

BLUE BELL PRIVATE WEALTH MANAGEMENT

DECEMBER 2007

INCOME FOR LIFE— SOUNDS GOOD BUT AT WHAT COST?

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BBPWM

Founded in April 2005, Blue Bell Private Wealth Management offers a unique combination of investment vehicles, technology, objectivity, performance and the highest commitment to service. Our firm prides itself on putting the "odds in our client's favor." Our primary interest is you; we "sit on the same side of the table" in all investment decisions. We have no ties to any other investment companies, which we believe is critical in providing every client with objective financial advice.

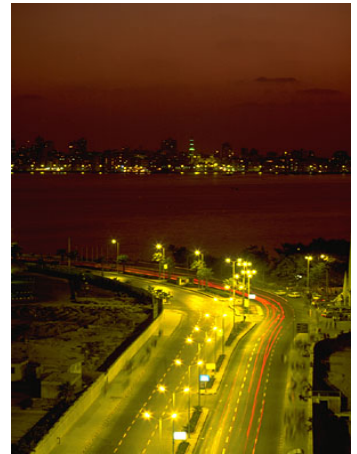
If you turn on the TV to any news or financial channel, you will see many different insurance companies touting the value of income for life. At first glance, this may seem attractive; however, an investor that digs deeper into the products will most likely be disappointed. It is no secret that interest rates are low on a long-term relative basis. Equally important, inflation has risen and may continue to rise. Just check commodity prices such as gold, silver, oil, gas, and other precious metals. It is our opinion that now is **NOT THE TIME TO LOCK INTO ANY LONG TERM FIXED-INCOME INVESTMENT PROGRAMS.**

Those companies advertising income for life on an actuarial basis know how long you are going to live, and thus on average pay the minimum. I have reviewed many annuity

contracts which sound good when they're sold, but that is due to the fact that you hear all of the positives and none of the negatives. Many immediate annuities (income for life) pay rates as low as 2.5%-3%. If you take taxes and inflation into account, you are actually losing money by pursuing this approach. As if that is not a big enough negative in itself, consider the fact that these annuities provide little, if anything, for your beneficiaries.

Don't be misled by an aggressive sales pitch which sounds too good to be true. All annuities are different, many times even within the same company. So reviewing any annuities currently held is naturally very important. Since the rapid market decline in 2001 and 2002, most if not all companies I am aware of continue to make their annuities sound

as attractive as they were in 1999 and 2000. The truth is most are substantially different and offer little or no benefit to the average investor. I encourage you to review with us any annuity contracts you may have, as it is most important that you understand your advantages and any disadvantages.



BABY BOOMER ALERT

As you near retirement, it is important that you review your money management strategy. Some simple, but very useful steps should be accomplished before your actual retirement date.

Create a retirement budget. Understand your expenses and separate them into two separate categories,

essential and discretionary. Determine the amount of these expenses which can be covered without income from your portfolio, while remaining expenses will naturally require a monthly check. Once this amount is known, it is very simple to determine if the amount requested is a realistic amount based on your current portfolio value. If it is

determined the income requested will be easily accessible without damaging your principal, it is a simple process to have it deposited directly into your checking account.

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BABY BOOMER ALERT ...CONTINUED

Managing your portfolio during retirement still requires growth and diversification. It is a mistake to believe that at retirement, bonds must be over weighted in your portfolio. You should also set aside enough cash to cover volatile markets and any bear market downturns. While downturns have always been followed by rising markets, it is wrong to assume that earnings will compound with any straight line apprecia-

tion. You must make decisions on your pension assets, IRAs, and any 401k balances. As you know, we recommend consolidating your 401k with your IRA for better management and ease of withdrawal .

Finally, your social security payments can be made in one of three ways. You can take it early, take it at normal retirement age, or wait as late as age 70. While there is no guaranteed correct answer, the older you live, the better it is to delay

your payments until age 68. It's amazing the extra benefits you receive by waiting two years.

It is extremely crucial to plan ahead for known and unforeseen circumstances. The better prepared you are, the easier it will be to everyone involved. For more information on any of these retirement tips, please plan a meeting with Justin or Scott.

"IRAs are available to every wage earner in the United States and many intelligent investors participate. There are, however, many retired people who own IRAs and are not receiving the services they require."

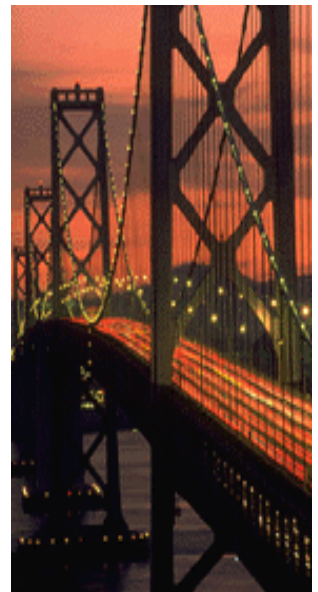
AVOIDING IRA ANGUISH

Last month, I received a call from one of my few former clients who maintained her account at my previous employer. She is 75 years old and has not taken her IRA distribution since we left in April of 2005. When she recently called her new broker, (the person who her account was assigned to had also left), she asked him why she had not received an IRA distribution. His answer was, "I don't know, but you may be subject to a 50% penalty for not meeting the IRS requirements." She then called me in a panic to see if I remembered her and if I was able to help. Thankfully, I was, but a lesson was learned.

IRAs are available to every wage earner in the United States and many intelligent investors participate. There are, however, many retired people who own IRAs and are not receiving the services they require. I would like to highlight some of the things you must deal with.

1. Making sure required minimum distributions are made in a timely fashion for everyone over 70.5 years old. There is no excuse for paying a 50% excise tax for amounts not withdrawn.
2. Taking the proper required minimum distribution. Taking too much can be tax inefficient; taking too little can result in a penalty.
3. Keeping track of cost basis. While this is only important for those who have made non-deductible contributions in the past, it can be confusing when its time for distributions.
4. Performing rollovers without triggering taxable events. You absolutely want to do a direct custodian transfer, not what the IRS deems a rollover.
5. Maintaining proper beneficiary designations. You may have received a call recently from our office to be sure your beneficiaries are in good order. This is most important to preserve the ability for ones beneficiary to stretch the IRA in the future.
6. Not paying account fees. Most every brokerage firm or mutual fund account I know of charges fees simply to hold your IRA. These charges range from \$50 to \$100 per year, which are totally avoidable. Our custodian Charles Schwab does not charge any custodian fees.
7. Consolidating all of your IRAs, 401Ks, 403b's, and other retirement plans into one account. This makes managing those assets much more efficient and when it comes to distributions, this avoids many of the pitfalls listed above.

For more information, please contact Joe Francks at jfrancks@bluebellpwm.com or 610-825-3540.



"NOW IS NOT THE TIME TO LOCK INTO ANY LONG TERM FIXED-INCOME INVESTMENT PROGRAMS."

COMBATING VOLATILE MARKETS

“October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February.”

- Mark Twain

The irony of this quote is incredible considering the recent market movements. On November 26, the S&P 500 Index stood approximately 10% below its October 9th peak. Equity volatility as measured by the VIX Index had increased by 149%. Negative headlines about U.S. housing, subprime securities, energy prices, and the falling U.S. dollar have caused increased concern for many investors.

During volatile markets, some investors might embrace the “cash is king” theory. In the short run though, selling would have been a mistake. The S&P 500 index currently stands 5.50%* above its November low and only 5.14%* below its October 9th peak. Since 1950, some of the worst short-term losses in the market were followed by substantial rebounds. Investors are better served by remaining fully invested during the entire period, enduring near-term pain but not missing out on the subsequent rebound. Since you can’t predict what the coming months will bring, you should strive to build a portfolio that will see you through up, down, and flat periods.

On November 26, 2007, we made available to our clients a webcast regarding over reacting to market declines and why BBPWM keeps you invested during difficult times. Our investment principles are the following: risk management, reducing portfolio volatility, positive returns during flat or slightly downward moving markets, and enhanced returns during moderately upward moving markets. We believe we can achieve these goals through a managed structured investment portfolio.

As always, we are available to explain the effects of the recent increase in volatility: Structured Investments are priced with higher maximum caps, higher multiples, and higher buffer levels during more volatile periods. In simpler terms, this means we see offerings with better potential upside, better potential downside protection, and the potential for higher overall returns. Below is a demonstration of the reinvestment advantages of a Buffered Return Enhanced Note during downward markets.

Strategy A:		Period 1:		Strategy A	Strategy B
Invest in S&P 500 Index		Initial Investment		\$100,000	\$100,000
		Investment Return		-11.00%	-1.11%
		Ending Value		\$89,000	\$98,889
		Change in Value		(\$11,000)	(\$1,111)
Strategy B:		Period 2:		Strategy A	Strategy C
Invest in Structured Investment		Initial Value		\$89,000	\$98,889
Upside Multiplier	200%	Investment Return		12.36%	22.00%
Maximum Cap	20.00%	Ending Value		\$100,000	\$120,644
Buffer Level	10.00%	Change in Value		\$11,000	\$21,756
Downside Multiplier	1.11				
Strategy C:		Total		S&P 500 Strategy	Structured Investment Strategy
Reinvest into Structured Investment		Change in Value		\$0	\$20,644
Upside Multiplier	200%	Total Return (%)		0.00%	20.64%
Maximum Cap	22.00%				
Buffer Level	10.00%				
Downside Multiplier	1.11				

The above chart represents two different account strategies: Investing \$100,000 in the S&P 500 (SPX) through ETFs (Strategy A) and investing \$100,000 in the S&P 500 (SPX) through Structured Investments (Strategy B). During the first period (13-mos), if SPX declines by 11.00%, an ETF investor would realize a loss of 11.00%. A investor who invested in a 10% Buffered Return Enhanced Note would only realize a loss of 1.11% during the first period. Notice the investor had a 10% advantage on the downside over the ETF. The ETF and Structured Investment investor have ending values of \$89,000 and \$98,889 respectively after the first period.

After the first period, each investor decides to reinvest for another 13-mos. The ETF investor continues to hold their initial strategy while the Strategy B rolls the money into a new Structured Investment (Strategy C). During period 2, the market recovers from its initial decline and increases 12.36%. The ETF investor would realize a return of 12.36% during the second period. The Structured Investment investor would realize a return of 22.00% (200% of the upside underlying index movement up to a maximum capped return of 22.00%). The ETF investor and Structured Investment investor have ending values of \$100,000 and \$120,644 respectively after the second period.

Over the two periods, both investors were able to stay invested without fearfully taking their money out of the market during the initial decline. At the end of the second period, the Structured Investment realized a total return of 20.64%. However, the ETF realized no return over the two periods. Both investors benefited from staying invested in the market during the rough time and not missing out on the subsequent rebound. Overall, the Structured Investment investor achieved substantial outperformance from both the 10% buffer protection during the first period and the 200% upside multiplier during the second period. For more information about a Structured Investment managed portfolio or the advantages of Structured Investments during volatile markets, please contact Jon Sobotkin at

jsobotkin@bluebellpwm.com.

*Data as of SPX Closing Price on December 21, 2007.

Blue Bell Private Wealth Management
Blue Bell Executive Campus
470 Norristown Rd, Suite 305
Blue Bell, PA 19422
Phone: 888-425-8323
Fax: 610-825-9690
www.bluebellpwm.com
E-mail: info@bluebellpwm.com

BBPWM RECENT OFFICE EVENTS EVENTS

- We are excited to be featured in the November issue of **Bloomberg Magazine**. In addition, Scott Jr. was featured in an **Investment News** article regarding closed-end funds. Please check out our website for the articles as well as other additional articles we have appeared in.
- In November 2007, Scott Miller Sr. was invited to participate as a Structured Investment specialist at the **Reuters Advice Point Forum 2007** at The New York Athletic Club in New York City. Many who were in attendance were intrigued with Blue Bell's approach to a managed Structured Investment portfolio. According to the event planner, Scott received the highest ratings/comments out of the numerous panelists during the day. Reuters looks forward to having Blue Bell PWM representatives in the future to discuss more about the Structured Investment strategies.
- Blue Bell PWM participated in the **Making Strides Against Breast Cancer** walk held on Sunday, October 14th in Philadelphia. Making Strides Against Breast Cancer is a five-mile noncompetitive walk to help fight breast cancer and provide hope to people facing the disease. We had a great turn out for this event and we look forward to next year's walk.
- BBPWM is a major contributor to **Crossing the Finish Line**. CFL, which Scott Sr. is a board member, reaches out to over 100 families each year as it provides young adult cancer patients and their families a retreat from the unyielding physical and emotional demands of cancer by providing a one week, expense paid excursion in a comfortable and secure environment. For more information, please visit www.crossingthefinishline.org

Scott Miller Sr.
Chief Investment Officer

Scott Miller Jr.
Chief Executive Officer

Justin Capetola
Chief Operating Officer

Joseph Francks
Compliance Committee Director
Registered Investment Advisor

Patrick Runyen
Registered Investment Advisor

Amisha Shah
Operations

Jon Sobotkin
Investment Policy Committee
Director
Registered Investment Advisor

Interns
Jessica Barsky
Andrew Larkin
Scott Panza
Brett Sullivan
James Winslow

"The U.S. economy has grown at an average annual rate of 3.5% since 2001, but manufacturing output has actually increased at a faster clip — 4% per year over the same span, according to *Kiplinger*. While it is true that the labor force in the manufacturing sector has been shrinking, the U.S. still ranks number one worldwide in manufacturing, accounting for 25% of all goods produced. From 1987 through 2005, U.S. factory productivity grew by 94%, nearly two and a half times faster than service sector productivity. U.S. manufacturing employees earn 23% more, on average, than the rest of the U.S. workforce (\$65,000 vs. \$53,000). High productivity has brought foreign manufacturers to the U.S. Roughly one out of every 12 factory workers in the U.S. is employed by a foreign-based company."
www.ftportfolios.com

Experts Speak! Results Are In!

2008 S&P 500 Index Forecasts
from the leading strategists at
the top investment banks!

Firm	Analyst	2008 Forecast	Percent Change
Merrill Lynch	Richard Bernstein	1,525	4.81%
Morgan Stanley	Abhijit Chakraborti	1,525	4.81%
JPMorgan	Thomas Lee	1,590	9.28%
Bank of America	Tom McManus	1,625	11.69%
Lehman Brothers	Ian Scott	1,630	12.03%
Deutsche Bank	Larry Adam	1,640	12.72%
Credit Suisse	Jonathan Morton	1,650	13.40%
Citigroup	Tobias Levkovich	1,675	15.12%
Goldman Sachs	Abby Joseph Cohen	1,675	15.12%
Bear Stearns	Jonathan Golub	1,700	16.84%
UBS Securities	David Bianco	1,700	16.84%
ISI Group	Francois Trahan	1,750	20.28%
Average		1,640	12.74%
High		1,750	20.28%
Low		1,525	4.81%
Current		1,454.98	12/18/2007