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Volume 3

Miller Insights

The Art & Science of Investing

This Issue:

Up Front:

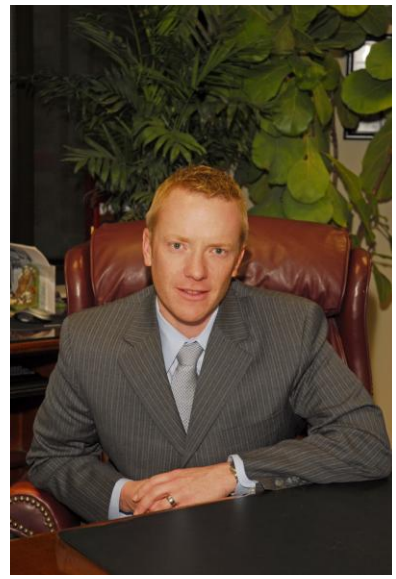
Advisors Corner:

Our Advisors:

Happy belated New Year to you and your families! We hope that you had a happy and prosperous 2010 and 2011 is shaping up to be a great year as well. We've enjoyed our association with each of you over the year and look forward to more opportunities serving you and your financial needs this year.

2010 was a great year for the markets. Understanding that the annual average return in stocks are 7% annually, after inflation, since 1802, (Wall Street Journal, *"The Intelligent Investor: Does the Stock Market Really Go Back 200 years"; July 2009)* it was an "above average" year. The S&P 500 index for 2010 was up 15.1% *(*Money Watch, *http://moneywatch.bnet.com/investing/blog/irrational-investor/2010-stock-market-returns-the-numbers/2478/).* Many of your investments have bounced back to where they were, if not above, the high point of the market in November 2007. I hope that through our ongoing communications, meetings, and education with you such a great market year is not surprising. However, for other individual investors, the facts about the year's returns may be a surprise. We've been in casual conversations where those we've talked with have indicated that they hope 2011 is a better year in the market since 2010 was "not so good". It's interesting, although not surprising, that the news of the market's run has not reached some investors.

With 2010's market return as the backdrop, we still recognize that there is disparity between its returns and how people are feeling about their individual financial pictures and



Rick Miller

hope for their financial future. I believe the disparity is particularly acute in the generation of baby boomers (those born between 1946 and 1964). They saw their retirement nest eggs decrease during a time when they were winding toward retirement and planning for a day when they could enjoy their years of hard work. Their parents endured the Great Depression and perhaps inherited from them, a distain for risk and a tendency to "pull out" to avoid what happened so tragically in the late 1930's and early 1940's. We realize there is also disparity between the sentiment shared by financial advisors and investors. In general, Financial Advisors feel more optimistic about the future of capital markets than their clients.

We are in the camp that holds optimism for the future of the markets. There are many reasons for this, the most significant of these being some of the economic indicators, like those in the later article "A Step Back to Look Forward". The other is the fact that we are still in an era where the last 10 years in the markets are negative and that in the history of the markets there has never been a time when the markets have returned a negative 20 year return. Also if you consider all of the events that occurred over the past 40 years, recessions, wars, energy crisis, terrorist attacks, political unrest and scandals, the markets have still gone up over that time. An initial investment is still considerably higher than when it started and has well outpaced inflation.

That said, however, the rise won't be without its volatility. "The broad market has declined an average of 30% one year in five since the end of World War II." [Nick Murray, November 2010. *On Panic, Faith, and the Determined PrImitive.* Financial Advisor Magazine, http://www.fa-mag.com/component/content/article/1-features/6268.html?Itemid=56].

A quandary exists often between how best to preserve the assets you've worked so hard to obtain over the years, while investing in a way as to not diminish your buying power in retirement. This quandary may be the challenge for investors and financial advisors alike in the next 10 years. Perhaps the primary risk is not loss of principal but erosion of purchasing power. The financial danger of 30 years of retirement may not be losing one's money but outliving it.

Our job as financial advisors is to help you balance the solutions and services we offer and our sentiments about the markets and investing with your risk tolerance and beliefs about your money and investing. Admittedly, this is a difficult balance and one that we take very seriously and give much thought. We risk at times, seeming overly optimistic with the potential perception that it's self-serving, while counseling clients that a given path is best, even though it may be somewhat contrary to a client's perception or belief. It's a delicate balance, one that is as much an art as a science.

So given these considerations, what is to be done? How do we, together best find the solution(s) that work for your particular circumstance and preferences? Certainly the answer for one is not the answer for all. We offer many different solutions to help meet this diversification of needs and preferences. They range from the most conservative treasury bonds to individual stock portfolios. And if a client is seriously concerned about the market and wants an insurance product, we offer all types from fixed to equity indexed to variable. In the right circumstance, this insurance is as much a way to prepare for future income needs as it is to sleep better at night before that day comes.

One of the ways to help fight against a decrease in buying power, is to have an appropriate amount of exposure to the markets. "Over the past 30 years, the cost of living nearly tripled,

"Perhaps the primary risk is not loss of principal but erosion of purchasing power. The financial danger of 30 years of retirement may not be losing one's money but outliving it'

interest available from bonds and CD's much more than halved, the dividend of the S&P500 just about quadrupled, and the S&P 500 index itself is up ninefold. [Nick Murray, November 2010. *On Panic, Faith, and the Determined PrImitive.* Financial Advisor Magazine, http://www.fa-mag.com/component/content/article/1-features/6268.html?Itemid=56]

Wherever you may be on the continuum of optimism and pessimism, conservative and aggressive, ready to retire or just starting a career, at home with little ones or travelling weekends to exotic places as an "empty-nester", we work hard to hear you and fit a solution to meet your situation. When we talk, please be open with us and tell us your concerns. We'll listen and if needed, find a solution that meets your needs and preferences. Certainly we will apply the "science" of investing and may try to counsel you in a different direction. But, it's your money, your retirement, your quality of living, and you who has to sleep comfortably with your investments. We're here to provide options and coach you in the process.

We look forward to a great year and getting better acquainted with each of you. Here's to a happy and prosperous 2011!

A Step Back to Look Forward…

Chris Stagg

There's no doubt that the last few years have been challenging for many families around the country and within our communities. From continued weak housing data to an uncomfortably high unemployment rate, I am sure we can all agree that the most recent economic downturn, now called the Great Recession, is unlike anything we have experienced in most of our lifetimes.

Frequently, we are bombarded with financial news and economic reports that are conflicting and at times even nonsensical. One day we hear of a double dip recession and the next positive growth. So what is it? Is the economy finally picking up steam and steadily moving upward or are we heading into another downward cycle toward another recession?

Although it's important to stay up to date with current events, much of what we hear in today's news media is simply "noise" – a lot of people giving opinions about a lot of things. Understanding and processing this continuous onslaught of information can be overwhelming – and even depressing at times. It's important to determine what impacts you and your family and to focus on how it affects your daily lives – essentially filtering out the "noise" and addressing only what is in your control. Sticking with the facts and tracking numerical trends can help paint a clearer picture than listening to pundits and other opinion leaders.

As financial advisors, we believe the best approach to most financial matters is to take a look at the big picture – gather all relevant information, analyze the data, and plan strategically. As you can see in Exhibit A on the next page (reprinted with permission from Russell Investments), several key economic and market indicators are moving toward or within a typical range, which is a great improvement from where we were 1 to 2 years ago.

There are certainly still areas of concern, such as mortgage delinquencies and slow employment growth; but as a whole, the numbers reflect an improving economy that is moving in the right direction.

MILLER FINANCIAL, INC. A Family in Business for Doctors and Small Businesses

Exhibit A

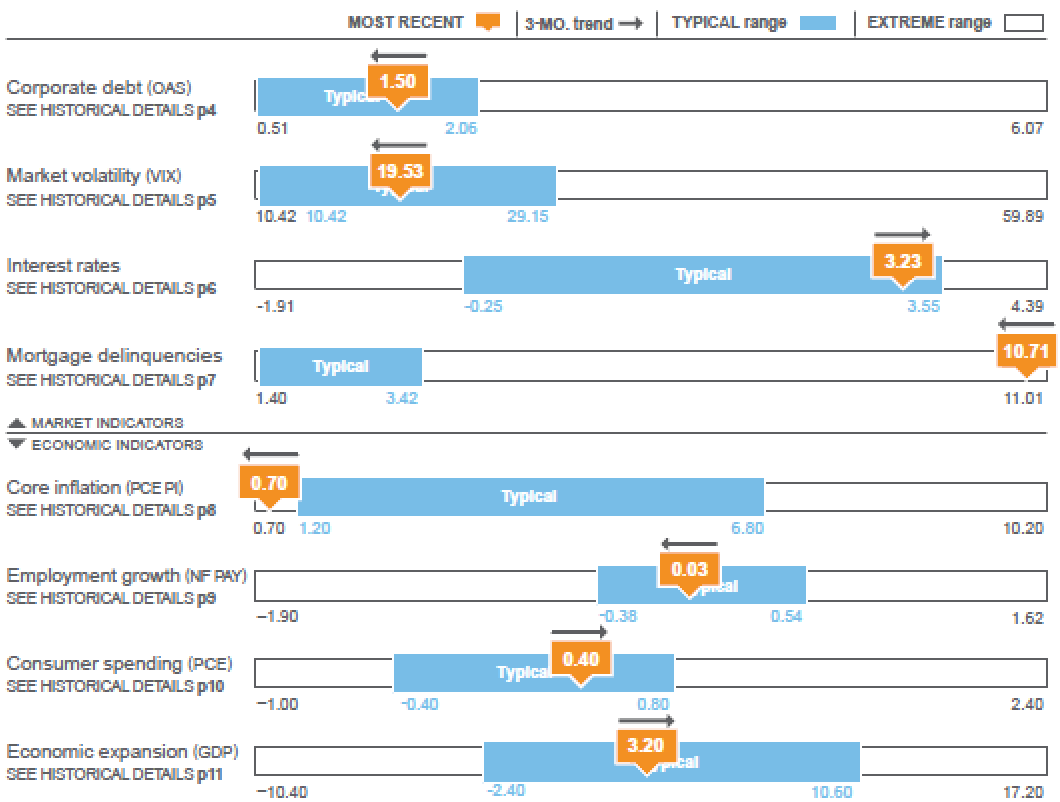
CURRENT AS OF JANUARY 31, 2011

Economic indicators dashboard

Summary of current state

Market indicators — Corporate debt and the VIX remain in typical ranges. **Interest rates rose, but are still within typical range.** Overall, U.S. equity markets rose in January, with the Russell 3000® Index returning 2.18% for the month.

Economic indicators — These backward-looking indicators are all within – or near – typical ranges. The job market growth rate remained slightly positive. **Core inflation moved to a new low** and consumer spending growth remained positive. **The economy grew at a rate of 3.2%** for the fourth quarter.



This dashboard is intended as a tool to set context and perspective when evaluating the current state of the economy.

FOR EACH INDICATOR, THE HORIZONTAL BAR SHOWS FOUR THINGS.

- **A BLUE COLOR BAND** represents the typical range for this indicator. 90% of the historical values for the indicator fall in this range
- **AN ORANGE MARKER** shows the most recent value — the closer the marker is to the blue bar, the closer it is to historically typical conditions.
- **A WHITE AREA** outside of the blue band which shows the range of more extreme conditions.
- **AN ARROW** shows the most recent three-month trend indicating if it is moving toward or away from the typical range.

A Family in Business for Doctors and Small Businesses

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Our Advisors: Chris Stagg

Chris is the newest member of the Miller Financial team and has thoroughly enjoyed the first few months he has been with the firm. He has had many great and memorable experiences so far and has really enjoyed meeting with many of the firm's clients.

Chris was born and raised in Salt Lake City. After graduating from Brighton High School, he went on to pursue a Business Management degree from the University of Utah. Chris spent the next few years in the mortgage banking industry, managing the Accounting Department of a wholesale mortgage lender. In 2009, he acquired his Series 7 and Series 66 licenses and officially made his transition into the financial services industry. He enjoys working closely with clients, helping them achieve their financial goals, and ensuring their servicing needs are met within a timely manner.

Chris enjoys spending time with his family and friends, reading, and running.

Chris Stagg

He is very excited to be a part of our team and is looking forward to many great years with the company, providing top notch service to our clients.

About Miller Financial, INC.

As financial advisors, Miller Financial brings a strong family dimension to their work. They're in business to advise physicians and small business owners; they create trust through impeccable service and unbiased advice.

Miller Financial offers you a diverse range of investment choices and coordinated financial services specific to your life and priorities. They plan from a big-picture standpoint, with wealth accumulation a primary goal, they simultaneously map out methods of risk management and tax-advantaged investing, to help accelerate personal wealth and preserve your estate.

Skilled financial advisors can help you take advantage of the velocity of money, so you can accomplish numerous things at the same time. That's what Miller Financial does. By focusing on appropriate asset allocation, they use strategies to help you accelerate your wealth.