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New Associates Join WP&M

Nancy Haddock, formerly of the Bank of New York, has joined Wealth Planning & Management as Principal Managing Partner and Senior Fixed-Income Portfolio Manager. Andrew O'Donnell also has joined us as Investment Advisor Representative and Manager of Institutional New Business.

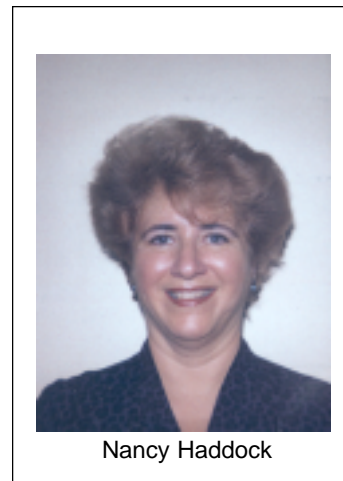
Here is Nancy's "official" biography:

Nancy Haddock has managed fixed-income securities since 1980.

She was a municipal bond registered representative and credit analyst with the Bank of New Jersey between January 1980 and February 1984. In this capacity, she gave investment advice, and she placed tax-exempt municipal bonds with numerous individuals and institutions.

In February, 1984, she joined New Jersey Manufacturer's Insurance Company as primary manager of this property and casualty insurance company's \$1.5 billion portfolio of fixed-income securities. From 1987 to 1988, she served in the same capacity with Home Capital Services, the wholly owned investment advisory subsidiary of Home Insurance Co. in New York.

Nancy joined the Bank of New York in June, 1989, as Portfolio Manager, Fixed-Income. At the time of her retirement from the bank,



January 2, 2001, she managed over \$500 million in fixed-income securities, including tax-exempt municipal bonds, corporate bonds, agencies and U.S. Treasuries. Her clientele was diverse. She managed accounts of individuals having portfolios between \$100,000 and over \$40 million, and she managed institutional accounts for insurance companies and other institutions.

Unlike many mutual fund managers and senior portfolio managers, Nancy's role included personal relationships with each of her clients. Her job was to adapt portfolio strategies to individual circumstances, instead of to large pooled funds. She continues this approach at Wealth Planning & Management.

* * *

I met Nancy more than ten years ago. She was a portfolio manager at the Bank of New York. I was an institutional ac-

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Nancy Haddock, *continued from page 1*

count executive at Morgan Stanley Dean Witter, responsible for helping portfolio managers find tax-exempt municipal bonds. Our first encounter was the result of a referral from her boss, who taught with me at the course “Portfolio Management, The Trustee’s Responsibility.” He was certain that I could assist Nancy to make her job a little easier.

We first knew each other only by telephone. About once each week, she described the municipal bonds that she needed for clients. Her criteria included state of issuance, credit rating, maturity, and dollar amount. I then checked our “dealer inventory” to see if we owned appropriate bonds. About once or twice each month, I was able to locate the suitable bonds.

One of my early impressions about Nancy was her amazing ability to acquire at “the right price.” Using knowledge, perseverance and a pleasant, flexible attitude, she was able to acquire bonds at extraordinarily low prices, much lower than her clients could have obtained without her assistance. She was able to add value in an amount that exceeded the bank’s management fees.

Nancy started as a municipal bond sales representative. Like all of us who

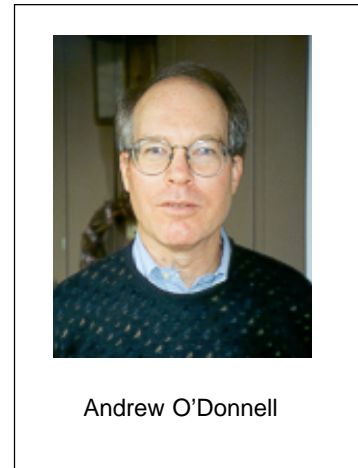
have sold securities, she learned how bond dealers operate, and she acquired an intuitive sense about reasonable value and about the amount of profit dealers expect in various types of transactions. She also learned valuable lessons about account administration, such as the electronic settlement procedures between dealers and investors.

In 1984, Nancy moved from the “sell” side to the “buy” side. She changed from placing bonds with buyers to being a buyer herself as manager of an insurance company’s bond investments. After six years of managing insurance company portfolios, she joined a unique division of the Bank of New York. This private banking division managed personal accounts for wealthy individuals. In her new capacity, she managed both portfolios and relationships. She created personal rapport with clients, each with a separate, independently managed portfolio. The personal aspect of her business is important. Most money managers, especially famous mutual fund managers, do not have personal accounts. Instead, they manage large pools of money. Most of these pools are owned by thousands of investors. Pool managers cannot know their investors personally; managers manage pools without knowledge of the individual circumstances of each owner. Decisions are driven by the general economic and marketing needs of the pool, such as the need to “outperform.” In contrast, Nancy manages personally, based on individual criteria established by each client and on the client’s income-tax circumstances.

Nancy enjoys the investment management business. Her conversations sparkle with casual commentary, ranging from economics, politics, education, and literature to theater, sports, and reactions to movies that she and/or clients have seen. In this way, she conveys interest in the lives of her clients, as well

as a professional, relaxed approach to money management.

Nancy works from offices in Matawan, NJ, and in Manhattan. Our various electronic systems give each of us data about accounts managed by the other. We provide back up to each other, and to our respective clients.



Andrew O'Donnell joins Wealth Planning&Management as Investment Advisor Representative and Manager of Institutional New Business. Here is Andy's official story:

Andy joined the trust department of Indiana National Bank in 1977. He served there as Investment Analyst until 1992 and as Trust Account Manager until 1997. In 1997, he joined First National Bank & Trust as Trust Account Manager. In 1999, he created O'Donnell Portfolio Management, Inc., which serves individuals.

* * *

Andy and I were “escalator” friends in the early 1990s.

The Indiana National Bank Tower (as it was known then) has a long escalator from the main floor to the lower floor. In those days, the office of my firm, Dean Witter, was on the main floor. Therefore, I used the escalator

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A WRITTEN PLAN

A recent personal experience in a non-profit organization has reinforced my belief that financial plans must be written. The wise sage once said, "That which is not written does not exist."

Our goal was to build financial strength into a financially weak non-

"People need a contract with themselves to continue down a straight path."

profit. Sources of potential funds included public agencies, endowments, ticket sales, gifts from the public, and underwriting by four or more philanthropists. In structuring the financing, we found numerous different and sometimes conflicting opinions about management policies of the organization. These opinions were both legitimate and important. We had to accommodate these varied points of view to obtain required funds.

To achieve our end, we wrote a proposal, sought support for the proposal from the governing committee, and presented the proposal to all parties. The placement of ideas on paper conveyed a sense of urgency and seriousness. The proposal document also became a basis for quiet reflection, apart from the normal pressures of human face-to-face discussions. During these periods of quiet reflection, each potential donor had time to study, to consider, and to decide and/or to modify. If the proposal had not been written, each person would have had a slightly different impression of the plan because oral communication is more vulnerable to interpretation by both speaker and listener. People also tend to forget details and mandates unless the details and mandates are written. Even persons

The Supreme Court Decides

The last issue of *Thoughtful Wealth Planning & Management*, November, 2000, described my visit to the U.S. Supreme Court to hear "The Roadblock Case," *City of Indianapolis, et al., Petitioner v. James Edmond, et al.* The Court was to decide whether police roadblocks and dogs may be used to search for illegal drugs. Secondary purposes of the roadblocks were to look for signs of driver impairment and to check registrations. Opponents of this police procedure argued that it violates the Fourth Amendment prohibition against unreasonable searches and seizures without probable cause.

On November 28, the Court decided that these roadblocks violate the Fourth Amendment. One interpretation of the Court's words is that justices feared an escalation of police powers emanating from this case. For example, if cars may be searched for criminal activity without probable cause, then pedestrians also could be searched, and modern infrared technology could be used to search homes, from the outside, without the permission or knowledge of the residents. Writing for the six-to-three majority, Justice Sandra O'Connor said, "We cannot sanction stops justified only by the generalized and ever-present possibility that interrogation and inspection may reveal that any given motorist has committed some crime."

For maintenance of our social and business structure, the important result is that this dispute was put to rest, at least for a time. Law enforcement authorities and citizens alike now know the rules. A festering disagreement no longer festers. Almost weekly, the Court brings disputes to conclusion. While its decisions are fallible, they also are final. The ability of our society to end disputes, and to move ahead following disagreement, is crucial to a positive business environment and to investment markets. Calm successful social interaction and efficient commerce require a system that brings finality to our inherent disagreements.

who draft plans lose track of details in a few hours or days.

Personal financial and investment plans also must be written. In the absence of a permanent, written document, the memory for details and for personal commitments fades. How many people remember their savings goals of 20 years ago, 20 months ago, 20 days ago? People need a contract

with themselves to continue down a straight path. The need for a plan, and for written records of the plan, is apparent in such activities as flying, sailing, piano lessons and personal fitness training. First the plan. Then the log. All in writing. That is how we know where we are going.

The Investment Year 2000

... may be described by separate conversations at two December holiday parties. (These are real conversations, reconstructed by an imperfect memory.) Here is the first of those two conversations. Additional facts, and my reactions, are in brackets:

“John, I don’t know how I should feel about my broker. Last year [1999], my portfolio was up 180 percent.”

[sound of John gasping]

“I asked him if I should sell. Should I take this profit?” I asked. “He said that I should not, because he could not assure me that the market would stop rising or decline. He said that gains would be taxed at high rates [probably short-term, or up to 41 percent]. So, we did not sell. Today, John, my portfolio has declined, maybe over 100 percent. When I look at the portfolio today, and measure the return each of the two years, I have earned only 20 percent a year.”

The second conversation went something like this:

“This is amazing, John. I have a friend. He bought a new issue last year [1999], then added to it to the point where he had over half a million dollars in the stock. The stock rose to a value of over three million. Guess what? It now [late 2000] is worth less than \$100,000.”



The year 2000 was not a good year for investors, especially for investors irretrievably consumed by the technology fad who came in late, put in too much money, and/or purchased with margin loans. The year started with exaggerated expectations—180 percent!!—and ended with reasonable returns, provided that 20 percent a year fits investors’ sense of reality.

Investors who measure success from January 1 to December 31, 2000, ended the year with frustration. Investors who looked back to values on January 1, 1999, or even earlier years, reached more positive conclusions about successful investing and about long-term investing in general.

Andrew O’Donnell,
continued from page 2

several times a day. I began to recognize others who worked in the building as they traveled either up or down, while I was going in the opposite direction. Andy was one of those nice people with whom I made eye contact and nodded a friendly greeting.

An acquaintance at the First National Bank & Trust reintroduced Andy and me when I was looking for ways to market my new business. I proposed that we conduct joint seminars on estate planning. We conducted two seminars in 1998. Andy represented the bank and taught estate planning concepts. He did a terrific job in a professional, impartial, noncommercial style.

Andy and I have kept in touch since he started his business. We have shared experiences, talked investments, and discussed the various challenges of marketing and administration. A few months ago, Andy indicated interest in developing institutional business, which is the management of public or private retirement plans, or foundations and endowments. Institutions usually hire firms that have more than one staff member and at least three years of independent business experience. WP&M met the three-year requirement in July of 2000 and the staff requirement when Nancy joined in January. Therefore, Andy can have an enjoyable and productive experience looking for new business opportunities while Nancy and I give personal attention to existing clients.

Andy will work from the office of O’Donnell Portfolio Management in Zionsville.

Good night, Dorothy. You done good.

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