Financial Solutions
Advisory Group
Changing the Financial Service Experience

Financial Solutions

Newsletter

April, 2004

Inside this issue:

Market Update

The US economy and corporate profits continue to accelerate. Solid framework exists to allow profits to increase, which will fuel corporate expansion, increase dividend payouts and enhance balance sheets.

Economy & Interest Rates
Until March's sizzling employment report, the economy was growing without creating new jobs. Historically, a rising economy leads to an increase in interest rates. This hasn't occurred yet, in part, due to rising productivity -- which has allowed companies to increase profits without increasing prices. Many other factors including the budget deficit, rising commodity prices and an increase in the money supply, all support higher rates.

If job growth continues to be strong, the Fed is expected to raise rates in the second half of the year.

Stock Market
One year ago most investors had zero tolerance for equity market risks. In the last twelve months much has changed. Global economic expansion and rising corporate profits brought investors back to stocks, who now accept equity market risk to achieve higher returns. The US, which accounts for 22% of global gross domestic product, will continue to drive the global expansion. Most analysts expect 4.0 to 4.5% annual growth for the U.S. in 2004, slowing in 2005 as the stimulus from tax cuts wears off.

The sustainability of future corporate profits will be one of the primary drivers for future stock market gains.

1st Quarter 2004

DOW	*-0.92%*
S&P 500	*1.29%*
NASDAQ	*-0.46%*
Russell 2000	*6.00%*
Mid Cap 400	*4.78%*
MSCI EAFE	*3.75%*
10 Year Treasury	*4.69%*
Lehman US Agg.	*2.66%*
ML 7-12 Yr G.O.	*1.71%*

Source: Wall Street Journal, 4/1/04

Environmental Factors Which Affect Performance

Numerous environmental factors may affect your performance. These include:

War
Historically, the stock market declines when the United States is on the brink of war, because investors (both foreign and domestic) become cautious. On the other hand, if war does break out, it may actually stimulate the U.S. economy and lead to more investor activity, which normally has a positive influence on the stock market. Your portfolio can be affected by foreign wars, particularly if you have invested in international stocks or mutual funds.

The Federal Reserve
The Federal Reserve is the national bank of the United States that controls the money supply. All U.S. banks are part of the Federal Reserve system and borrow money from the Federal Reserve to lend to their customers. The interest rate charged by the Federal

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Get The Most From Your 401(k) This Year

"If you don't have the time, knowledge, or confidence to do this yourself, consider working with a financial professional who can help evaluate your investment options."

If you're lucky enough to work for a company that offers a 401(k) retirement plan, make sure that you take full advantage of it. Here are some tips:

Participate
If you're eligible to participate in your employer's 401(k) plan, there's really no excuse for not doing so. At the very least, contribute a minimal amount -- you can always increase your contributions at a later date.

Don't put off participating -- the sooner you begin, the longer your contributions have to grow. And since your contributions are automatically deducted from your paycheck, it's a lot easier than you think.

Contribute as Much as You Can Afford
Contributions to a 401(k) plan are made with pre-tax dollars. If you're in the 25% federal income bracket, this means that a 401(k) contribution of $1,000 really only costs you $750 in take-home pay. In effect, you can have $750 now in net pay, or $1,000 in your 401(k) plan.

Another benefit of 401(k) plans is that funds in a 401(k) grow tax-deferred until withdrawn, increasing your ability to accumulate funds for retirement. It all boils down to this: You should contribute as much to your 401(k) as you can afford, subject to plan limits.

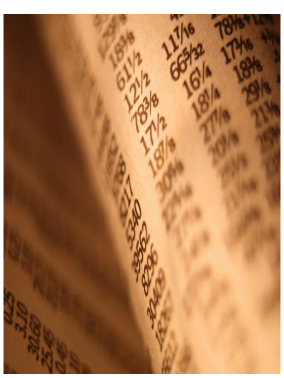
Take Advantage of Any Employer Match
Some employers match a percentage of each participant's 401(k) contributions, up to a specified limit. Even if you can't contribute the maximum amount allowed under the plan, or perhaps even as much as you'd like, you should contribute at least enough to qualify for the full amount of any matching contribution.

For example, if your employer matches 100% of contributions up to 3% of compensation and you earned $50,000, you'd receive a dollar-for-dollar match on the first $1,500 you contributed to the plan each year. So even though you contributed just $1,500, you'd end up with $3,000 in your 401(k). If you didn't contribute the full $1,500 in this example, you've effectively rejected free money.

Pay Attention to Your Investment Choices
Don't make the mistake that many individuals do -- choosing their 401(k) investments when they begin participating and then giving the subject no further consideration. You should review the performance of your plan investments on a regular basis and make sure that your investment mix still fits your financial goals, timelines, and tolerance for risk.

If you don't have the time, knowledge, or confidence to do this yourself, consider working with a financial professional who can help you evaluate your investment options.

Five Ways to Value a Stock



When you buy a stock, you're actually paying for each dollar of the company's earnings, sales, assets and cash flow. You can investigate a company's valuation by looking at the following ratios:

Price/Earnings Ratio
This is one of the most widely used measures of valuation. A company's P/E ratio is calculated by dividing its share price by its earnings per share. The result tells you how much an investor is willing to pay for $1 of a company's earnings.

Price/Sales Ratio
A company's price to sales ratio (current stock price divided by the company's sales per share) can be an especially useful valuation method for cyclicals or other companies with volatile earnings.

Price/Cash-Flow Ratio
A company's cash flow from

"When you buy a stock, you're actually paying for each dollar of the company's earnings, sales, assets and cash flow."

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Medicare ... Modernization Act of 2003

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 is the first major revision of the Medicare program since its creation in 1965.

The law introduces several new benefits for Medicare-eligible individuals, all of which are voluntary, including a prescription drug benefit. It also expands the health care options available to individuals who are not yet eligible for Medicare through the creation of health savings accounts.

The provisions of the new law will be gradually implemented, beginning in 2004. The following is a summary of these changes:

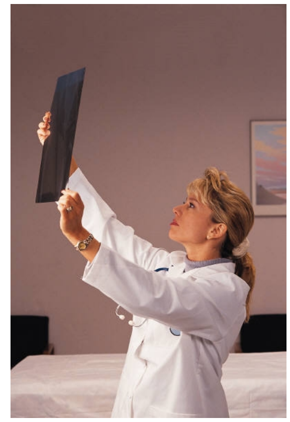
Effective January 1, 2004 individuals covered by high-deductible health plans may establish health savings accounts (HSAs).

Effective no later than June 2004 Medicare recipients will be able to purchase prescription drug discount cards.

Effective January 1, 2005 the deductible for Medicare Part B will increase and Medicare will begin offering new preventive health benefits. Effective January 1, 2006 the new Medicare prescription drug benefit will take effect. Tax-free subsidies will be paid to employers who offer retiree health benefits. Medigap supplement policies will change. Medicare Advantage plan choices will expand.

Effective January 1, 2007 the Medicare Part B premium will be linked to income.

Effective January 1, 2010 private plans will be allowed to compete with traditional Medicare on a limited basis.



"The law introduces several new benefits for Medicare eligible individuals, all of which are voluntary"

Retirement Planning

You may have a very idealistic vision of retirement -- doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit that you get from Uncle Sam may not provide enough income for your retirement years. To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. On top of that, people are living longer and must find ways to fund those additional years of retirement. Such eye-opening facts mean that today, sound retirement planning is critical.

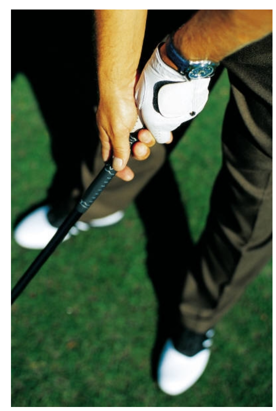
Determine Your Retirement Income Needs
Many experts suggest that you need at least 60 to 70 percent of your pre-retirement income to enable you to maintain your current standard of living in retirement. But this is only a general guideline. To determine your specific needs, you may want to estimate your annual retirement expenses.

Calculate the Gap
Once you have estimated your retirement income needs, take stock of your estimated future assets and income. These may come from Social Security, a retirement plan at work, a part-time job, and other sources. If estimates show that your future assets and income will fall short of what you need, the rest will have to come from additional personal retirement savings.

Build Your Retirement Fund - Save, Save, Save
When you know roughly how much money you'll need, your next goal is to save that amount. Begin saving as early as possible.

Understand Your Investment Options
You need to understand the types of investments that are available, and decide which ones are right for you. If you don't have the time, energy, or inclination to do this yourself, hire a financial professional. He or she will explain the options that are available to you, and will assist you in selecting investments that are appropriate for your goals, risk tolerance, and time horizon.

Use the Right Savings Tools
Take advantage of employer sponsored retirement plans, IRAs and Roth IRAs. If you're investing in a taxable account, be sure to invest in a tax efficient manner.



"A financial professional will assist you in selecting investments that are appropriate for your goals, risk tolerance and time horizon."

Environmental Factors Which Affect Performance

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Reserve when it loans money to member banks is called the discount rate. In general, the lower the discount rate, the more money banks will borrow and the more money will be pumped into the economy. However, if too much money is pumped into the economy, prices may escalate and inflation may result. By comparison, if too little is pumped into the economy, a recession may result as economic activity drops.

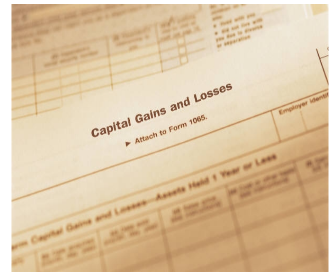
You should watch for signs that the Federal Reserve is about to lower the discount rate, because when it is lowered, interest rates are lowered as well. This will affect the price and return of both stocks and bonds. In addition, consumers and businesses may have more money to purchase goods and services. This may lead to higher profits for businesses and thus raise the value of shares of stock in that business. Finally, you may have more money to save and invest, and you may want to consider putting more money into riskier investments as returns on safer investments may be low.

Judicial System

The return you receive on your investment depends upon the success of the company whose stock you've invested in. That company's success may, at times, be linked to the judicial system. That is, if a company must pay damages resulting from a lawsuit, the company's earnings and profits may decline, and the value of stock shares in that company may drop. If this happens, investors who currently hold stock may suffer financial loss. However, if the setback is temporary, it may mean a financial boon for investors who buy shares when the price is low and then sell the shares when the company and stock price recover.

Federal Government

Some industries are stringently regulated by the federal government (and may also be regulated at the state level). Since industry regulation can directly affect prices of stocks and bonds related to those



industries, it's important to pay attention to the actions of the legislative and executive branches of government. These branches also set and change monetary and fiscal policies that can affect your investments.

Tax Laws

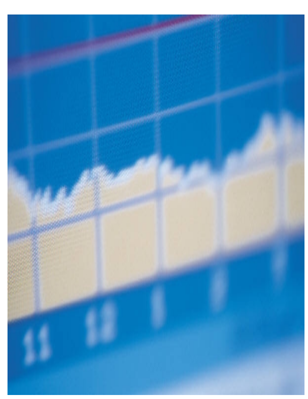
Tax laws (on both the federal and state levels) can significantly affect your overall investment strategy. For instance, you may be investing in a certain vehicle because of the tax advantages it offers, but if tax laws suddenly change and those tax advantages disappear or become less significant, you may need to make changes to your investment portfolio.

Five Ways to Value a Stock *Continued from page 2*

operations can often be a truer measure of its valuation due to the complexity of accounting rules -- especially internationally.

Price/Book-Value Ratio

This ratio is calculated by dividing the current stock price by the book value per share. By comparing the 5 year average with the current price/book ratio, you can



quickly see if the company is valued higher or lower than it has been historically.

PEG Ratio

A companies PEG ratio gives an indication of how cheap or expensive a stock is compared with its forecasted growth rate. The PEG ratio allows investors to compare companies with different growth rates.

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Financial Solutions is an independent, Registered Investment Advisor with the Securities and Exchange Commission. We offer financial planning and investment management services.

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