Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan

Compensation & Capital's Financial Planning Commentary as of March 31, 2011

"Survived the Great Recession? Here Comes the Great Transition"

The State House protests over the past three months are harbingers of demographic class and generational conflict in America for several decades to come. They are the a graphic display of citizens from all walks of life, young and old, concerned over their future financial security. They are the confluence of a vast watershed of demographic trends, unfunded promises, less-than-responsible personal finance, and political opportunities squandered over the past 30 years. Thirty years is a long time from some perspectives; a blip in time from others. Through the lens of life planning and public policy it's generally what separates the generations. That's why the problems from which this conflict has sprung will thread through our national fabric for the next 30.

Coincidently, this year marks the 30th anniversary of the official start of the 401(k) Plan. At the time, America was reeling through a Recession of less-than "Great" (as we now know) though certainly severe proportions. Boomers were officially entering their second 30-year stage of life and beginning a spending and credit explosion that would propel the economy for the next 3+ decades. Middle East turmoil led to shortages and price spikes. Unemployment hit 10%. Mortgage interest rates were at historic levels; albeit highs, not lows like now. Banks and S&L's abused their legal mandate, rushed into real estate and forced a government bail-out of then-historic proportions. Sound vaguely familiar?

On the retirement planning front, corporations were quickly realizing what our politicians are finally waking up to now. Defined benefit pension plans look good only when there are more people paying IN than being paid OUT. (Note: this same condition flushed exposed Bernie Madoff.) Since corporations (unlike governments) must be run profitably, defined benefit plans quickly became dead men standing. Into that breach rushed the 401(k) – at least politically speaking that is. Problem is, it took about a decade for Boomers to wake up to the fact that for this new "plan" to work, they had to contribute to it. So, when they finally did, they were 40, or older.

Now for those of you in-tune with retirement planning axioms, you know the conventional wisdom that a 10% of gross pay contribution rate *throughout* one's working lifetime, appropriately invested for growth and inflation protection, should create sufficient wealth accumulation to allow replacement of around 40% of living expenses through 25+ years of retirement. Granted, there are lots of variables in this equation and plenty of risks that it does not cover. But in general, that 10% rate should work provided you start with your FIRST career paycheck in your early 20's and keep saving.

See the problem? The vast majority of Boomers started WAY later. At 40 to 50 years of age, that rate to cover 40% of retirement living expenses jumps to 20% to 30%. That's way beyond the average rate that participants over the age of 40 currently contribute, only around 10%, to 401(k)-type plans. And only HALF of employees over 40 even participate in a plan; the rest are saving 0%. This situation gives a lot of people a lot to feel insecure about since Social Security is designed to replace only about 40% of paycheck income for average earners; 60% for lowers, 30% for upper-middles.

If there is any good news to this picture it's that younger workers seem to get it. Participation rates among career-starters are climbing significantly. So, as with any change, the transition will be the most difficult to endure. Your cushion against the societal shock of that 30 years will be your savings and thrift. Do you have a handle on your cushion? Help's on the flip-side of this *Quarterly Report*.

Compensation & Capital's March 31, 2011

Retirement Saving and Investing "Action Points"

Estimating Your Retirement Cushion and Recommended Future Contribution Rate:

How much of the growing fear over poverty-stricken retirements is substantiated by the facts and how much is driven by the shear complexity of the equation is a viable question. A recent study noted that only 42% of its respondents had ever even *tried* to work out how much they might need to save before transitioning to a secure retirement. Why? A supportable conclusion might be that most of us are just simply too baffled by the exercise to try! Well, let's see if we can get you over that mathematical hurdle.

The best (and thankfully, the easiest) way to take the temperature of your retirement finances is to use a computerized financial calculator. Our continual review of retirement-related information resources, particularly on the Internet, recently led us to ChooseToSave® BallparkE$timate. Armed with relatively limited and easily accumulated personal financial information, the calculator at http://choosetosave.org/ballpark/index.cfm tells you if you are on track with your current rate or, if you are not, the 'right rate' to get you there. It works for singles or households. You can also change inputs to consider "what ifs." All inputs are confidential and the exercise is truly free.

Here are some hints (indexed to the BallparkE$timate's Item Number) and explanatory comments to quickly move you through the inputs:

(4) Replacement Rate: Most advisors suggest you target 70% to 80% replacement rate.

(6) Inflation assumption: 3.5% should be reasonably accurate.

(7) Wage Growth: To be conservative, peg this identical to your inflation assumption.

(8) Rate of Return Before: This is very dependent upon your retirement investment portfolio's strategic asset allocation. That is, how much risk are you taking and therefore its realistic expected annualized rate of return. If you adhere to our Sample Portfolio based upon timeline to withdrawals, 5% for short-term, 7% for medium-term and 9% for long-term should be realistic.

(9) Rate of Return After: Rate of Return Before minus 1.5% should be appropriate.

(16) Be sure to use the Inflated Dollars amount from the Social Security Administration's website calculator.

Once you have hit Submit and reviewed the results, use your browser's Back Button to change individual inputs. It's educational to see the results of seemingly small changes to inputs.

Granted it's just an estimate. To be perfectly clear, there are a whole army of ugly random events that could derail even the best conceived plans. But this estimate is a step in the right direction. And who knows? You just may be pleasantly surprised!

In addition to being informative and instructional, the results that any retirement income projection can yield are being increasingly seen by 401(k) regulators and experts as a necessity to personal retirement planning. So much so that the Department of Labor and IRS are currently moving toward requiring, at least annually, presentation of a participant's 401(k) account balance as a projected lifetime income stream of payments beginning at "full" Social Security retirement age.

You may be familiar with the Social Security Administration's (SSA) personalized "Social Security Statement" distributed annually to all taxpayers. It details your historical earnings record and estimated future benefits available from various Social Security programs. The potential disclosures for 401(k) account statements being reviewed by 401(k) regulators are designed to mimic the SSA's representation of expected lifetime income. As you can imagine, the projection's intent, formulae, assumptions and presentation are provoking heated discourse across the various industry lobbies. What results will likely be overly simplistic and therefore potentially misleading for a significant portion of 401(k) plan participants. That's why we favor online calculators for this task.

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Vanguard Select Funds Performance Specifics and Comparatives
(All for periods ended March 31, 2011)

Remember: **Past performance is absolutely NOT a guarantee of future performance!**

NAME OF SELECT FUND / Morningstar Category Name	Securities Type(s)	Morningstar™ Category Percentile Ranking Past 5 Years	10 Years	Cumulative Total Return Performances for 1 Qtr	YTD-2011	12 Mos	Average Annualized Total Returns for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
VANGUARD PRIME MONEY MARKET - VMMXX	**Money Market**	**6th**	**9th**	**0.0%**	**0.0%**	**0.1%**	**0.8%**	**2.5%**	**2.3%**	**3.3%**
Money Market Funds >>		*Category Average >>*		*0.0%*	*0.0%*	*0.0%*	*0.6%*	*2.1%*	*1.9%*	*3.0%*
TOTAL BOND MARKET - SIGNAL SHARES -VBTSX	**Bonds**	**39th**	**45th**	**0.3%**	**0.3%**	**5.0%**	**5.2%**	**6.0%**	**5.3%**	**6.0%**
Intermediate Bond Funds >>		*Category Average >>*		*1.0%*	*1.0%*	*6.2%*	*5.6%*	*5.5%*	*5.2%*	*5.6%*
INFLATION PROTECTED SECURITIES - VIPSX	**Gov't Bonds**	**30th**	**41st**	**1.9%**	**1.9%**	**7.7%**	**3.4%**	**5.9%**	**6.5%**	**n/a**
Inflation-Protected Bond Funds >>		*Category Average >>*		*2.0%*	*2.0%*	*7.3%*	*3.0%*	*5.2%*	*5.8%*	*5.1%*
WELLINGTON – ADMIRAL SHARES - VWENX	**Bonds & Stocks**	**5th**	**3rd**	**4.2%**	**4.2%**	**11.5%**	**4.6%**	**5.9%**	**6.8%**	**8.6%**
Moderate Allocation Funds >>		*Category Average >>*		*3.9%*	*3.9%*	*12.0%*	*3.5%*	*3.6%*	*4.4%*	*6.3%*
500 INDEX – SIGNAL SHARES - VIFSX	**Stocks**	**35th**	**45th**	**5.9%**	**5.9%**	**15.6%**	**2.4%**	**2.6%**	**3.2%**	**6.8%**
Large-Cap U.S. Blend Funds >>		*Category Average >>*		*5.6%*	*5.6%*	*14.5%*	*2.0%*	*2.1%*	*3.3%*	*6.4%*
WINDSOR II – ADMIRAL SHARES - VWNAX	**Stocks**	**38th**	**32nd**	**6.5%**	**6.5%**	**11.3%**	**2.3%**	**2.1%**	**4.6%**	**7.6%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*6.0%*	*6.0%*	*14.2%*	*1.3%*	*1.7%*	*4.1%*	*6.7%*
SELECTED VALUE - VASVX	**Stocks**	**23rd**	**31st**	**6.8%**	**6.8%**	**18.5%**	**8.3%**	**5.4%**	**8.9%**	**8.0%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*7.1%*	*7.1%*	*20.5%*	*6.4%*	*3.9%*	*8.3%*	*9.5%*
MORGAN GROWTH – ADMIRAL SHARES - VMRAX	**Stocks**	**40th**	**18th**	**6.0%**	**6.0%**	**20.0%**	**4.3%**	**3.5%**	**4.6%**	**7.4%**
Large-Cap U.S. Growth Funds >>		*Category Average >>*		*5.6%*	*5.6%*	*16.8%*	*3.6%*	*3.1%*	*2.9%*	*6.3%*
MID CAP GROWTH - VMGRX	**Stocks**	**36th**	**51st**	**8.4%**	**8.4%**	**27.3%**	**8.2%**	**5.4%**	**5.8%**	**n/a**
Mid-Cap U.S. Growth Funds >>		*Category Average >>*		*7.8%*	*7.8%*	*25.9%*	*6.7%*	*4.3%*	*5.9%*	*8.0%*
EXPLORER - VEXRX	**Stocks**	**52nd**	**39th**	**9.4%**	**9.4%**	**28.5%**	**9.0%**	**3.4%**	**7.2%**	**8.6%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*9.2%*	*9.2%*	*29.1%*	*8.8%*	*3.6%*	*6.7%*	*7.8%*
INTERNATIONAL GROWTH - VWILX	**Stocks**	**9th**	**21st**	**3.3%**	**3.3%**	**16.6%**	**1.0%**	**4.5%**	**6.8%**	**6.6%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*3.0%*	*3.0%*	*12.1%*	*-2.7%*	*1.3%*	*5.0%*	*5.1%*
ENERGY– VGENX	**Stocks**	**28th**	**16th**	**15.3%**	**15.3%**	**31.5%**	**3.1%**	**8.8%**	**16.1%**	**15.0%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		*12.8%*	*12.8%*	*32.0%*	*0.3%*	*7.3%*	*12.2%*	*14.1%*
EMERGING MARKETS STOCK INDEX - VEIEX	**Stocks**	**24th**	**35th**	**1.8%**	**1.8%**	**18.1%**	**3.9%**	**10.2%**	**16.6%**	**8.9%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*0.4%*	*0.4%*	*16.6%*	*2.2%*	*8.6%*	*15.8%*	*8.3%*