



# FILOMENO WEALTH MANAGEMENT, LLC

*Registered Investment Adviser*

January 18, 2010

Address

Dear Client:

Enclosed are performance reports for your investment accounts at Charles Schwab Institutional as of December 31, 2009. You will note that the fourth quarter continued the positive results begun after market lows were reached in March.

- Schwab Investment Portfolio
- Portfolio Performance Review
- Position Performance Summary

As noted in our October commentary, the recession has technically ended, but it may be years before employment reaches pre-recession employment levels. Consumer confidence is rising, but people are still concerned about their jobs.

#### Historical Market Recap:

Returns through 12/31/09 (by %) for major asset classes for the following periods are:

	1 year	5 year	10 year
S&P 500*	26.50	.42	-.95
Dow Jones*	22.68	1.95	1.30
NASDAQ**	43.90	.85	-5.67
MSCI EAFE (Int'l)**	29.70	1.44	-.57
Barclay's US Aggregate Bond*	5.93	4.97	6.33

\* with income reinvested

\*\* without income reinvested

Many commentators are predicting an oncoming bear market while others are predicting continued strength in the equity markets. Some will be correct and others will not. We are not market predictors.

While much has been written of the lost decade for investors of the 2000's, a recent New York Times article "For Savers, It Was Hardly a Lost Decade" concludes that it was lost for only those who were 100% in the S&P 500. As the article points out, that is not the real world. In the real world, investors invest in multiple asset classes. As a matter of fact, an investor who had 25% in the Vanguard Total Stock Market Index Fund, 25% in the Vanguard Total International Stock Index Fund and 50% in the Vanguard Total Bond Market Index Fund would have returned \$45,000 on a \$100,000 investment. The article points out that 10 years is a relatively short period of time to measure investment performance and that choosing a particular decade is arbitrary.



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The article also addresses the fact that many investors add to their account during the time period (retirees may be an exception) and rebalance their portfolios annually. In that scenario, assuming a \$1,000 per month addition, the investor ended the 10 year period with \$213,000 more than they started with.

We reference the article because it illustrates 3 very important principles of successful investing; namely, add to your investment accounts regardless of what the market is doing, invest in different types of investments and periodically rebalance your investments to adhere to your investment strategy.

Other Matters:

- The federal estate tax has been repealed effective January 1, 2010. The conventional wisdom is that Congress will pass legislation during 2010 to bring the estate tax back, retroactive to the first of the year. The thing about conventional wisdom is that it is convenient, but not necessarily correct. We do not know what will happen, but without legislation, the estate tax will return to the law as it was in 2001 which is a \$1,000,000 exemption per person (compared to \$3,500,000 in 2009).
- All taxpayers are able to convert all or a portion of their traditional IRAs to Roth IRAs in 2010. For many, this is an important and complex opportunity that we will be discussing with you during the year.
- The Security and Exchange Commission's (SEC) recently ruled that certain registered investment advisors, like FWM, are exempt from the surprise audit rules. The SEC has exempted us from the requirement to have an audit because we do not have custody of your funds (e.g. unlike Bernard Madoff) and are only able to remove funds from your account with your written authorization. This is an important reason why we rely on Charles Schwab to custody your assets, while we manage them.
- The Investment Advisors Act of 1940 requires that at least once a year we offer and make available to our clients Part II of our Form ADV. This document gives information and background about Filomeno Wealth Management, LLC and its advisors. Please let us know if you would like to receive a copy of this document.
- We are happy to report that Elizabeth and Dave DeBassio had a healthy baby boy named Charlie on January 15, 2010.

With a New Year beginning, we would like to take this opportunity to thank you for your continued support. We feel very fortunate to have the relationship we have with you. We will continue to work tirelessly on your behalf to help you reach your financial goals. Please contact us if you would like to discuss any matter with us.

Very truly yours,

Richard E. Thibodeau, CPA / PFS; JD  
Managing Director

Michael A. Tedone, CPA / PFS  
Director, Chief Compliance Officer

Enclosures