BLUE BELL
PRIVATE WEALTH MANAGEMENT

SUMMER 2011

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E-MONEY

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Mid-Summer's Market Update

The market breathed a sigh of relief as the Greek government survived the Austerity vote in Parliament. Passage of the Greek Austerity Plan and signs of a vigorous earnings season fueled a late June rally that did push global equities into positive territory with the MSCI World Index finishing up 0.7% over last quarter. While the plan removes some of the near term issues around Greece, investor troubles still linger in the longer term broader global economy. With that we believe that Europe and the global markets should get through this, but investors should expect a volatile market throughout the remainder of summer.

Looking at the United States, the S&P 500 also turned positive on June 30 (0.1% quarter over quarter) for its fourth consecutive quarterly gain, but the second quarter was basically flat. Year to date the S&P 500 is up 6.0%.

Stocks lost ground across the market caps and growth outpaced value this quarter. Mid-cap stocks fared the best gaining 0.63% while large-cap and small-cap lost 0.5% and 0.18% respectively. Growth equities were up 0.47% which was better than core stocks that were down 0.13% and value stocks that were down 1.22%.

Investors were less concerned with the United States debt ceiling over the Greek Austerity, but the Treasury Department is currently shifting funds from other uses and taking other extraordinary measures to keep the federal government from issuing new debt until August. With these sovereign debt issues, below consensus economic reports, and the growing realization of developed economies running out of fiscal and monetary bullets, investors are now reevaluating.

Looking toward the global markets, Europe ex United Kingdom rose for the fourth straight quarter at 3.4% quarter over quarter. The rise was led by Germany at 7.0% and France at 5.2%. The nations that lagged in Europe were Greece at -16.2% and Italy at -1.8%. Japan finished in the positive at 0.2% which is a sign of an economic rebound after the devastating earthquake in March . Emerging markets trailed developed international equities at -1.0%; it's the largest margin since the fourth quarter in 2008. This was fueled by tighter monetary policy and declines in the commodity-sensitive countries, such as Russia at -5.4% and Brazil at -4.0%.

With the deceleration in the global economy, the chronic debt issues, and the end of the Fed's quantitative easing program, investors should maintain a more defensive posture with their portfolios.

Date Source: FactSet

Introduction to 529 Plans

Projected four-year cost of college
College expenses are expected to rise considerably over the next 18 years.

Years until college	Public (in-state)	Public (out-of-state)	Private
2	$95,500	$152,100	$194,800
4	$107,300	$170,900	$218,900
10	$152,100	$242,400	$310,500
14	$192,100	$305,900	$391,900
18	$242,400	$386,300	$494,700

Source: Annual Survey of Colleges 2008-2009, The College Board. Chart assumes a 6% average annual increase in tuition, fees, books, room and board, and other expenses.

If you have young children or know a family member who does, these numbers are downright scary. Below, we introduce a vehicle to assist you in saving - 529 Plans.

An Introduction to 529 Plans

What is a 529 plan?

A 529 Plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. It is named after Section 529 of the Internal Revenue Code which created these types of savings plans in 1996. There are two types of 529 plans: pre-paid tuition plans and college savings plans. All fifty states and the District of Columbia sponsor at least one type of 529 plan. In addition, a group of private colleges and universities sponsor a pre-paid tuition plan.

What are the differences between pre-paid tuition plans and college savings plans?

Prepaid Plans let you pre-pay all or part of the costs of an in-state public college education. They may also be converted for use at private and out-of-state colleges. The Independent 529 Plan is a separate prepaid plan for private colleges. Most prepaid tuition plans are sponsored by state governments and have residency requirements. Many state governments guarantee investments in pre-paid tuition plans that they sponsor.

Savings Plans work much like your 401K or IRA by investing your contributions in stock mutual funds, bond mutual funds, and money market funds, as well as, age-based portfolios that automatically shift toward more conservative investments as the beneficiary gets closer to college age. However, a new addition to these traditional investments is now available – ETFs. Your account will increase or decrease in value based on the performance of the particular investment you choose. College savings plans generally permit a account holder to establish an account for a beneficiary for the purpose of paying the beneficiary's eligible college expenses.

How does investing in a 529 plan affect federal and state income taxes?

Federal tax benefits - 529 plans offer unmatched income tax breaks. Like a 401k or IRA, your contributions are not deductible on your federal tax return, however, your investment grows tax-deferred and distributions to pay for the beneficiary's college costs come out federally tax-free. The tax-free treatment was made permanent with the Pension Protection Act of 2006.

State tax benefits - In addition to the federal treatment**,** your own state may offer some tax breaks as well (like an upfront deduction for your contributions or income exemption on withdrawals). You should research what benefits residents receive for investing in your own state's 529 plan. If you don't get any benefits from your state, you have the pick of every 529 plan on offer, so it is best to compare plan features

If you withdraw money from a 529 plan and do not use it on an eligible college expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings.

What restrictions apply to an investment in a 529 plan?

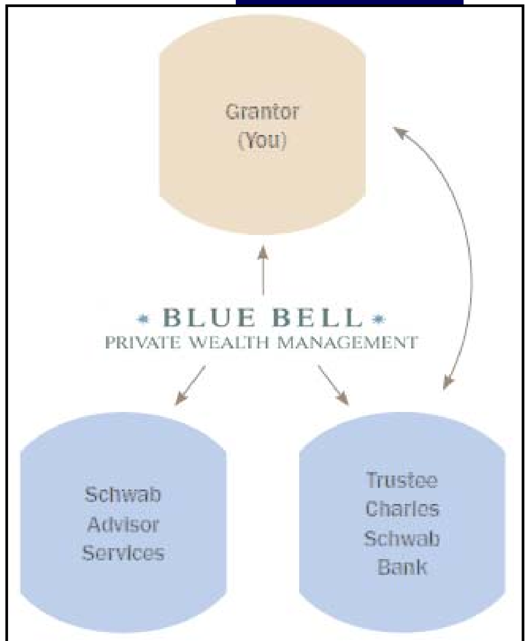
Withdrawal restrictions apply to both college savings plans and pre-paid tuition plans. With limited exceptions, you can only withdraw money that you invest in a 529 plan for eligible college expenses without incurring taxes and penalties. In addition, participants in college savings plans are not permitted to switch freely among available investment options. Under current tax law, an account holder is only permitted to change his or her investment option one time per year.

Does investing in a 529 plan impact financial aid eligibility?

(Continued on page 3)

Schwab Trust Services

As grantor of a Trust, you may designate an independent advisor to handle the investment management of your trust assets and appoint Charles Schwab Bank to execute the administrative fiduciary responsibilities. Blue Bell Private Wealth Management, coupled with Charles Schwab Bank's Administrative Trust Services, offers you the following:



- An opportunity to consolidate trust and non-trust reporting on the same statement
- A seamless, integrated combination of personal trust administration and reporting

The benefit of having an investment manager and Trustee as separate entities

Advantages

A trustee is responsible for administering trust assets as expressed in the trust agreement, during a period of incapacity and after your death. With Charles Schwab Bank acting as trustee, you benefit from:

- **Specialized Knowledge –** Charles Schwab Bank has the professional knowledge to administer the complexities of a trust so that your advisor can focus on managing the financial trust assets.
- **Continuity –** As a corporate entity, Charles Schwab Bank can manage the trust beyond the lifespan of individual family members, so the trust requirements can be executed consistently over generations.
- **A Full Range of Services –** Accounting, recordkeeping, collection of dividends/interest, distribution of income/principal, and preparation and filing of federal and state fiduciary income tax returns.
- **Trust Expertise –** The ability to act as administrative trustee on a variety of trust types, such as revocable trusts, testamentary trusts and marital Trusts.

The Delaware Advantage for Personal Trusts

The Delaware Advantage for Personal Trusts – Charles Schwab Bank administers trusts in Delaware to take advantage of the state's favorable trust laws, which have the following advantages:

- **Investment Flexibility –** In separating investment management from administrative responsibilities, Delaware law allows the appointment of an investment advisor to manage trust assets.
- **Potential Tax Advantages –** Delaware does not impose a fiduciary income tax on irrevocable Trusts that accumulate income and/or capital gains for future distributions to nonresident beneficiaries.

Please contact us **before** you meet with an estate attorney concerning

- Wills
- Trusts
- Power of Attorney

We find that a discussion with us prior to the meeting typically streamlines the process. We can provide you with a summary of accounts, named beneficiaries and other pertinent information, including language required by Schwab to be included in a Durable Power of Attorney. Speaking with us first simplifies the process for you and is appreciated by your estate attorney, allowing them to do a better more thorough job. Remember, with your permission we are always willing to speak with your attorney, CPA, child etc about your financial situation.

529 Plans Continued...

While each educational institution may treat assets held in a 529 plan differently, investing in a 529 plan will generally reduce a student's eligibility to participate in need-based financial aid. Assets held in pre-paid tuition plans and college savings plans will be treated similarly for federal financial aid purposes. Both will be treated as parental assets in the calculation of the expected family contribution toward college costs.

Other Benefits to investing in a 529 Plan

Donor retains control of funds - You, the donor, stay in control of the account. With few exceptions, the beneficiary has no rights to the funds. You are the one who calls the shots; you decide when withdrawals are taken and for what purpose.
Simplified tax reporting - You won't receive a Form 1099 to report taxable or nontaxable earnings until the year you make withdrawals.
Substantial contributions allowed - Everyone is eligible to take advantage of a 529 plan, and the amounts you can put in are substantial (over $300,000 per beneficiary in many state plans). You can contribute up to $13,000 each year ($26,000 for married couples) for each beneficiary, without gift-tax consequences, as long as there are no other gifts in the same year. Or you can choose to make a contribution of up to $65,000 per beneficiary ($130,000 for married couples) gift-tax free, as long as there are no other gifts in the same five-year period covered by the election.

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BBPWM in the News

"I wouldn't do business with any adviser or any firm that tried to sell me a closed-end fund at the IPO, I love closed-end funds, but I only buy them when they're trading at a high discount to NAV."
- **Scott Miller, Sr**., *Investment News: April 28, 2011*, speaking about closed-end funds and what parameters attract him to purchase them.

"Gathering the information is the issue for a lot of advisers, the information is the, you just have to put it together."
- **Scott Miller, Sr**., *Investment News: April 28, 2011*, speaking on collecting information needed to make informed decisions on purchasing closed-end funds.

"We find that sometimes the expectations of investors will get reset, based on what the stock market is doing."
- **Scott Miller, Jr**., *Investment News: May 29, 2011*, speaking on the mindset of structured investors.

"The notes are being purchased as protection against inflation. Investors are concerned that the dollar is going to be worth less and less, so there's been more interest in rate- and commodity- linked notes."
- **Justin Capetola**, *Bloomberg News: June 20, 2011*, speaking on the rise in sales of structured notes to protect against inflation.

REMINDERS

- Required Minimum Distributions (RMDs) - Anyone 70 1/2 or older needs to take their RMD by **December 31, 2011**. As in the past, we will assist you in taking your Required Minimum Distributions. Please let us know if you have any other IRAs outside of Charles Schwab, so we can include them in our calculations.

- Reminder, it is important to review your named beneficiaries on your IRA, Pension, Annuity, 401(k), 403(b) or other retirement plan on an annual basis. Please notify us if you would like to update your beneficiaries information, to change your beneficiary or to check your named beneficiaries.

- Please contact Scott Jr. or Justin to schedule your account review, 610.825.3540

Thank you for your continued support of our business through referrals of family and friends!