The greatest discrepancy we often see in financial plans is underestimating one's retirement expenses. Clients often think they'll spend 75% of what they spent while working. However, in most cases, they end up spending 120% of what they spent before retiring. Reason being is they now have the free time for all their hobbies that took a back seat to their career. As a result, very few people are truly ready for retirement.

Ask yourself these questions to determine how prepared you are. If you answer no to one or two questions, consider revising your plan. If you answer no to more than two questions, seek help from an expert.

1. If your spouse disappeared, would you be able to locate all of your assets and liabilities?
2. For the majority of your career, have your maximized contributions to your retirement plans?
3. Do you expect your expenses in retirement to be more than they are now?
4. Will you be free of all debt by the time you retire?
5. Do you think you'll live to age 90?
6. Do you know the beneficiaries of your retirement plans?
7. Do you have an income replacement plan for retirement?
8. Are your parents financially capable of supporting themselves - even in the event of illness?

Stocks in the News: Automatic Data Processing (ADP)

Automatic Data Processing (ADP) is a leading outsourcer for businesses, providing payroll and other human resource services for over 590,000 clients worldwide. You may be one of the 50 million individuals that receives a payroll check with ADP printed on the stub. This line of business proved to be incredibly steady, providing the company 41 years of uninterrupted double digit growth. But when the economy slowed in early 2000, the streak ended. As 2005 comes to a close, the company is poised to resume its historical rates of growth.

Since May of 2003, ADP has benefited from the 4.5 million jobs that have been added to U.S. payrolls. ADP has been able to resume its growth by not only capturing these expanding payrolls, but by also offering its clients added services. In 2004, the company decided to expand its outsourcing menu by offering help in human resources, benefits administration and even pre-employment services. These new lines of business have allowed the company to grow, and at the same time, cement their relationships with clients, making it more difficult for them to leave ADP.

With payroll encompassing 60% of revenues, the company has two other major business units. Brokerage services bring more than 20% of revenue to the firm. This unit will act as the back office for smaller brokerage firms. It processes over 1.5 million trades a day, and provides desktop software solutions. This unit also distributes annual reports and counts proxies for corporations. Another 10% of revenue is generated from selling over 19,000 auto dealerships computing services. ADP provides software that helps dealers with new and used car planning, car part inventory, leasing and accounting.

Financially, it is hard to find a company that is in better shape. ADP holds virtually no debt. That which it has is given the highest "AAA" rating. The company raised the dividend 19% last year, giving the stock a 1.6% yield. The dividend is easily covered by the $1.4 billion of cash flow generated each year, along with the $2.5 billion of cash and securities sitting on the balance sheet. The company also plans on using some of the cash to buyback 57 million shares. Doing so will help to boost earnings.

Key Statistics: ADP	
Price	*$46.50*
EPS	*$1.79*
Estimated EPS	*$1.94*
P/E Ratio	*24.0x*
PEG Ratio	*1.20x*
Dividend	*$0.74*
Market Cap	*$26.0B*
52 Week High	*$48.11*
52 Week Low	*$40.37*
Beta	*1.02*
Expected Annual Growth Rate	*20.0%*
ROE	*21.0%*

In 2006, higher interest rates should also help ADP increase the bottom line. With money market rates moving up almost 2% in 2005, interest income is increasing. When ADP receives money from an employer on say, the 27th of the month in order to pay taxes on the 31st day, ADP earns interest on the cash balances it holds for those few days. So the higher the rates, the more money they make. Like new job growth, this market condition is just another benefit working to ADP's advantage.

What To Do When Your Investment Advisor Sells Out *Continued from page 2*

big brokers rely on.

It's possible you'll receive better service if the new firm applies *technology* intelligently. That means they're spending less time on administrative tasks and more time with you.

7. How much will I pay the new advisor?
There are considerable differences on how advisors are compensated. Ask for complete disclosure about the fees you will pay. A *fee-based* advisor charges a combination of a fee **plus** commissions. Commissions could also extend to annuity and life insurance purchases.

A *fee-only* advisor charges a percentage of the assets managed. These advisors charge no commissions and do not share in the sale of mutual funds, annuities or life insurance.

8. Is there a way to independently check out an investment advisor?
Yes, and it's easy to do. Go to the site for U.S. Securities and Exchange Commission (SEC). Click on "Research Investment Advisors", then "Investment Advisor Search" and type in the name of the firm. Here you'll find a wealth of information about the company, particularly if it's had any run-ins with regulators or other investors. If the acquiring firm manages over $25 million in assets, it will be registered with the SEC.

At Financial Solutions Advisory Group, you'll find a fee-only Registered Investment Advisor (RIA) committed to putting your interests and your needs first, eliminating the commissions and self-serving incentives that get in the way of solid, successful financial planning and investment management.

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