

Fagan Financial Report

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Fagan Financial Report

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*Fagan Associates
provides investment
advice and money
management services
to individuals,
corporations, labor
unions, estates and
organizations.*

"Fagan Financial Report"

- **EVERY SUNDAY** in *The Record*
- **SUNDAY EVENINGS** LIVE on Radio810 WGY 6:00 p.m.-7:00 p.m.
- **WEEKDAYS** on Radio810 WGY before the 4:30 p.m. news

Fagan Associates, Inc. and The Sage Colleges Underwrite Locally Produced WMHT Business Series

The new 16-episode weekly series
premieres
Monday, April 3, at 7:30 p.m.



It will be broadcast every
Monday night following the
Newshour with Jim Lehrer.
Rebroadcast Sundays
at 12:30 p.m.



At WMHT's studio, Dennis Fagan with host Wally Altés and James Murtagh, Chair of the Department of Management at the Sage Colleges. (Donna Abbott Vlahos/ The Business Review)

In the local premiere, Dennis Fagan joined host Wally Altés in a lively discussion about living, working, and doing business in New York's Capital Region and Tech Valley.

Tune in each week to find out what factors, trends, and developments may affect you. The show examines the state of business in the Capital Region and how it affects all of us - from business leaders,

entrepreneurs, consumers and each and every person who lives and works in our community.

Each show includes many perspectives - from the expert in a particular field, to point-counterpoint of a featured topic.

Dennis will join Wally again on May 22, 2006 to discuss the importance of corporate val-

ues and ethics as it relates to profits, the moral dilemmas of young professionals, compliance issues as well as an analysis of the recent high-profile scandals.

For additional information regarding weekly topics go to: www.wmht.org and click on The Bottom Line.

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Stocks fell at the end of March as investors became concerned that the Fed may have more than one rate hike left in them.

However, there were pockets of strength, not the least of which included the NASDAQ Composite, the Russell 2000 and overseas stocks, all areas of the market of which we are bullish.

As we have mentioned numerous times, “stocks, which have been stuck in a trading range for quite some time, appear to be trying to break out to the upside. Time will tell, but once again, until proven wrong, we continue to believe that it will most likely pay to buy when investors are skittish and sell when the euphoria sets in.” We are judiciously adding to energy stocks as well as the basic materials and industrials to our holdings. These sectors usually perform well during the early parts of this stock market cycle.

We firmly believe that the risk/reward ratio of holding stocks, especially over the next twenty-four months remains positive.

Federal Reserve Release



Press Release

For immediate release— March 28, 2006

The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4-3/4 percent.

The slowing of the growth of real GDP in the fourth quarter of 2005 seems largely to have reflected temporary or special factors. Economic growth has rebounded strongly in the current quarter but appears likely to moderate to a more sustainable pace. As yet, the run-up in the prices of energy and other commodities appears to have had only a modest effect on core inflation, ongoing productivity gains have helped to hold the growth of unit labor costs in check, and inflation expectations remain contained. Still, possible increases in resource utilization, in combination with the elevated prices of energy and other commodities, have the potential to add to inflation pressures.

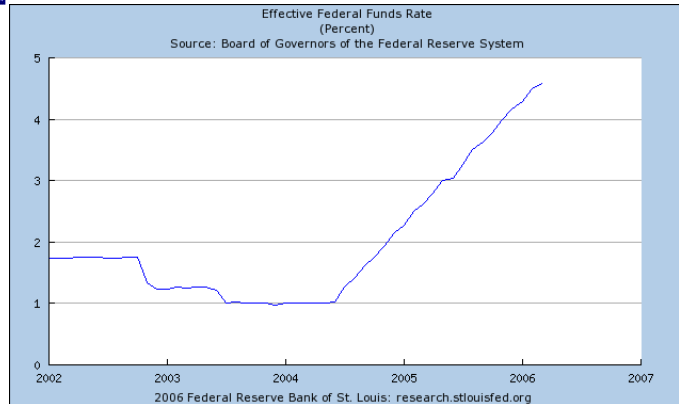
The Committee judges that some further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance. In any event, the Committee will respond to changes in economic prospects as needed to foster these objectives.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; Timothy F. Geithner, Vice Chairman; Susan S. Bies; Jack Guynn; Donald L. Kohn; Randall S. Kroszner; Jeffrey M. Lacker; Mark W. Olson; Sandra Pianalto; Kevin M. Warsh; and Janet L. Yellen.

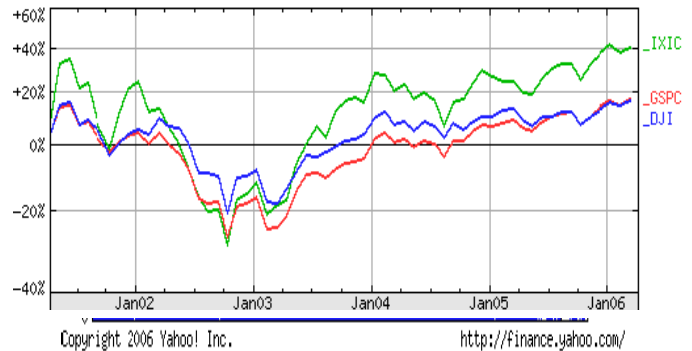
In a related action, the Board of Governors approved a 25-basis-point increase in the discount rate to 5-3/4 percent. In taking this action, the Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco.

Source: <http://www.federalreserve.gov/boarddocs/press/monetary/2006/20060328/>

Changes in the Federal Funds Rate



**Dow, S&P 500, NASDAQ
Trailing 5 Years**



Index	Weekly Change	Closing Value	% Change Prior Week	Year-to-Date % Change	Trailing 12 Mo. % Change
Dow Jones Ind. Avg.	-170.65	11109.32	-1.51%	+3.66%	+6.78%
S&P 500	-8.12	1294.83	-0.62%	+3.73%	+10.39%
NASDAQ Comp.	+26.97	2339.79	+1.17%	+6.10%	+17.88%
DJ Wilshire 5000	-11.33	13155.44	-0.09%	+5.09%	+13.72%
Russell 2000	+11.31	765.14	+1.50%	+13.65%	+25.11%
Dow Utilities	-10.73	389.01	-2.68%	-3.97%	+7.97%
Dow Transports	+40.59	4568.00	+0.90%	+8.86%	+23.91%

As of March 31, 2006

MUTUAL FUNDS OR INDIVIDUAL STOCKS AND BONDS?

There are benefits and drawbacks to both.

One of the big advantages of mutual funds is diversification. A mutual fund manager pools your money with thousands of other people and builds a portfolio containing possibly hundreds of securities representing companies in dozens of industries. However, the fund manager is purchasing securities on behalf of the fund rather than the individual investor. And, since mutual funds pay out all capital gains annually, the individual investor has less control over taxable events.

With a portfolio of more than \$75,000 and depending on your specific goals, risk tolerance, and time horizons, you could customize your portfolio to include 15 or 20 stocks, covering 10 or more industries on the equity side along with the appropriate fixed income and cash allocations.

This separate portfolio design has several benefits. It allows for a more customized investment approach with client-specific diversification. The securities are directly owned by the investor at their own cost basis allowing for more control over taxable events. The securities can be screened based on the investor's ethical and economic preferences and asset flows are not influenced by the "herd mentality" of the mutual fund industry.

Please give us a call if you have any questions.

FAGAN ASSOCIATES CAN ESTABLISH OR REVIEW YOUR 401 (K) PLAN

Many times we are asked to review existing 401 (k) retirement plans. The following list highlights some common shortcomings that are easily corrected.

- First, a **lack of flexibility** limits investment choices. Many plans invest with one mutual fund family and use that mutual fund as the administrator of the plan. Therefore, should the employer want to change plans, they also have to change administrators. The solution is to separate the administrator of the pension from the investment manager.
- Second, many 401(k) plans **limit portability**. Plans offering loaded mutual funds and annuities contain fees and surrender charges which limit the portability of the

portfolio when an employee leaves the firm. The solution is to offer a 401(k) plan consisting of true no-load mutual funds as the investment choice. There are no fees in or out of these funds and they are completely portable.

- Third, many plans **operate without adequate transparency**. 401(k) investors should have internet access in order to view their accounts. They also should have investment choices that can be monitored. For example, many annuities utilize sub-accounts of mutual funds. Therefore, the investor is unable to track either the change in share price or the performance of the fund on a regular basis. We also recommend that 401(k) plans report to their investors on a quarterly basis.

- Fourth, many plans offer relatively **few investment choices**. Quite often, we have seen plans that have fewer than ten investment options, no choice of an international fund, no choice of an inflation protected bond fund, no index fund choices and, as noted above, choices from only one mutual fund family. The solution is to provide approximately twenty to thirty investment options.

- Fifth, many plans have **high expenses**. Yes, expenses are only one consideration, but it is an important one. When investing, we recommend that you consider performance, risk and then expenses. Become very familiar with the commission and/or fees that are being charged by the investment manager of your account and be able to reconcile that expense with the

final consideration, service.

- Finally, many plans are **not serviced properly**. Do your investment choices change over the course of the years or has the plan been static? Do you have contact with the Investment Adviser regularly? Are new employees added in a timely fashion? Are disbursements received in a timely fashion? Given the amount of money involved in 401(k) plans, service should be impeccable.

Your employees deserve the best. Our plans avoid these shortcomings.

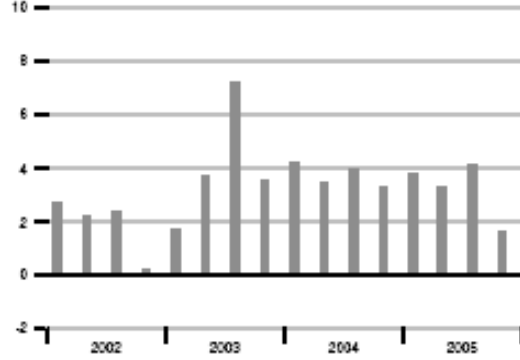
Please schedule consultation with us if you have any questions regarding an existing retirement plan or if you are considering establishing a new plan.

updated through
04/03/06

National Economic Trends

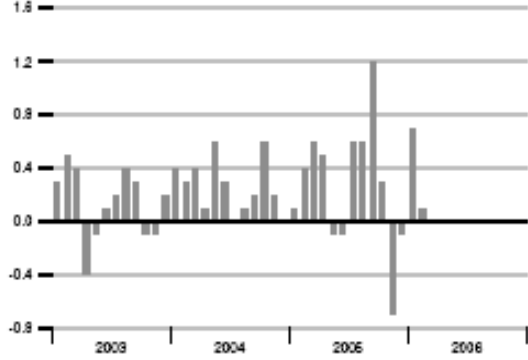
Real GDP Growth

Compounded annual rates of change



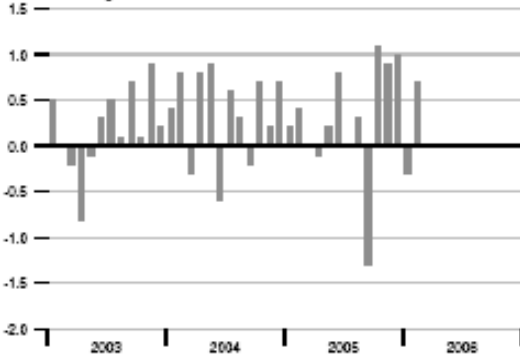
Consumer Price Index

Percent change



Industrial Production

Percent change



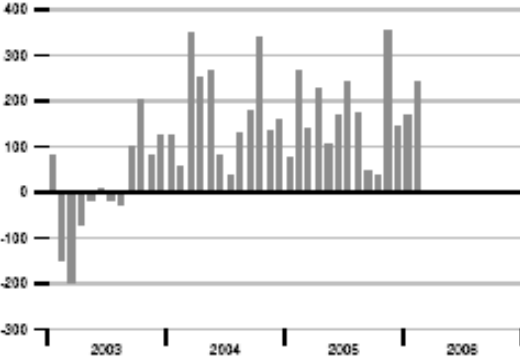
Interest Rates

Percent



Change in Nonfarm Payrolls

Thousands



Unemployment Rate

Percent of labor force

