

July 3, 2002

Dear clients,

Hello again! In an odd sort of way this has been one of the most gratifying quarters I have had since starting this business eight years ago. I am certainly not gratified by stellar performances in the financial markets of late but rather by something much more important – your behavior. As an investment advisor, it is wonderful to hear my own words regarding the merits of being broadly diversified and maintaining a long-term perspective repeated back to me so often from you. All of you are to be commended for showing such composure and fiscal responsibility during these globally challenging and difficult economic, cultural, and political times. You are remembering well that in the long run solid investment portfolios don't fail but individual investors, without the right plan, often do. Nice going!

Many of you have asked me recently what my take is on the Enron and WorldCom debacles. Although accounting and corporate malfeasance like this can tend to rattle markets to the core, I believe, in the long run, a significant amount of good will come out of these scandals. Let me be clear that I will not be surprised if more major accounting irregularities and improprieties crop up in the near future but in the long run I believe that corporate leaders in America will realize that investor confidence is an incredibly valuable asset for a company to have and they will not jeopardize it by trying to appease Wall Street by making “next quarter's numbers” in any way possible. One of the main reasons our American stock market is the envy of the world is that our accounting practices are so highly respected. These standards have been dealt a significant short-term blow but I don't believe anything close to a fatal one.

Always remember that even if your portfolio's short-term results are discouraging and disheartening from time to time, the real risk is found in the enemy who is looking back at you in the mirror each day. This risk can manifest itself in several ways like; buying when you should be selling and vice versa; consuming your nest egg at too rapid a pace to comfortably and conservatively last your life expectancy; or perhaps even temporarily eschewing the bed rock principles of broad diversification and converting a portfolio to all cash or worse, loading up on the latest popular investment idea of the day that “can't miss”. Whatever the situation, try and remember that often in investing, boring is better, and minimizing your investment costs while maximizing your patience and self-discipline is an excellent road to follow.

For the many of you who have Vanguard IRA's, Vanguard has just significantly enhanced and improved the way in which beneficiaries can be designated. Even if you believe that your beneficiary designation is exactly the way you want it to be, now may be a good time just to make sure. Please give me a call and we can review the way in which your beneficiaries are named and make sure they are just right for your particular circumstances.

Please remember to call or stop by if you ever want to discuss your investments or other financial planning matters. I'm always happy to see you. Best regards and safely enjoy the rest of the summer!

*AF*