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

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

"The Role of Social Security in Our Future"

Over the 12+ years of our *Quarterly Commentary*, Social Security has been a frequent keynote. We have both attempted to explain the program's complicated future options and tried to help you understand its integration into your personal financial planning. Our emphasis on this subject is a direct result of frequent personal inquiries from participants across all demographics: "What can I expect from Social Security?" As importantly, our emphasis has also been due to the fact that any successful retirement plan must contain a significant source of income that's secure from market volatility, inflation, and personal indiscretion and investing blunders. A post-career lifetime annuity like the one provided by Social Security or any other government-provided pension plan is a viable option to fill that need.

But even with all the grass-roots interest in that key question, Social Security (and its voracious little brother, Medicare) continue to fester at the bottom of our political To-Do List because we can't decide which of us should take the "hit" to our futures to fix the system. With three campaign cycles under our *Quarterly Commentary's* belt, it's easy to sum up the positive changes made to Social Security ("SS") over the past 12 years – None. Yet over that decade-plus, our Social Security system's foundation continues to erode under the multi-faceted burdens of: 1) America's demographic evolution to fewer children per parent; 2) our misunderstanding of Social Security's funding precepts (that is, that the system has always required children to support their parents in retirement); 3) an electorate that can't garner the consensus necessary to force its elected officials to make even small changes to SS's tax funding and benefits structure and; 4) squandered time.

So rather than spend the remainder of this quarter's Commentary on a discussion of constructive and equitable ways to fix the system – you can consult our past essays for those thoughts – this time we'll employ the old adage "If you can't fight 'em, join 'em." In other words, let's look at ways to protect yourself if our politicians do nothing and the current Social Security system stays as is.

Paying for retirement is likely to be the biggest expense you will ever face. Furthermore, the range of winners and losers is probably far broader and more randomly distributed than you would have ever imagined. That is, it's not just one generation or one income class that will win/lose. Your family's ultimate outcome will depend upon a wide range of determinates such as health, mortality, earned income levels throughout life, family make-up, marital status, savings levels and types, geographic location, etc. But you have several bullets available to you to influence your chances of a "W" in this game and your arsenal is far more potent the sooner you get busy:

- Your prime earning years are your best opportunity to save: While many of us envision working later in life to provide retirement income, many retire before age 65 due to unexpected reasons. By saving as much as you can during your working years and keeping your family's living expenses in check, your lifestyle at retirement will be easier to sustain and your savings bigger.
- Americans are living longer: Sure this is a two-edged sword; the longer we live, the more savings we need. Then again, longer, healthier lives can include rewarding second careers that can not only supplement retirement savings and SS benefits but significantly enhance your emotional and physical well-being. And, delaying your SS benefit increases its value throughout the remainder of your life. Satisfaction with life is a package of which money is only one piece.
- Social Security provides a very wide range of wage replacement levels: Workers with the lowest levels of lifetime earnings receive the largest percentage SS benefit relative to their former paycheck wages. SS benefits can as high as 60% of former wages for these retirees. For higher career wage earners, SS benefits may replace as little as 10% of former wages.

Our politicians *could* control the level, distribution, and timing of constructive changes to Social Security by making cooperative decisions now. Our best guess is: They won't. YOUR best plan for your future? 1) Spend less. 2) Save more. 3) Invest appropriate to your time horizon.

Compensation & Capital's December 31, 2011

Retirement Saving and Investing "Action Points"

<u>"When Free is Expensive – The Hidden Costs in 401(k) Plans" Coming to a TV Near You</u>

Over the coming months the mainstream media will be aflutter with "news" about fees to which 401(k) Plan participants have been unknowingly subjected for many years. Not surprisingly, most of these spots will likely focus on abusive situations: participants' plan accounts that have absorbed excessive costs thereby undermining their ability to secure their futures while their employers sponsor these 401(k) plans cost-free and the plan's service providers and investment managers take home the spoils. The impetus for all this "news" is newly enacted IRS and Department of Labor regulations that seek to shine a bright light on who pays what fees to what parties in our 401(k) arrangements.

We applaud this LONG-awaited regulatory effort. There's no doubt that abuse has long been tolerated by plan sponsors and regulators alike. This action is absolutely shaking up the industry and should at least expose and dispose of the most flagrant of abusers. Unfortunately, as usual, financial services lobbyists have been able to shield some industry participants' products from the effort. Hopefully future revisions to the law will close those loopholes.

So what about YOUR plan account? What will the new regulation's required disclosures inform you has been charged against your hard-earned savings? The short answer is: Nothing but good news and nothing you haven't been told before.

1. For its 25+ years of providing plan services to our corporate clients and reporting to their plan participants we are humbly proud of the fact that we have always brought the highest quality investment products and reporting services to plan participants at the lowest cost to their plan accounts. Partnering in this effort, DHC/MWC has always absorbed all costs <u>except</u> those related directly to plan loans, to the investment management function of the mutual funds available to you, and (since 2009) to the administration of your Plan accounts to the extent of 0.3% of your Plan account balance. Furthermore, we have always employed mutual funds with below-average investment management cost structures and continually push those funds to reduce their costs in any way possible (and are in fact frequently successful in that effort.)
2. Unfortunately, though the gist of our point in Item 1 would likely suffice as the complete explanation for the vast majority of participants in our clients' plans, nonetheless the regulations require all plans to toe-the-line with a significant volume of new reporting details to "prove" that point – at least in the eyes of the IRS/DoL. There is no doubt that this required level of detail – in sophisticated hands - *could* help flush out the abusers. There is also no doubt that it increases the costs to run your plan – costs, to be clear, that will be borne by DHC/MWC.
3. There are many types of costs required to run these plans: Plan design and updates, regulatory compliance, trustee, administration, asset custody, recordkeeping, investment advisory and management – to name the primary ones. The new disclosures will detail which of these are being absorbed by participant accounts. Once again, due to the oversight and generosity of DHC/MWC, your Plan account absorbs plan fee levels that are well below the average level assessed by all other plans' mutual funds investment managers alone. The coming disclosures will explicitly demonstrate this fact on a fund-by-fund basis. *Your* plan's fee comparability disclosures will, as we noted in Item 1, bring nothing but positive news.

Finally, the regulations allow little latitude in disclosure format and media. Please accept our apology in advance for the annoyance that this additional reporting may cause many of you. And know that we will do our best to present only the required information in the simplest terms.

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan
Vanguard Select Funds Performance Specifics and Comparatives
(All for periods ended December 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
Prime Money Market - VMMXX	**Money Market**	**7th**	**8th**	**0.0%**	**0.1%**	**0.1%**	**0.2%**	**1.7%**	**2.0%**	**3.1%**
Money Market Funds >>		*Category Average >>*		*0.0%*	*0.0%*	*0.0%*	*0.1%*	*1.4%*	*1.7%*	*2.8%*
Total Bond Market - Signal shares - VBTSX	**Bonds**	**24th**	**38th**	**1.0%**	**7.7%**	**7.7%**	**6.8%**	**6.5%**	**5.5%**	**6.2%**
Intermediate Bond Funds >>		*Category Average >>*		*1.3%*	*5.9%*	*5.9%*	*9.2%*	*5.6%*	*5.2%*	*5.6%*
Inflation Protected Securities - VIPSX	**Gov't Bonds**	**25th**	**39th**	**2.6%**	**13.2%**	**13.2%**	**10.0%**	**7.6%**	**7.3%**	**n/a**
Inflation-Protected Bond Funds >>		*Category Average >>*		*2.2%*	*10.9%*	*10.9%*	*9.4%*	*6.7%*	*6.7%*	*5.2%*
Wellington – Admiral shares - VWENX	**Bonds & Stocks**	**7th**	**4th**	**8.3%**	**4.0%**	**4.0%**	**12.2%**	**3.6%**	**6.3%**	**7.7%**
Moderate Allocation Funds >>		*Category Average >>*		*6.7%*	*-0.1%*	*-0.1%*	*11.5%*	*1.3%*	*3.9%*	*5.4%*
500 Index – Signal shares - VIFSX	**Stocks**	**29th**	**37th**	**11.8%**	**2.1%**	**2.1%**	**14.1%**	**-0.2%**	**2.9%**	**5.4%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*11.1%*	*-1.3%*	*-1.3%*	*13.2%*	*-1.0%*	*2.6%*	*5.2%*
Windsor II – Admiral Shares - VWNAX	**Stocks**	**37th**	**23rd**	**12.8%**	**2.8%**	**2.8%**	**13.1%**	**-1.3%**	**4.3%**	**6.3%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*12.0%*	*-0.8%*	*-0.8%*	*11.8%*	*-2.0%*	*3.3%*	*5.3%*
Selected Value - VASVX	**Stocks**	**28th**	**18th**	**13.5%**	**0.9%**	**0.9%**	**18.0%**	**1.1%**	**7.4%**	**7.1%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*12.8%*	*-4.0%*	*-4.0%*	*16.6%*	*-0.2%*	*5.9%*	*7.8%*
Morgan Growth – Admiral Shares - VMRAX	**Stocks**	**49th**	**21st**	**9.5%**	**-2.4%**	**-2.4%**	**16.5%**	**0.7%**	**3.6%**	**5.8%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*9.3%*	*-2.5%*	*-2.5%*	*15.3%*	*0.8%*	*2.3%*	*5.1%*
Mid Cap Growth - VMGRX	**Stocks**	**29th**	**36th**	**10.9%**	**1.2%**	**1.2%**	**20.1%**	**3.7%**	**5.3%**	**n/a**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*-10.4%*	*-4.0%*	*-4.0%*	*18.6%*	*2.0%*	*4.4%*	*6.6%*
Explorer - VEXRX	**Stocks**	**50th**	**41st**	**13.4%**	**-1.7%**	**-1.7%**	**19.6%**	**1.5%**	**4.9%**	**7.3%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*13.6%*	*-3.6%*	*-3.6%*	*18.5%*	*1.3%*	*4.4%*	*6.4%*
International Growth - VWILX	**Stocks**	**13th**	**14th**	**6.0%**	**-13.6%**	**-13.6%**	**12.4%**	**-1.9%**	**5.8%**	**4.7%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*4.5%*	*-14.0%*	*-14.0%*	*7.8%*	*-4.7%*	*4.0%*	*3.3%*
Energy - VGENX	**Stocks**	**25th**	**21st**	**15.9%**	**-1.8%**	**-1.8%**	**15.5%**	**3.8%**	**14.3%**	**12.1%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		*14.0%*	*-7.5%*	*-7.5%*	*14.7%*	*1.9%*	*11.2%*	*10.0%*
Emerging Markets Stock Index - VEIEX	**Stocks**	**25th**	**41st**	**6.0%**	**-18.8%**	**-18.8%**	**19.3%**	**2.2%**	**13.4%**	**6.9%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*4.2%*	*-19.9%*	*-19.9%*	*18.3%*	*0.4%*	*12.8%*	*7.1%*