Osher Lifelong Learning Institute

"Five Simple Truths of Investing"

Presented by:

Steve Cassaday, CFP, CFS
Cassaday & Company Inc.
Independent Wealth Advisors
McLean, VA 22102

703-506-8200 800-672-2102
www.cassaday.com

Methodology For Asset Allocation Charts:

- 441 Rolling one year holding periods from 1/1/73 – 9/30/2010
- Pre-tax return, no fees or charges.
- Rebalanced quarterly using indexes:

  1. S&P 500,
  2. MSCI EAFE,
  3. DFA Small Cap Index,
  4. Goldman Sachs Commodity Index (GSCI),
  5. FTSE NAREIT,
  6. Citigroup Corp Bond,
  7. Barclays Capital Credit Bond,
  8. Barclays Capital Intermediate U.S. Govt/Credit,
  9. 3 Month Treasury Bills.

The information contained herein is based on assumptions and historical data. This information is in no way meant to be a guarantee or warranty of performance or investment results. Investment results cannot be forecasted or predicted in advance.

Cassaday & Company, Inc.

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With any investment vehicle or strategy, past performance is not a guarantee of future results. Investors should be aware that there are risks inherent in all investments such as fluctuations in and loss of investment principal.

An Index is a portfolio of specific securities (common examples are the S & P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. It may not be fair to compare asset allocated portfolios to indexes as these portfolios contain many different investments.

Investors should consult with legal and tax professionals with regard to the consequences of any, recommendations, transactions or transfers prior to implementation.

DISCLOSURE FOR "The Average Investor Has Not Enjoyed Success" Slide

Past performance does not guarantee future results. There can be no assurance that working with a financial advisor will improve investment results.

Investors cannot invest directly in indexes.

Source: Average equity investor and average bond investor performances were used from the DALBAR study, Quantitative Analysis of Investor Behavior (QAIB), 2007. QAIB calculates investor returns as the change in assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs, annualized over the period. The Standard & Poor's 500 Index ("S&P 500"), an unmanaged index of 500 common stocks generally representative of the U.S. stock market. Inflation is measured by the CPI index. Lehman Brothers Aggregate Bond Index is an index comprised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The S&P 500 and Inflation indices were provided by the Stocks, Bonds, Bills and Inflation® Yearbook, ©Ibbotson Associates, Inc.

Explanations of Indexes

1. Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index
2. The MSCI EAFE® Index comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australasia and the Far East.
3. CitiCorp Bond Composite - Composed of securities from Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The index's total return consists of price appreciation/depreciation plus income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.
4. The GSCI is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully-collateralized basis with full reinvestment. The combination of these attributes provides investors with a representative and realistic picture of realizable returns attainable in the commodities markets. Individual components qualify for inclusion in the GSCI on the basis of liquidity and are weighted by their respective world production quantities. The principles behind the construction of the index are public and designed to allow easy and cost-efficient investment implementation. Possible means of implementation include the purchase of GSCI-related instruments, such as the GSCI futures contract traded on the Chicago Mercantile Exchange (CME) or over-the-counter derivatives, or the direct purchase of the underlying futures contracts.
5. The NAREIT Real-Time Index is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972.
6. The NAREIT Real Time Index provides investors with modern, up-to-the-minute information for analyzing the REIT industry. The index provides a standard with which to measure the REIT industry's growth and performance on a real-time basis.

Goals of This Presentation….

1. Organizing the Investment Universe
2. Risk - What is it?
3. The Root of all Evil in the Investment World
4. The Impact of Asset Allocation Choices on Risk and Return
5. Consolidation
6. Questions?

Organizing the Investment Universe

Everything You Can Buy Falls Into These Categories

- Equities
- Debt
- Hard Assets
- Cash & Equivalents

These are called ‘asset classes.’

Organization of the Investment Universe

Overview

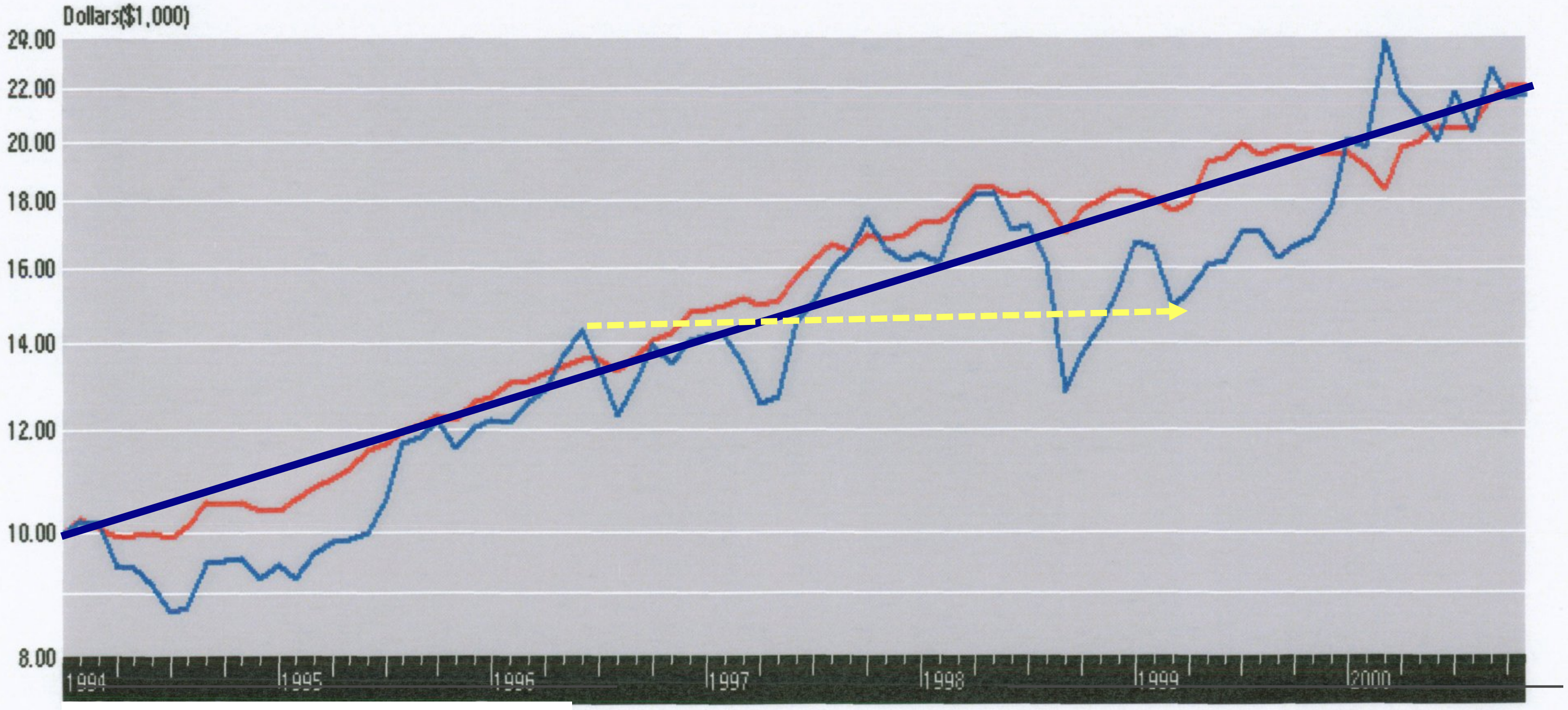
- All assets fall into four general classes.
- Each class is distinct because they react differently to same stimulus.
- Owning them simultaneously can mean lower risk.

No investment plan can eliminate the risk of fluctuating prices and uncertain returns

What is risk?

- Risk has different meanings to different people.
- Tonight:
  - Risk = volatility
- Webster's Dictionary:
  - Volatile – “characterized by rapid change”
- Investment Dictionary:
  - Variance above and below an average.
  - The greater the variance – the greater the risk.

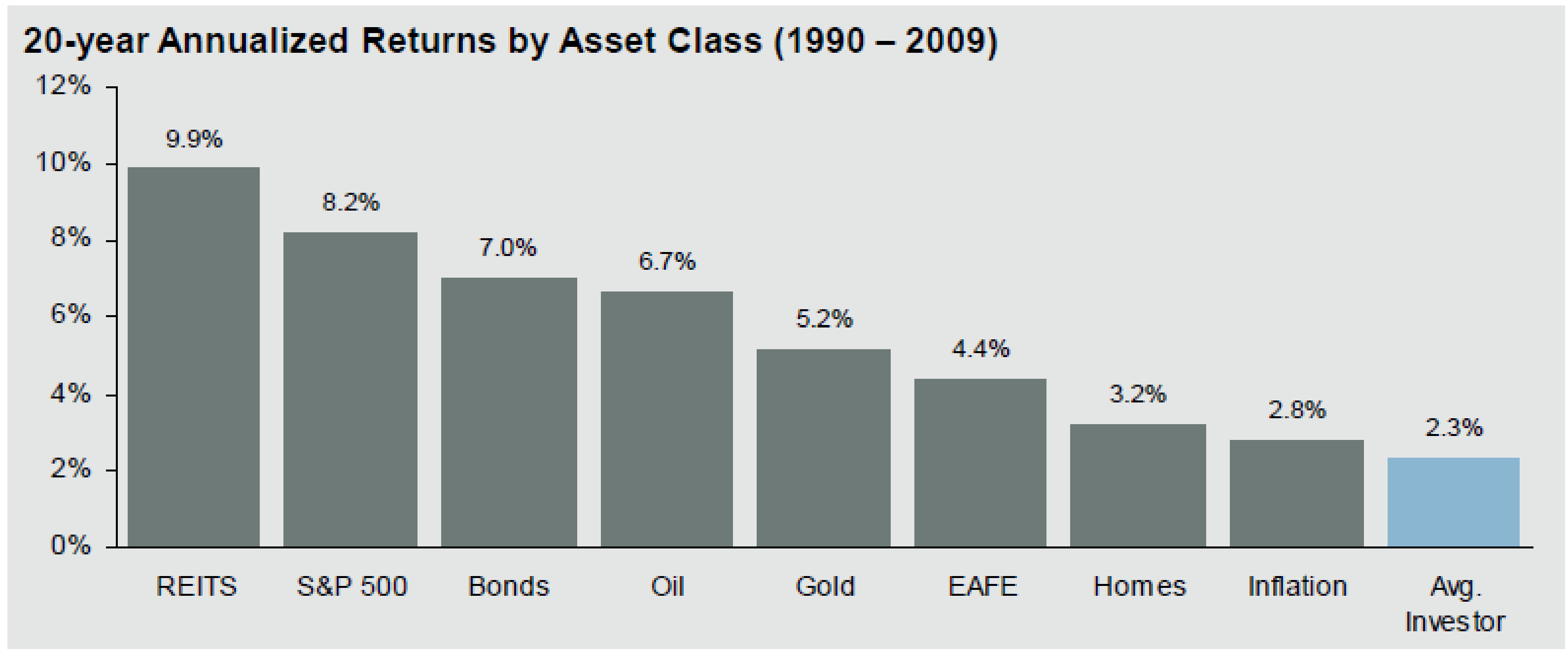
Two Hypothetical Investments with the Same Average Annual Return



What’s So Bad About Risk and Volatility?

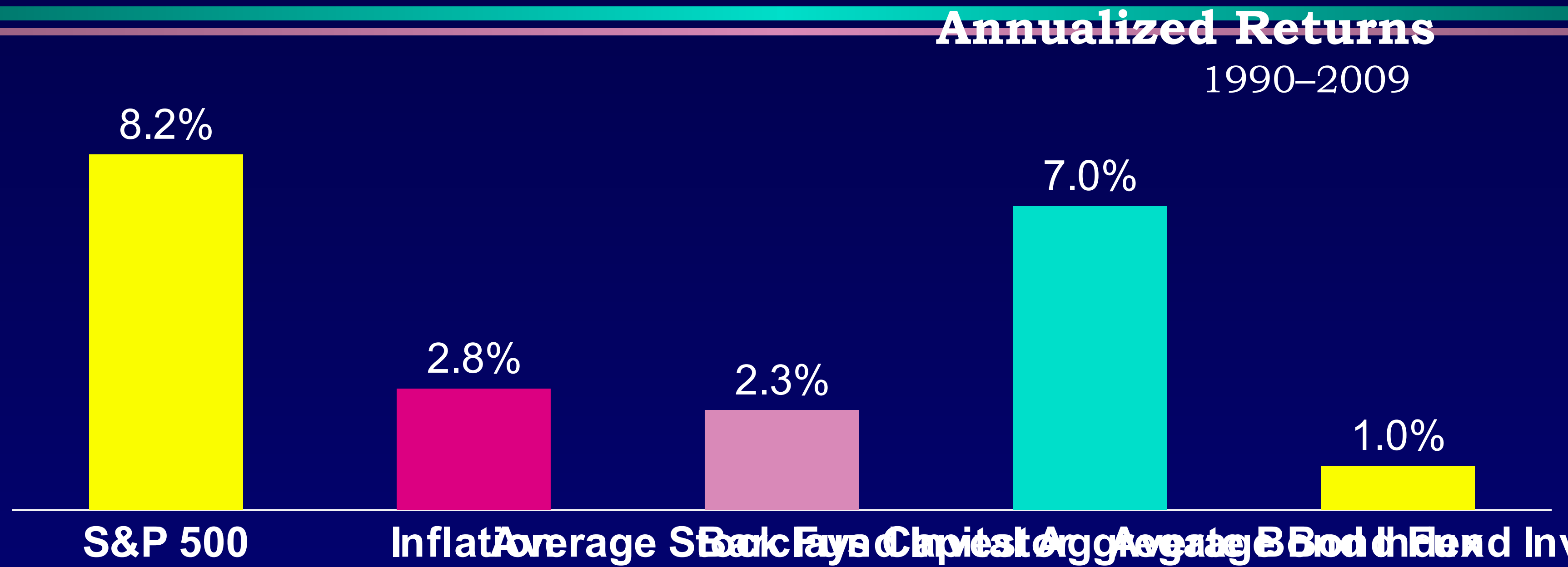
- Investment programs that have historically high volatility can have a wide range of investment results well above and below the “average”.
- Brings Emotion in to the Equation.
- Human psychology is totally incompatible with investment principles.

Emotions a problem in investing?



SOURCE J P Morgan. The indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sales price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. All returns are annualized (and total return where applicable), and represent the 20-year period ending 12/31/08. Average equity investor return is based on an analysis by Dalbar, Inc. which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior

Emotions a problem in investing?

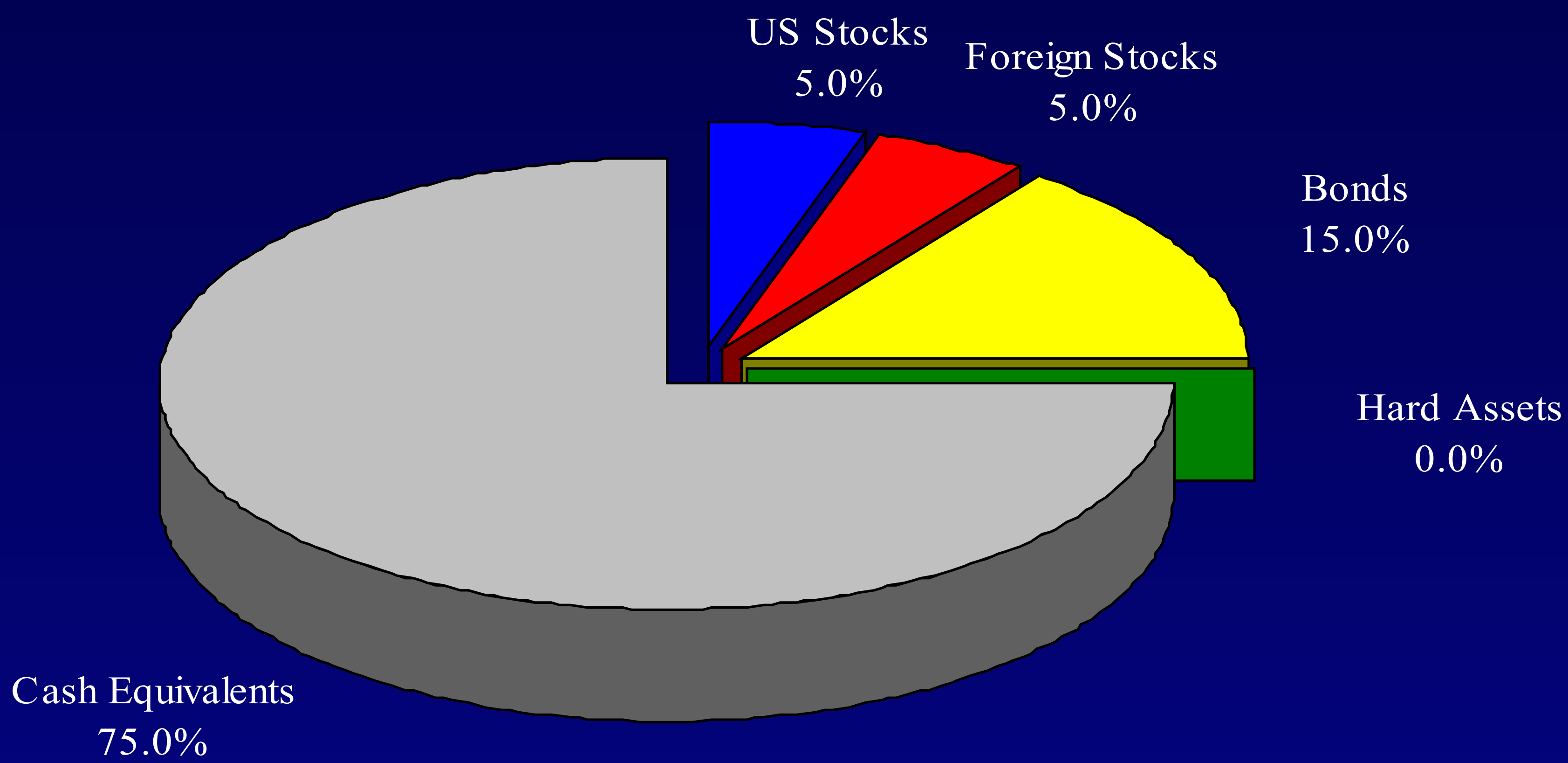


Past performance does not guarantee future results. There can be no assurance that working with a financial advisor will improve investment results. Investors cannot invest directly in indexes. Source: Average equity investor and average bond investor performances were used from the DALBAR study, Quantitative Analysis of Investor Behavior (QAIB), 2009. QAIB calculates investor returns as the change in assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs, annualized over the period. The Standard & Poor's 500 Index ("S&P 500"), an unmanaged index of 500 common stocks generally representative of the U.S. stock market. Inflation is measured by the CPI index. Lehman Brothers Aggregate Bond Index is an index comprised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The S&P 500 and Inflation indices were provided by the Stocks, Bonds, Bills and Inflation® Yearbook, ©Ibbotson Associates, Inc. Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Investors cannot invest directly in an index.

Volatility Is The Root Of All Evil In The Investment World

Although not necessarily indicative of future results, let’s look at some hypothetical portfolios and see what asset class weighting has done for risk and return

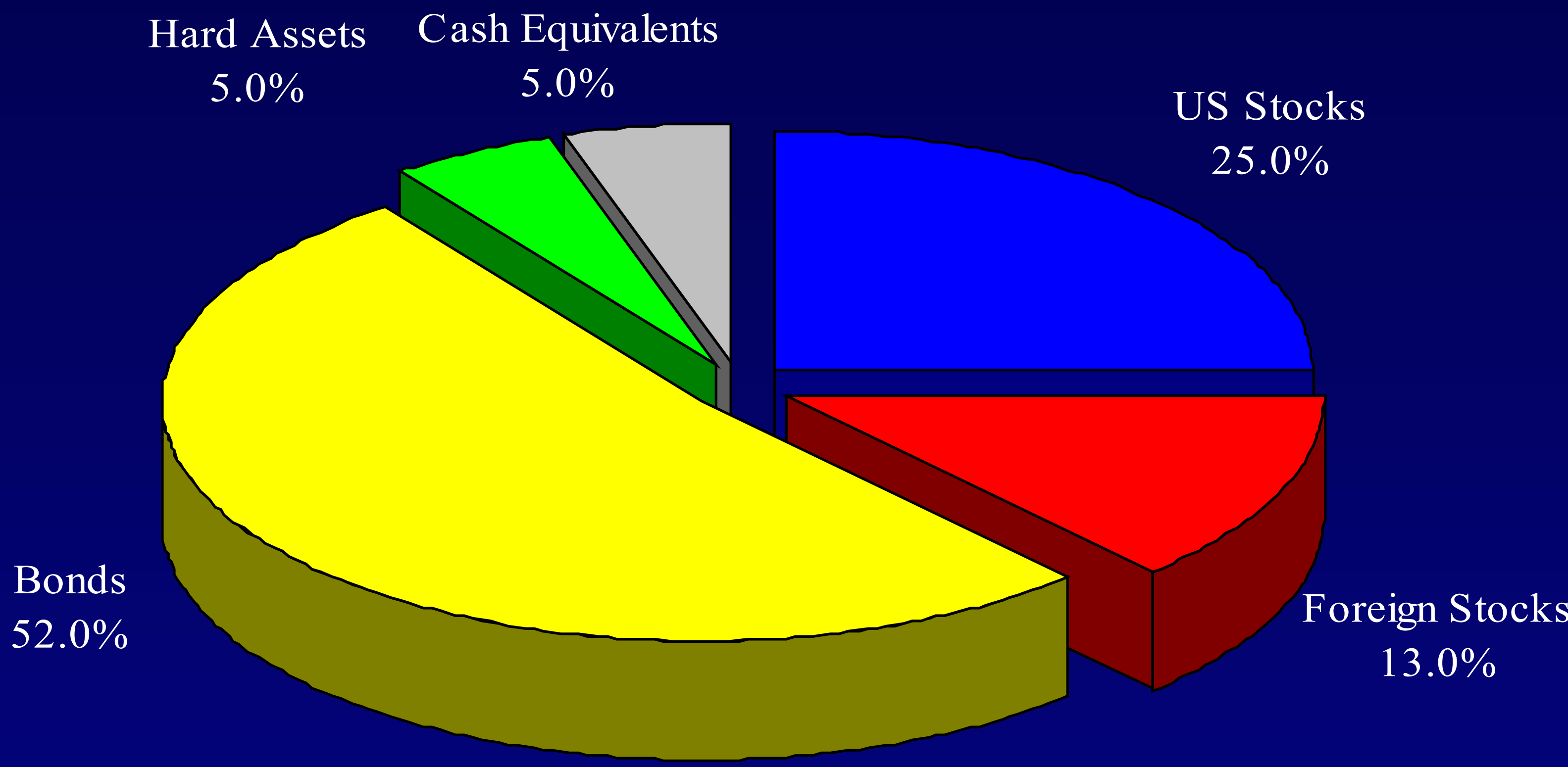
Average return = 6.78%
Range of annual returns -5.60% - +16.17%



Portfolio 1

Portfolio example is hypothetical and does not represent a specific investment. Historical Data Source: Thompson Financial Past results are not indicative of future performance.

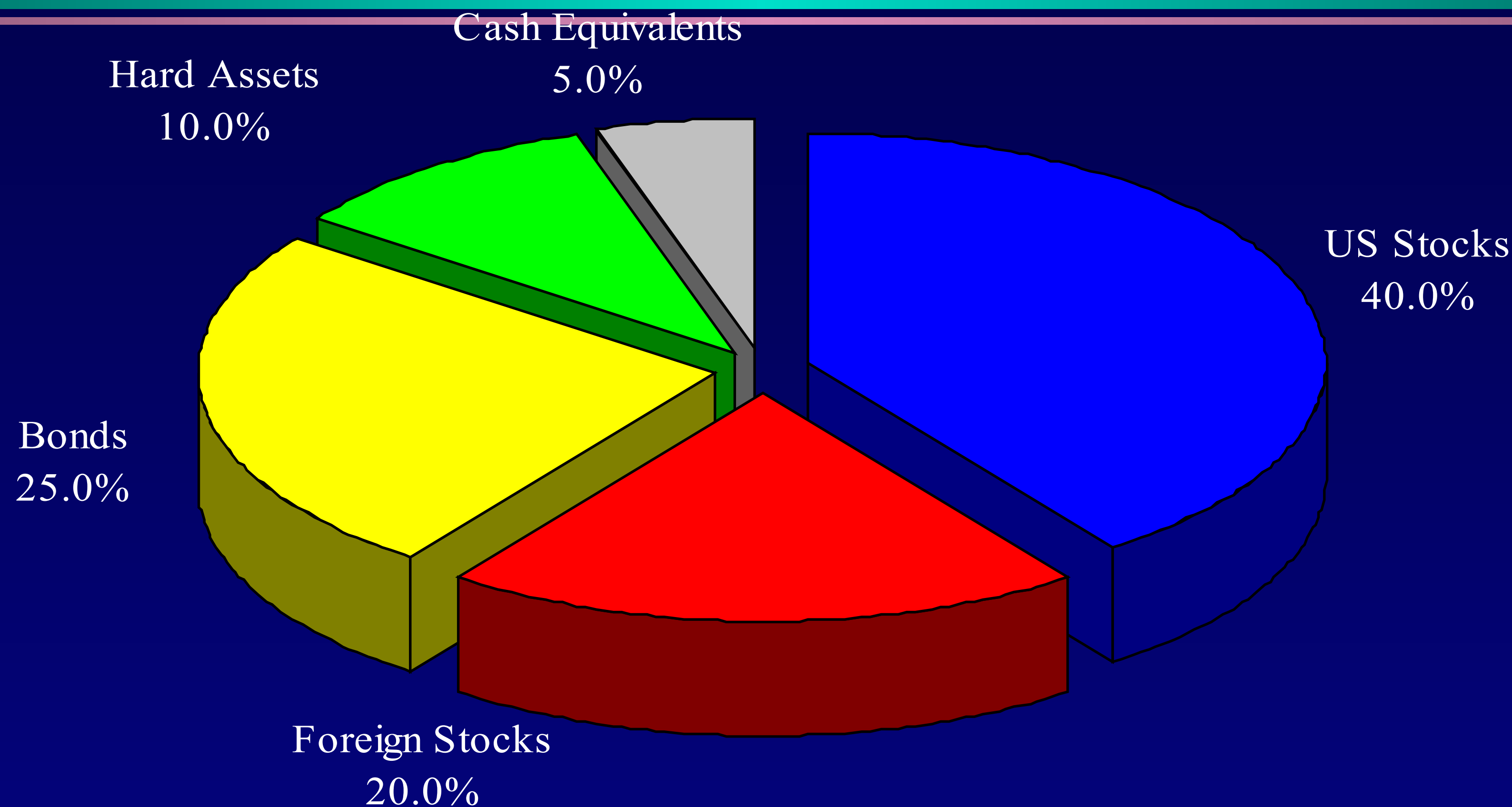
Average return 9.86%
Annual range of volatility -24.81% – +43.08%



Portfolio 2

Portfolio example is hypothetical and does not represent a specific investment. Historical Data Source: Thompson Financial Past results are not indicative of future performance.

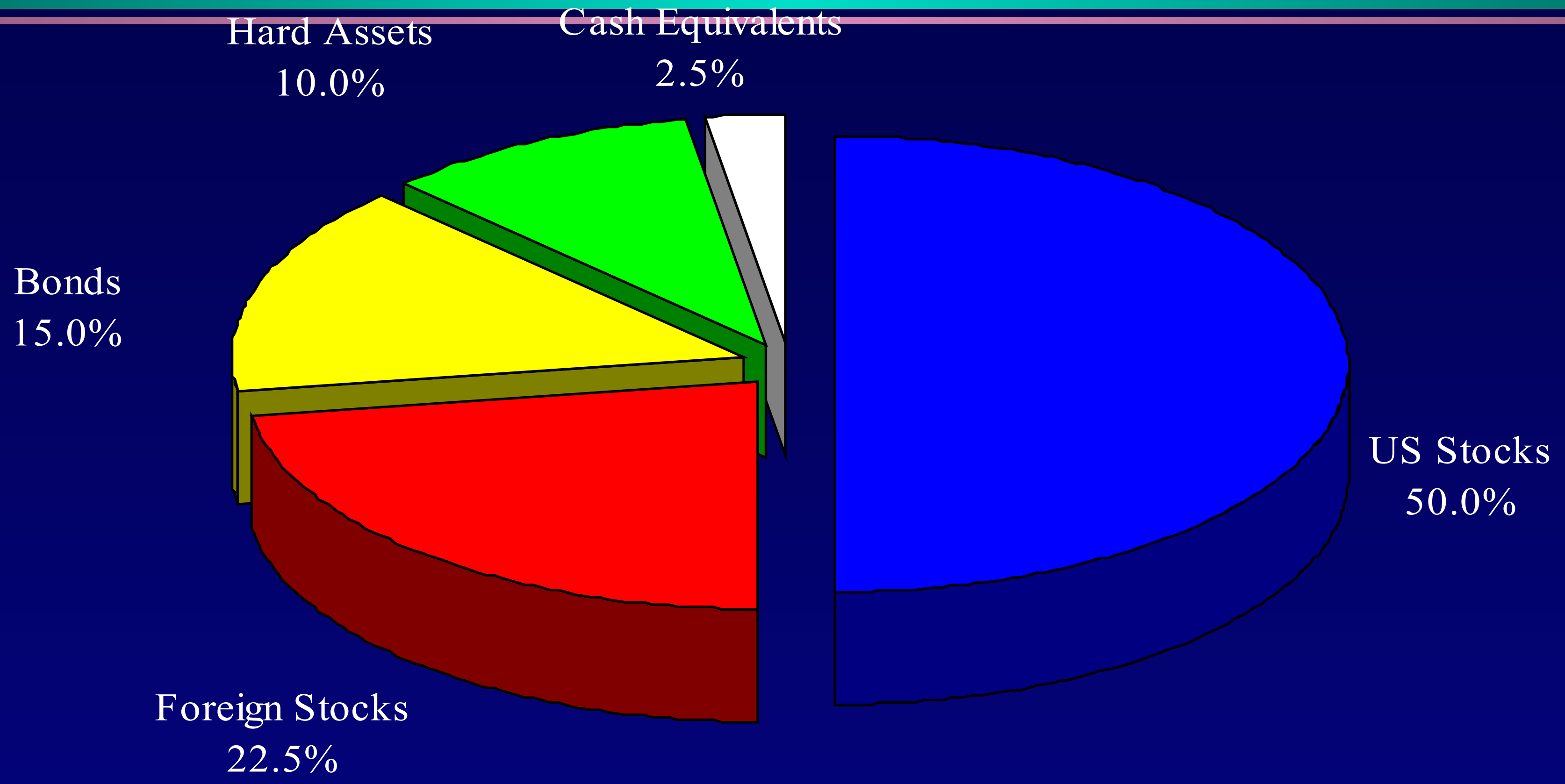
Average return 10.63%
Annual range of returns -36.41% – +49.12%



Portfolio 3

Portfolio example is hypothetical and does not represent a specific investment. Historical Data Source: Thompson Financial Past results are not indicative of future performance.

Average return 11.02%
Annual range of returns -41.04% – +54.13%



Portfolio 4

Portfolio example is hypothetical and does not represent a specific investment. Historical Data Source: Thompson Financial Past results are not indicative of future performance.

Consolidation

Potential Benefits of Consolidation

- Paperwork is reduced
- Chances of errors are reduced
- Simplified tax preparation and record keeping
- Easily manage your money flows
- Estate administration in case of death or disability is centralized

THANK YOU!