Compensation & Capital's Financial Planning Commentary as of September 30, 2010
"Whose Responsibility Is It?"

Life's economic decisions are full of trade-offs. It's true whether you are the head of your household or the head of your nation. And no matter the issue demanding our economic attention, the choice is frequently a trade-off between a short-term "Band-Aid" OR a long-term structural improvement. That's not to say that the short/long decision is always mutually exclusive. We can, and often do, elect a hybrid of short fixes and long solutions. But as economic resources are increasingly pinched, the price tags of the long solutions appear ever more "huge" relative to those of the "Band-Aid," and our human nature opts for the easy way out.

This trend is accelerating everywhere in the developed economies. In the U.S. it holds a commanding presence on all public policy fronts: Health care, transportation, education, energy, housing, immigration, and yes – retirement. The forces arrayed against us developing a national policy of long-term solutions to ANY of these fronts are formidable. Our democratic system, demographic trends, current debt, scarce dollars, and (most of all) our uniquely American independent personalities are all massive barriers to embarking upon long-term solutions.

Considering how difficult our "simple" household decisions can be, it's easy to understand how our diverse society becomes stymied when facing such complex, expensive and increasing irrevocable decisions. These trade-offs are complicated by the fact that every marginal dollar we spend must be borrowed given our deficits (fiscal, trade and foreign exchange) and our 0% (until very recently) household savings rate.

But arguably, retirement is and will always present the most difficult trade-off of them all. The problem is difficult to quantify. Projection results are as incomprehensible as distances to the stars. And therefore the costs bear little tangible relationship to our present existences. For instance, a household at the $50,000 median income retiring today with full social security benefits would receive approximately $22,000 from Social Security. Replacing the remaining $28,000 of pre-retirement income for the remainder of their lives (to average mortality in their mid-80's) would require a current nest-egg of at least $600,000. The median retirement plan account balance is currently $60,000. Clearly we are "galaxies" away from bridging that gap. And the trend is headed in the wrong direction.

The Employee Benefit Research Institute (EBRI) recently released a study showing that 54% of full-time, full-year wage and salary workers participated in a retirement plan in 2009, down from 60% ten years prior. Employer sponsorship of retirement plans dropped to 62% in 2009, down from 69% in 1999. Granted, the macro-economic cycles dominating 1999 (boom) versus 2009 (bust) likely contributed significantly to this debilitating trend. But cyclical forces aside, there's no doubt that households and businesses alike are increasingly opting for a short-term over a long-term response when it comes to the trade-off between supporting current versus future lifestyles.

Our public discourse even at election time remains silent on these crucial economic choices. Apparently they are just too painful to discuss? Our strictly American system of individual rights has a lot going for it. But rights require responsibilities. If you as head of your household don't expect the heads of our nation will make the tough choices then it's up to you to do so in our own life. It's easy – and it's hard: Rein in the cost of your lifestyle. Live healthier. Don't rest on your current career qualifications. Remain open to new ideas. Save for ALL objectives before you spend on now. Don't make promises to your family that you can't afford. Don't expect unrealistic returns from your investments. If you believe that we as a nation would prosper by employing these policies, get a head start at home. That way, we each accept the short-term pain on our own terms to create a better life for ourselves while (hopefully) our governments begin to get the message.

Compensation & Capital's September 30, 2010
Markets and Economic Review -and- Retirement Saving and Investing "Action Points"

The wild ride this past quarter – up sharply in July, down sharply in August, then up dramatically in September was simply a compressed version of the same volatile performance we've been experiencing for the entire of 2010: up in Q1, down in Q2, and up(!) in Q3. Despite September's reputation as the worst month of the year for stocks, many stock market indices around the globe rallied at double-digit rates as investors shook off this summer's fear of a "double-dip" return to recession. The S&P500 (U.S. large stocks) enjoyed its best September in 71 years (up 9% for the month and 11.3% for the quarter.)

Diversification of stock portfolios outside the U.S. added handily to the quarter's out-sized domestic stock fund gains though almost entirely due to currency fluctuations. The U.S. Dollar's (USD) 7% decline for the quarter (down 11% from early June's cyclical high) added a healthy premium to overseas stock market investments held by U.S. investors. They returned 18% for the third quarter (as measured in USD by the MSCI EAFE Index of non-U.S. stocks.) Currency exchange rates of big, commodity-producing nations soared against the USD. Remember, a weaker USD helps U.S.-based exporting corporations by making their goods and services more affordable to overseas consumers. This fact was immediately reflected in stock market valuations of those big, U.S. multi-national growth companies as they finally markedly out-performed their smaller U.S. counterparts after over a decade of under-performance.

The recent decline of the U.S. dollar against our trading partners' and creditors' currencies also turned up the heat on currency and trade "war" debates. As we've noted repeatedly in these market retrospectives, relative valuations of currencies over longer periods of time tend to neutralize such shorter-term divergences. That said, with cross-country economic dislocations in the wake of the 2008 capital markets crises more pronounced than experienced in the past 50 years, U.S. foreign-owned debt at record highs, and U.S. employment at fiscally unacceptable levels, a weaker dollar provides much-needed "cover" for incumbent U.S. politicians moving into the November mid-term elections – and beyond. Furthermore, allowing the dollar to decline induces inflation in the cost of our exports (from oil to consumer products at Wal-Mart) which, at controlled levels, reduces the probability of our entering a difficult-to-control deflationary spiral. Once again, good monetary policy for incumbent politicians forestalling inevitable "pain" for U.S. consumers.

The third quarter's rally was not confined to stocks. The U.S. bond market continued to trounce its historical averages returning 2.5% for the quarter and bringing its 2010 cumulative performance to 8.1%. Keep in mind that long-term historical annualized bond returns on a *nominal* (that is, without offset for inflation) basis have been 5% to 6%. Longer-term inflation averaging approximately 3.5% therefore results in *real* bond returns of 2% to 3%. From that perspective, the past several years of historically high nominal bond returns (7% to 8%) and historically low (1% to 2%) inflation have given fixed income investors real returns of double historical averages and a real boost to wealth accumulation for conservatively-allocated investors not in money markets.

All of this discussion of short-term trends is relatively easily grasped because we are living it in the here and now; and therefore educational. But its real take-away is the short-term returns' significant lack of correlation to realistic long-term investing returns and relationships. In fact, the capital market and economic shocks of the past 11 years have so seriously dislocated investment returns within that period that relationships across asset classes (specifically bonds vs. stocks) for even the past 10 years are inconclusive at best – misleading at worst. For that reason, we have added a new 15-year annualized returns column to the following table to reinforce the fact that long-term investing success is founded upon realistic expectations of risk's direct relationship to return and appropriately diversified, steadfastly maintained portfolios.

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan
Vanguard Select Funds Performance Specifics and Comparatives

(All for periods ended September 30, 2010)

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

NAME OF SELECT FUND	Securities	Morningstar™ Category Percentile Ranking Past		Cumulative Total Return Performances for			Average Annualized Total Returns for:			
Morningstar Category Name	Type(s)	3 Years	10 Years	1 Qtr	YTD-2010	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
VANGUARD PRIME MONEY MARKET - VMMXX	**Money Market**	**10th**	**8th**	**0.0%**	**0.1%**	**0.1%**	**1.5%**	**2.9%**	**2.6%**	**3.5%**
Money Market Funds >>		*Category Average >>*		*0.0%*	*0.0%*	*0.0%*	*1.1%*	*2.4%*	*2.2%*	*3.2%*
TOTAL BOND MARKET - SIGNAL SHARES -VBTSX	**Bonds**	**30th**	**37th**	**2.5%**	**8.0%**	**8.1%**	**7.5%**	**6.2%**	**6.2%**	**6.3%**
Intermediate Bond Funds >>		*Category Average >>*		*3.3%*	*8.7%*	*10.0%*	*6.5%*	*5.4%*	*5.9%*	*5.7%*
INFLATION PROTECTED SECURITIES - VIPSX	**Gov't Bonds**	**28th**	**34th**	**2.6%**	**7.0%**	**9.0%**	**6.5%**	**5.2%**	**7.3%**	**n/a**
Inflation-Protected Bond Funds >>		*Category Average >>*		*2.7%*	*6.9%*	*8.8%*	*5.8%*	*4.5%*	*6.5%*	*5.3%*
WELLINGTON – ADMIRAL SHARES - VWENX	**Bonds & Stocks**	**5th**	**3rd**	**8.5%**	**5.0%**	**9.6%**	**-0.3%**	**4.8%**	**6.4%**	**8.5%**
Moderate Allocation Funds >>		*Category Average >>*		*8.5%*	*5.2%*	*9.2%*	*-2.3%*	*2.5%*	*2.6%*	*6.1%*
500 INDEX – SIGNAL SHARES - VIFSX	**Stocks**	**43rd**	**52nd**	**11.3%**	**3.9%**	**10.2%**	**-7.1%**	**0.6%**	**-0.5%**	**6.4%**
Large-Cap U.S. Blend Funds >>		*Category Average >>*		*11.1%*	*3.2%*	*8.9%*	*-7.2%*	*0.4%*	*0.2%*	*6.0%*
WINDSOR II – ADMIRAL SHARES - VWNAX	**Stocks**	**48th**	**34th**	**10.3%**	**0.8%**	**7.5%**	**-8.6%**	**-0.3%**	**3.4%**	**7.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*10.6%*	*3.0%*	*8.0%*	*-8.4%*	*-0.3%*	*2.5%*	*6.3%*
SELECTED VALUE - VASVX	**Stocks**	**31st**	**21st**	**10.3%**	**7.5%**	**14.4%**	**-3.2%**	**2.7%**	**8.3%**	**n/a**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*11.4%*	*8.4%*	*14.1%*	*-4.9%*	*1.8%*	*6.7%*	*8.8%*
MORGAN GROWTH – ADMIRAL SHARES - VMRAX	**Stocks**	**37th**	**23rd**	**12.4%**	**5.1%**	**13.0%**	**-6.1%**	**1.7%**	**-0.4%**	**6.7%**
Large-Cap U.S. Growth Funds >>		*Category Average >>*		*12.7%*	*3.4%*	*10.3%*	*-6.1%*	*1.2%*	*-2.2%*	*5.7%*
MID CAP GROWTH - VMGRX	**Stocks**	**33rd**	**69th**	**15.1%**	**9.5%**	**16.3%**	**-4.0%**	**3.9%**	**-1.7%**	**n/a**
Mid-Cap U.S. Growth Funds >>		*Category Average >>*		*13.5%*	*9.6%*	*16.0%*	*-5.1%*	*2.5%*	*0.1%*	*6.9%*
EXPLORER - VEXRX	**Stocks**	**47th**	**28th**	**13.4%**	**11.0%**	**16.2%**	**-4.6%**	**1.5%**	**3.0%**	**7.5%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*11.7%*	*9.0%*	*14.3%*	*-5.6%*	*1.4%*	*0.7%*	*6.7%*
INTERNATIONAL GROWTH - VWILX	**Stocks**	**12th**	**18th**	**19.9%**	**8.0%**	**12.6%**	**-5.6%**	**5.4%**	**4.2%**	**6.4%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*17.1%*	*2.7%*	*5.6%*	*-9.4%*	*1.8%*	*8.8%*	*12.6%*
ENERGY– VGENX	**Stocks**	**20th**	**20th**	**12.5%**	**-3.6%**	**2.0%**	**-6.6%**	**3.8%**	**12.9%**	**13.9%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		*14.2%*	*-3.0%*	*2.4%*	*-9.4%*	*1.8%*	*8.8%*	*12.6%*
EMERGING MARKETS STOCK INDEX - VEIEX	**Stocks**	**26th**	**45th**	**18.7%**	**10.6%**	**20.0%**	**-1.9%**	**12.1%**	**13.2%**	**8.9%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*18.6%*	*11.2%*	*19.5%*	*-3.2%*	*11.1%*	*12.7%*	*8.2%*