HFIS Hartfield Financial & Insurance Services, Inc.
Financial Services & Insurance Planning

REALIZE YOUR dreams & plans

August 2009

"Helping Families Preserve Their Wealth"

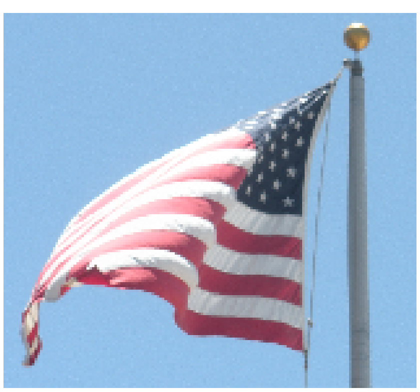
34 Mollison Drive, Simi Valley, CA 93065 (805) 522-5815 * Securities offered through GBS Financial Corp., 558 B Street, Santa Rosa, CA 95401 (707) 568-2400. Member FINRA & SIPC. CA Insurance #0E57407

INSIDE THIS ISSUE:

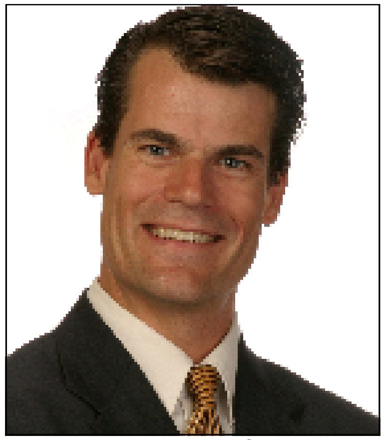
Special points of interest:

- **Starbucks Card** referral program was so successful I am doing it again for August: Anyone who gives a referral this month will receive a **Starbucks Card**. It's just my way of saying "Thank YOU"
- Manufacturing shrinks at slower pace
- Housing market shows signs of recovery
- Stock mutual funds mark largest quarterly gain in decade
- ECB keeps rates on hold

Sources: MFS research.



"As far as your personal goals are and what you actually want to do with your life, it should never have to do with the government. You should never depend on the government for your retirement, your financial security, for anything"
~ Drew Carey



Thomas J. Hartfield

Positioning for Recovery?

The losses endured by investors recently have not only been painful financially, they have led some to question long-held principles of investing. Assumptions about the value of equity investing, diversification and other investment tenets are understandably being challenged. But not everything has changed. Despite the challenging environment, companies with healthy balance sheets, stable earnings and strong cash flows still exist. Many companies remain committed to returning value to shareholders through dividends, a crucial component of total equity return. The share prices of many of those companies have diminished, but they should recover with time. The recent sense of panic is understandable, but it is also likely to pass. Many investors will begin to realize that the fundamentals still apply, and that the principles of successful long-term investing remain the same. Over time, financial goals can be achieved through active investment management that relies on in-depth company research and experienced professionals. As we work together to position your account for recovery, keep in mind the most important factor in selecting an investment manager: the ability to generate consistent returns over meaningful periods of time.

• The forces that have damaged the world's markets and global economy have been indiscriminate, taking down good companies along with the bad.

• During periods when fundamentals no longer seem to apply, it can be difficult to differentiate between investment managers because nearly all have endured significant losses. But over time, the differences can be dramatic.

• The scale and magnitude of the decline, while painful, also represents long-term investment opportunity. The valuations of many companies appear relatively attractive.

• It may take time for the market to recognize the value of those companies, but at that point fundamental research and active management can help position investors to participate in any recovery.

As we rebalance and reallocate your holdings, we are likely to have the chance to shift assets from one fund to another.

2009 New Opportunities:

While last year was certainly a challenge for most investors, we believe it also created opportunities. As you review your financial strategy, here are five actions you should consider taking now to help ensure you stay on track.

1. Review Your Goals. It's important to review your goals periodically. Changes in the market or in your life - the birth of a child or grandchild, a change in marital status, a job change, etc. - may mean you need to re-evaluate your goals. HFIS recommends a review at least once a year.

2. Review Your Saving and Spending. Whether you're saving for retirement or living in retirement, we strongly recom-

from page 1: Opportunities

mend reviewing your current spending. Some retirees may need to trim back to reduce their portfolio withdrawals. If you're still saving for retirement, you may need to save more in your 401(k) and/or IRA to help get back on track. Not adjusting your spending and saving today may keep you from reaching your future financial goals.

3. Upgrade Your Portfolio. Many studies credit asset allocation (the breakdown among the major asset classes: equities, fixed income and cash) as the single most important variable to successful investing. However, these studies also assumed that portfolios were properly diversified within each asset class. Unfortunately, in practice this often is not the case. As an extreme example, a portfolio with one stock, one bond and cash could have proper asset allocation but not be diversified at all. With the ability to potentially recognize tax losses, now may be the ideal time to review how your portfolio is invested. We offer programs that provide automatic diversification and rebalancing. We recommend the following when repositioning or upgrading your portfolio:

• Review your portfolio objective - Your portfolio's asset allocation is based primarily on your comfort level with risk and your life stage. If necessary, rebalance your portfolio to realign it with your portfolio objective.

• Increase the quality of your portfolio - In general, most investments are currently down in value. Therefore, we don't think investors need to "bottom fish" to find attractively priced investments. In past market recoveries, quality investments usually recover faster than lower-quality ones.

• Avoid too much of a good thing - Reduce your exposure to stocks and fixed-income securities that represent more than 5% of your portfolio (yes, even your employer's stock). Even blue chip companies fail consider Fannie Mae, Bear Stearns and Enron.

• Evaluate the number of stocks you own - To achieve proper diversification, we recommend that you strive to own at least 20 to 25 stocks in your portfolio (or 15 if you also own equity mutual funds). You should have exposure to

From page 1: Recovery

We will use these opportunities to review your plan's performance. The markets change. You may want to adjust your investments based on your particular situation.

If you're dealing with an increase in questions about the complex nature of Asset Allocation and Diversification, you owe it to yourself to contact Hartfield Financial and Insurance Services, Inc., to schedule a personal confidential appointment where you will learn more about our custom designed asset allocation program, and how Thomas J. Hartfield can help you with your investing goals.

You want more control over your retirement. You want to be able to help control your retirement anxiety. Our asset allocation strategy solution can help you do both. Remember it's a matter of control.

Visit www.HartfieldFinancial.com for more information or to simply learn more.

Bonds: Making the Case

Pension fund managers, insurance companies, and other sophisticated institutional investors have long known that a number of factors argue for active bond management. They understand that, unlike a passive approach, active management addresses the fact that interest rates change, refinancing alternatives abound, call features damage expected returns, and securities become mispriced. In contrast to stocks, the interests of management and bondholders are not aligned. Management wants the lowest interest rate possible, while bondholders seek the opposite. Management would like to include call features that are most favorable to its objectives, while these are generally least favorable to investors. Additional bond covenants, collateral, and security all seem tilted against the interest of investors. It would seem that bond investors, far more than equity investors, should seek the assistance of professional active management to help level the investment playing field.

Buy and hold versus active bond management

Investors who think of buy and hold as a conservative strategy may want to think again. Buy and hold may mean "buy and miss opportunities" or, in the municipal bond market, "buy and get called away." Replacement alternatives typically yield less, translating buy and hold into "buy and lose the starting level of income." Finally, in some unfortunate instances in the corporate market, and even among municipal bonds, buy and hold can translate into "buy and hold distressed debt." At this point, principal, as well as income, is compromised. Beginning in the 1970s, institutional investors found good reason to abandon buy and hold and pursue active bond management. Even state pension funds, whose fishbowl environment forces cost consciousness beyond the level of most individuals, have found benefits to active portfolio management. Individual investors can learn from institutional pioneers and embrace the same conclusions

from page 2: Opportunities

all the major industry sectors – 10 different utility stocks is not diversification. Otherwise, we recommend you consider selling your stocks and purchasing equity mutual funds (unless they represent a very small portion of your portfolio).

• Ladder and diversify fixed-income securities – You should strive to own 10 to 20 fixed-income securities across different maturities. Additionally, you should have exposure to a number of corporate or municipal sectors for proper diversification. If you instead choose a bond fund and need the income, consider taking regular withdrawals at a rate that is lower than the fund's current dividend yield. Also, consider how fixed annuities can play a role in your fixed-income portfolio.

From page 2: Bonds: Making the Case for Active Management

that drive many institutional bond policy objectives; active, professional bond management does not have to bet on the direction of interest rates to improve return, provide better stability of income, and provide better risk management than a passive approach.

Active management: improving returns

Active management can potentially improve returns in five primary ways: by 1) mitigating credit risk, 2) averting the consequences of panic, 3) managing call protection, 4) avoiding accidental overweighting, and 5) taking advantage of opportunities.

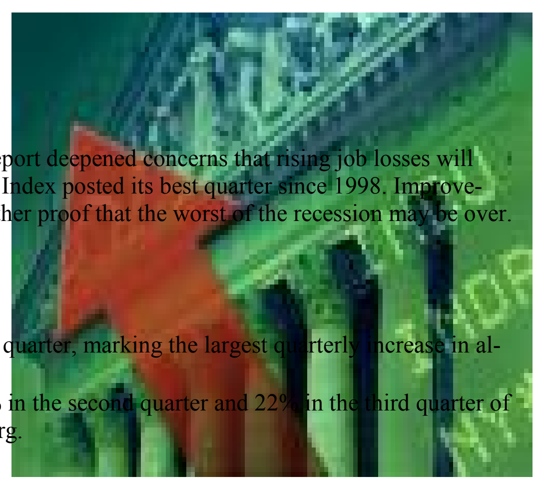
Mitigating Credit Risk

Despite the headlines noting otherwise, many people think disaster doesn't happen to bonds. But holders of Washington Mutual, Chrysler, and General Motors have experienced the unpleasant consequences. Active management can potentially improve returns and avoid disaster through proper credit analysis and risk management techniques, including appropriate credit and sector diversification. Active management and the research that informs it means that bonds that are on shaky financial footing are usually sifted out. The sad fact is few investors exert much effort to evaluate stocks thoroughly. And fewer still do any research on bonds. Active professional management can potentially improve returns by avoiding disasters that befall poorly researched investments. To learn more about the other 4 topics above, please call and/or visit our website.

Week in Review: US Stocks fall after posting best quarter in decade

For the week ended July 2, 2009

- **Job loses mount**
- **Manufacturing shrinks at slower pace**
- **Housing market shows signs of recovery**
- **Stock mutual funds mark largest quarterly gain in decade**
- **ECB keeps rates on hold**
- **Moody's cuts Ireland's debt rating**



U.S. stocks dropped in light trading this week after a worse-than-expected employment report deepened concerns that rising job losses will prolong the recession. The declines began one day after the Standard & Poor's 500 Stock Index posted its best quarter since 1998. Improvements in manufacturing and home sales added to gains earlier in the week, presenting further proof that the worst of the recession may be over.

U.S. economic news

Earnings season begins next week…
According to Morningstar, U.S. stock mutual funds rose an average of 19% in the second quarter, marking the largest quarterly increase in almost a decade. It was the first time in almost a year that equity funds experienced a gain.
Earnings season kicks off next week. Analysts estimate that S&P profits will decline 34% in the second quarter and 22% in the third quarter of the year. They expect profits to rebound 62% in the fourth quarter, according to Bloomberg.

Sources: MFS research; The Wall Street Journal; The Wall Street Journal Online; Bloomberg News; Financial Times.

34 Mollison Drive, Simi Valley, CA 93065 (805) 522-5815 * Securities offered through GBS Financial Corp., 558 B Street, Santa Rosa, CA 95401 (707) 568-2400. Member FINRA & SIPC. CA Insurance #0E57407

www.HartfieldFinancial.com

Hartfield Finanial & Insurance Services, Inc.

34 Mollison Drive
Simi Valley, CA 93065

Phone: 805-522-5515
Fax: 805-522-5815
tom@HartfieldFinancial.com

We're on the Web!

HartfieldFinancial.com

"Helping Families Preserve Their Wealth"

HFIS Hartfield Financial & Insurance Services, Inc.

About HFIS, INC.

About Thomas J. Hartfield is the President and Founder of Hartfield Financial and Insurance Services, Inc (HFIS) and has been successfully helping clients meet their long-term financial goals for nearly 15 years. HFIS has built a name for itself as a trusted leader in Financial Services and Insurance Planning.

Hartfield Financial and Insurance Services prides itself on offering a highly customized approach to investing with comprehensive financial plans, access to thousands of investment products and a network of experienced accomplished professionals. As an independent company, Hartfield Financial and Insurance Services offers a vast menu of financial products & services, unbiased investment advice and has the ability to partner with other accomplished financial service providers.

Providing a complete menu of financial services, over the years clients have put their trust in HFIS to set up Tax Efficient Financial Plans, Qualified & Non-Qualified Retirement Plans, IRAs, 529 Plans, Living Trusts, Estate Plans and much more. Committed to building long-term relationships with clients, Hartfield Financial & Insurance Services offers in-depth frequent reviews, educational workshops, plus service and support that is among the best in the industry! As a result, the HFIS client base has grown to include a great number of highly successful professionals and business leaders. As specialists in retirement planning regulations and employee benefit programs, Hartfield Financial & Insurance Services has also built an impressive list of corporate clients.

"Helping Families Preserve Their Wealth"

(805) 522-5815

HFIS Hartfield Financial & Insurance Services, Inc.
Financial Services & Insurance Planning

www.HartfieldFinancial.com

34 Mollison Drive, Simi Valley, CA 93065

Thomas J. Hartfield