

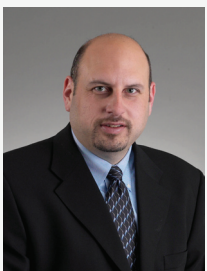
Financial Common Sense

Insights for Plan Participants

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Financial Common Sense addresses issues facing today's investors. We are committed to an established investment philosophy and are passionate about helping our clients achieve their investment goals.

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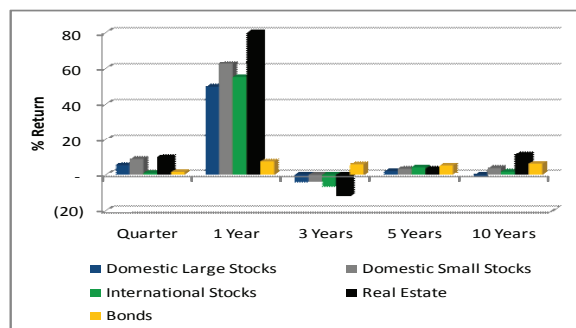
Market Commentary by Craig Buckhout

Financial markets continued their winning ways in the first quarter of 2010 marking four consecutive quarters of positive stock market returns. The chart at right shows the impressive performance of small company stocks during the past three months and the fact that all major asset classes had positive returns.

The chart also shows impressive gains over the past twelve months, reminding us how dramatic the recovery has been from the depths of the financial crisis (S&P up 50%). The consensus forecast a year ago was for a long, slow recovery of the world economy, which appears to be occurring. The snap-back in equity values can be attributed to a stabilization of the economy that has reduced uncertainty. No one expects a sudden jump in sales and earnings, but stock values have responded favorably as the risk of a market meltdown fades in the distance.

Can The Market Continue To Improve?

Many of us are feeling better about our nest eggs as we watch them recover much of their pre-crisis value. So how much upside remains? Unemployment remains high and sales and profits are still far from pre-crisis levels. Over a 15-year period the S&P 500 index has nearly tripled in value, but what a ride! The 500 largest U.S. companies have, twice in the past ten years, been valued 30% above their current valuations. If we have some faith in the U.S. economy, it seems that we should be able to achieve these levels again, but through sustainable growth in sales and



earnings, without the aid of an economic bubble. We are also certain to see some bumps in the road and some negative quarters along the way.

Why Bonds?

With returns that appear insignificant compared to stocks and the threat that inflation and higher interest rates will chew up bond values, why continue investing in bonds? Diversification is the key benefit of bonds, which was clearly demonstrated in 2008 when stocks were down 37% and the bond market was up 6%.

Diversification has been described as, "always owning something that you wish you didn't own." In 2008 we were glad to own some bonds. Over the past twelve months it would have been nice to own only stocks. Bond diversification helps to stabilize returns, and in the long run, that is a good thing. ♦

Is it Time to Convert Your Traditional IRA? by Anthony Farella

Individuals are permitted to convert their Traditional IRAs ("TIRA") to Roth IRAs if they meet current income limitations set by the IRS. In 2010 the income limits are removed allowing anyone to convert. While I cannot say there are hard or fast rules on when or if to convert an existing traditional IRA, below are some situations where the decision becomes easier to make:

YES - Convert

- For clients with after-tax investments, who are in a high marginal tax bracket and will stay there during retirement;

- Clients who are subject to estate taxes;
- Clients who wish to pass their Roth IRAs tax free to beneficiaries and future generations.

NO - Don't Convert:

- Anyone who has to pay the tax with existing IRA assets (no brokerage or savings);
- Clients in retirement living off their IRA money;
- Clients who are sure to be in a lower tax bracket at retirement.

To view the unabridged version of this article, go to www.agri-invest.com. ♦



Patrick E. Rohe
CRPC®

At Rockbridge Investment Management, we feel that one of

the main culprits of investment underperformance is the cost associated with investing. It is because of this that we construct all investment portfolios using passively managed index funds, which are a fraction of the cost when compared to their actively managed counterparts.

Numerous studies have shown that only about 20% of active portfolio managers will outperform their respective portfolio benchmarks over a 20- or 30-year time period. This is not due to lack of intelligence by these money managers, but rather to the efficiency of capital markets.

To quote John Bogle again, investing "is a zero sum game before costs and a loser's game after costs." If a money manager charges a 1.5% fee, then he automatically must outperform the market by at least that before the investor sees any benefit. Since active management is run by individuals, this now adds another layer of risk to your portfolio. Human beings have a tendency of letting emotions dictate their investment decisions, and if they are already

Control the Controllable, Ignore the Rest

Like most things in life, the simple approach to doing something almost always tends to be the best. This theory holds true when it comes to investing and is one of the cornerstones behind our investment philosophy.

"Gross return in the financial markets, minus the cost of financial intermediation, equals the net return actually delivered to investors."
- John Bogle

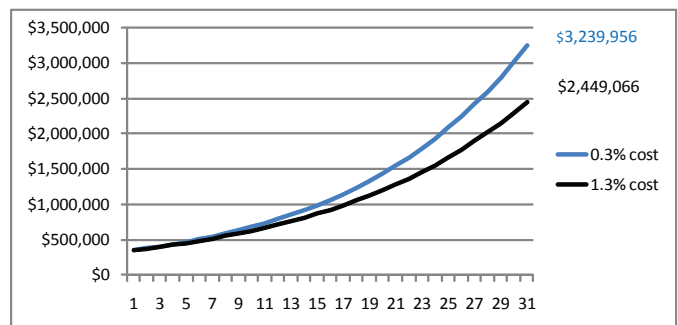
starting below market returns (-1.5%), then there might be the inclination to take on some unnecessary risk to make up for their high fees.

Below is a graph that shows how the additional costs of active management can greatly affect an investment portfolio. The graph portrays the difference an additional cost of 1% can have on a \$350,000 portfolio earning an 8% real rate of return over a 30-year time horizon.

It is critical for any investor to control the factors that can be controlled, like costs, asset allocation and risk, while ignoring the rest. Contrary to what many people believe, proper investing should be simple and about

taking calculated risks that will reward investors over time.

In conclusion, I would advise any investor to go out and enjoy their hobbies, channeling their emotions into their daily living, while leaving their simplified and disciplined investment portfolio to make them financially secure during retirement. ♦



Returns from Various Markets

The following table shows the returns from various markets over periods ending March 31, 2010:

Market/Asset Class	Quarter	1 Year	3 Years	5 Years	10 Years	20 Years
Money market	0.0%	0.2%	2.0%	2.9%	2.9%	4.0%
Bond market	1.5%	7.5%	5.8%	5.2%	6.2%	7.1%
Large-cap stock market	5.4%	49.8%	-4.2%	1.9%	-0.7%	8.7%
Small-cap stock market	8.8%	62.8%	-4.0%	3.4%	3.7%	8.9%
International equity market	0.9%	55.2%	-6.6%	4.2%	1.7%	5.6%
Inflation	0.2%	2.1%	2.1%	2.5%	2.5%	2.7%

Market Benchmark Portfolios

The following table shows returns from our market benchmarks over periods ending March 31, 2010:

Benchmark	Quarter	1 Year	3 Years	5 Years	10 Years	20 Years
Capital preservation	1.2%	8.3%	3.1%	3.9%	4.1%	5.7%
Conservative	2.1%	18.0%	2.3%	4.1%	4.1%	7.0%
Moderate	3.0%	28.4%	1.0%	4.2%	3.8%	7.9%
Aggressive	3.6%	37.8%	-1.2%	3.7%	2.7%	8.0%
All equity	4.2%	52.0%	-4.8%	2.8%	1.3%	7.8%

Note: These results were developed by simulating past returns in the various markets included in each benchmark, assuming the reinvestment of dividends and other earnings and deductions of costs totaling 0.20%. The money market is represented by 90-Day Treasury Bills; the bond market by the Barclays Capital Government/Credit Bond Index; the domestic large cap market by the S&P 500; the domestic small cap market by the Russell 2000 Index; and the international equity market by the EAFE Index. This data is presented to show the long-term relationship between returns at various levels of investment risk. It is not intended to present performance results experienced by clients of Rockbridge Investment Management, but is intended to provide a benchmark against which actual performance might be judged. Also, readers should recognize that future investments would be made under different economic conditions. It should not be assumed that future investors would experience returns, if any, comparable to those shown above. The information given is historic and should not be taken as any indication of future investment results.