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JULY 2011 NEWSLETTER

The Federal Deficit, the Budget and Investment Ramifications: In Late April I received a thought-provoking report offering not only some historical perspective on the budget battles on-going in Washington, but also thoughts on how this might affect investment portfolios. The piece is just as timely today as it was in April so I have enclosed a copy for your review. I hope you will find it interesting and helpful in following the political discussions regarding the deficit and budget. Incidentally, I e-mailed this report to our clients for whom we have e-mail addresses in late April. If you did not receive this report by e-mail in April, and have an e-mail address (or a new one), please contact Melissa with that information so we can update our files. You may also want to discuss with her e-delivery so we don't keep filling up your mailbox!

Meantime, we have had a lot of crazy news these past 6 months: unrest in Tunisia and Egypt, Civil War in Libya, earthquake, tsunami and nuclear problems in Japan, historic flooding of the Mississippi interrupting commerce on that river and ruining crops in the area, and now inflammatory rhetoric in regards passage of the U.S. debt ceiling. Despite all this, I think the markets have been holding up nicely. This bodes well for the future. I remain committed to the idea that there is a 50/50 chance the Dow Industrial Average could hit a new all time high by year end.

Central Europe: I just returned from a special 3 week vacation in Central Europe to celebrate my 62nd birthday and my 40th wedding anniversary. While touring the back roads of the Czech Republic, Poland and Austria, Carol and I had a chance to check out some of the small villages from which some of our ancestors have emigrated. Although "Pearsall" is clearly English, my mother's side of the family came from the Czech Republic, and Carol's family originally hailed from Poland. While there I took a look around at the economy of that part of the world. The Czech Republic is busy playing catch-up to the rest of the world after 50 years neglect under the Soviets; new roads, bridges and the renovation of historic buildings are all being undertaken. Workers often start as early as 6 am and work until 8 pm. Unemployment is 8.2%. Poland is still principally made up of small rural farms and there is a great deal of bureaucracy, but the country is clearly moving forward despite 13% unemployment. Austria offers beautiful roads, natural beauty and an affluent lifestyle with unemployment only 4.3%— but the cost of living is high, especially in U.S. dollar terms.

Speaking of Global: Average incomes in China, India and Russia – representing about 40% of the global population – have more than doubled in the past decade (source: World Bank National Accounts and OECD National Accounts). What happens when incomes for 40% of the world population double? According to a recent research report by Oppenheimer Funds, "One Billion People Start Shopping". As the economy here in the U.S. slowly re-gains its footing, it is important to remember the investment opportunities overseas. Along with risk management, we have incorporated this thinking into our PACE Multi portfolios. If you are not yet participating in the PACE portfolios the Pearsall Financial Group now manages gives us a call and we'll see how you could potentially benefit from such a program.

Real Estate Bottoming? In my October 2005 newsletter to clients I warned folks to "be careful out there" in regard real estate investments. Three months later the S&P Case-Shiller Home Price Index peaked. In the next



16 months prices dropped an average of 30%. After a small recovery since the April 2009 low, the average price of housing has now fallen back to where it was 8 years ago in 2003.. Time to buy? Today more than ever that depends on your individual situation: individual to your housing needs and individual to a specific geographic real estate market.

Although it is unclear if the worst is over for real estate, what is clear is that there are some historically low mortgage rates to be had. If you are looking to buy, contact us for a "pre-approval letter" so that you can act quickly should the opportunity present itself. Likewise, if you have not refinanced lately you may want to lock in today's low rates. Call us and we can discuss how lower rates can improve your financial plan.

Glenn

From Adam:

Over the past few months many of you have referred friends, neighbors, and co-workers to us. I thank you for your continued confidence in my father, Melissa, and me. Working with a number of new folks recently has reminded us again that **how we work with you is unique** and that most investors in this area have not had the same experience our clients have had the past few years.

A few key differences new clients have pointed out, some of which surprised us, are below:

- We believe in a detailed financial plan (Financial Goal Analysis) at no cost for any client that requests it. As you may have noticed we prefer all of our clients to go through the process, and most of you have. *To our surprise, many investment advisors fail to profile their client's goals and comfort levels of investing to the detail that we do.*
- We believe in, at a minimum, annual reviews of the plan and your portfolio to see if you are on track to meet your stated goals, and update the plan as necessary for any changes in your life from the previous report. *Again, too many investment advisors do a plan then forget to update it for you.*
- If a major change is made in your portfolio, such as to the PACE program my father mentioned, a back-test of your old portfolio vs. our recommendation one year later (when possible) to see which outperformed, and to try and determine the reason for the difference. *Too few advisors do this.*
- Quarterly newsletters, such as this one, that we write ourselves. *Too many financial advisors just subscribe to a newsletter service and then just add their names to it.*
- Transparent fees and charges so you know what you are paying, and what you are getting for it, especially when moving to new investments. *Again, too many advisors try to hide from you the real cost of their services.*
- We'll try and save you money where we can, whether that means purchasing stocks on round lots of 100 shares to lower commission charges or recommending direct deposits so we can waive the annual RMA fee. *Too few investment advisors maintain such a focus.*
- When acting as insurance agents we work with over 20 insurance companies, and whether it is an annuity or life insurance we work to find the best fit for your situation. *We are not "captive" to an individual company.*
- We believe all our clients, regardless of the size of their assets with us, deserve to be treated with respect. This includes, but is not limited to prompt return of their phone calls and addressing any concerns that may arise. *Again, too many investment advisors these days offer premium service only to their largest clients.*

We are also very pleased that although the market is not yet at a new high (you'll find another of our Charity Challenge applications enclosed). *We know of no other investment advisors in the area that have adopted such a program.*

Lastly, adjusted for withdrawals and contributions, most of you are at or very near all time highs in your portfolios. Your patience with us and the markets has hopefully been rewarded.



From Melissa:

You asked for it, it's here!- UBS Online Services has recently redesigned its activity page. Effective June 19th, the redesigned Activity page offers:

- Sweep withdrawals/ deposits will be excluded on default!
- Date range search
- Advanced filtering
- Column sorting
- On-page downloading
- Date range will default to the last 2 months

The activity page will continue to offer the last 18 months of activity. For activity prior to 18 months you will still need to access actual statements under Accounts>Statements & Reports. Any questions please call us or our UBS Online Services Line at 1-888-279-3343 or onlineservices@ubs.com.

Big Change to Social Security payments: If you apply for Social Security or Supplemental Security Income benefits on or after May 1, 2011, you must receive your payments electronically. People who currently receive benefits you must switch to electronic payments by March 1, 2013. If you don't, the U.S. Department of the Treasury will send your benefits via the Direct Express® card program to avoid an interruption in payment.

How can you meet this requirement and save account fees at UBS? Set up your direct deposit at UBS. Direct Deposits that total at least \$1,000 per month (for the two month period immediately prior to our December annual billing date) will result in the annual RMA fee of \$150 being waived. Want the payment to ultimately go to your outside bank account? We can do that too. We can set up the direct deposit from Social Security and then set up an Electronic Funds Transfer to your bank account. Call me to discuss.

Initial Credit Line Draw Increased- For many of you, over the past year we have set up lines of credit. Many of you will never have to draw on these credit lines, but have them "just in case" as an immediate source of liquidity.

Effective July 21, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amends the Truth in Lending Act (TILA) by increasing initial draw from \$25,001 to \$55,000.

This is the initial draw amount and there are no minimum subsequent draw amounts.

When you need liquidity, whether it's for an upcoming tax payment or a timely real estate opportunity, it's important to know your options. Sometimes selling assets can jeopardize your long-term financial strategy and result in missed investment opportunities. However, by using a UBS Credit Line, you'll have the funds you need, while giving your investments the opportunity to grow. With an immediate source of liquidity, you can do more, pursue more and be better prepared to handle whatever comes your way—whether it be for personal or business needs. Please call us to discuss if this might be a good fit for you.

UBS Online Services-do you have access to your UBS accounts online? Take a tour of our UBS Online Services. Go to <https://onlineservices.ubs.com> and click on take a Take a Tour. Please call or email me at melissa.imbarrato@ubs.com if need help enrolling or can't remember your user name or password.

Reward Points Balances- many of you use our UBS Card Program that allows you to earn reward points for every dollar you spend. One of the great things I found the other day is a gift card under our rewards website to JustGive.org. You can redeem points for a GiveNow Card to donate to any of more than 1.8 million charities working throughout the world.



Pearsall Financial Group Charity Challenge:

For the third quarter we've selected **the Lake George Hot Rod Happening** to benefit the outreach ministries of St James Episcopal Church. This is the second annual car show and it will take place on **Friday July 22nd and Saturday July 23rd**. The location is at the Beach Road Show Area in Lake George. This is located on Beach Road, which is between Shepards Park and Fort William Henry resort. Last year's recipients of St James outreach ministries included: Salvation Army, North Country Ministries, Adirondack Counseling, Caritas Inc of Glens Falls, and Double H Hole in the Woods Camp.

The car show will take place 8am-8pm with great events happening during the day. For full details please see their website at www.lakegeorgehotrod.com or call their event line at 518-369-2416. We have also enclosed a flyer for the event with more details. Should be a lot of fun for a great cause!

Past recipients of the Pearsall Financial Group Charity Challenge have been the Regional Food Bank of Northeastern New York, The Glens Falls Lions Club, The Saratoga Center for the Family, Caritas Inc. of Glens Falls, North Country Hardship Fund, Empire State TAPPI/NY Canadian scholarship Fund, Ronald McDonald House Charities, and now the St James Episcopal Church in Lake George.

As a reminder, we're accepting applications until Thursday September 1st 2011 for our fourth quarter 2011 charity match. We will continue matching the profits raised up to \$2,000 from the charitable events we select until the Dow Jones Industrial Average reaches a new high. The last record high on the Dow was 14,087.55 set October 1, 2007. Our challenge to you is to get involved in a not-for-profit and its fundraising. Submit your fundraising event to us. On a quarterly basis we will select one event. For this upcoming quarter, to be eligible, the event you wish to get involved in must be held between *October 1, 2011 and December 31, 2011*. For this event we will help publicize the event by mailing a flyer to all of our other clients. For the event we designate each quarter, the Pearsall Financial Group will also match the first \$2,000 raised. An application is enclosed. Since the start of this program we have matched donations of over \$11,000. Please call us with any questions.

Have a great summer!

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