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Growth vs. Value: What's the Difference?

With the wide variety of stocks in the market, figuring out which ones you want to invest in can be a daunting task. Many investors feel it's useful to have a system for finding stocks that are worth buying, deciding what price to pay, and realizing when a stock should be sold. Bull markets--periods in which prices as a group tend to rise--and bear markets--periods of declining prices--can lead investors to make irrational choices. Having objective criteria for buying and selling can help you avoid emotional decision-making.

Even if you don't want to select stocks yourself—and many people would much prefer to have a professional do the work of researching specific investments--it can be helpful to understand the concepts that professionals use in evaluating and buying stocks.

There are generally two schools of thought about how to choose stocks that are worth investing in. Value investors focus on buying stocks that appear to be bargains relative to the company's intrinsic worth. Growth investors prefer companies that are growing quickly, and are less concerned with undervalued companies than with finding companies and industries that have the greatest potential for appreciation in share price. Either approach can help you better understand just what you're buying--and why--when you choose a stock for your portfolio.

Value investing

Value investors look for stocks with share prices that don't fully reflect the value of the companies, and that are effectively trading at a discount to their true worth. A stock can have a low valuation for many reasons. The company may be struggling with business challenges such as legal problems, management difficulties, or tough competition. It may be in an industry that is currently out of favor with investors. It may be having difficulty expanding. It may have fallen on hard times.

Or it may simply have been overlooked by other investors.

A value investor believes that eventually the share price will rise to reflect what he or she perceives as the stock's fair value. Value investing takes into account a company's prospects, but is equally focused on whether it's a good buy. A stock's price-earnings (P/E) ratio--its share price divided by its earnings per share--is of particular interest to a value investor, as are the price-to-sales ratio, the dividend yield, the price-to book ratio, and the rate of sales growth.

Value Stocks	Growth Stocks
Relatively low P/E ratio	High P/E ratio
Low price-to-book ratio	High price-to-book ratio
Relatively slow earnings growth	Rapid earnings growth
High dividend yield	Low or no dividend yield
Sluggish sales growth	Rapid sales growth

Value-oriented data

Here are some of the questions a value investor might ask about a company:

- What would the company be worth if all its assets were sold?
- Does the company have hidden assets the market is ignoring?
- What would the business be worth if another company acquired it?
- Does the company have intangible assets, such as a high level of brand-name recognition, strong new management, or dominance in its industry?
- Is the company on the verge of a turnaround?

About New Wealth Advisors.

New Wealth Advisors is an independent, fee-only, SEC-registered investment advisor, operating as a multi-family investment office. We work with newly wealthy individuals and families to protect, grow and manage assets.

Contrarians: marching to a different drummer

A contrarian investor is perhaps the ultimate example of a value investor. Contrarians believe that the best way to invest is to buy when no one else wants to, or to focus on stocks or industries that are temporarily out of favor with the market.

The challenge for any value investor, of course, is figuring out how to tell the difference between a company that is undervalued and one whose stock price is low for good reason. Value investors who do their own stock research comb the company's financial reports, looking for clues about the company's management, operations, products, and services.



Growth investing

A growth-oriented investor looks for companies that are expanding rapidly. Stocks of newer companies in emerging industries are often especially attractive to growth investors because of their greater potential for expansion and price appreciation despite the higher risks involved. A growth investor would give more weight to increases in a stock's sales per share or earnings per share (EPS) than to its P/E ratio, which may be irrelevant for a company that has yet to produce any meaningful profits. However, some growth investors are more sensitive to a stock's valuation and look for what's called "Growth At a Reasonable Price" (GARP). A growth investor's challenge is to avoid overpaying for a stock in anticipation of earnings that eventually prove disappointing.

Growth-oriented data

A growth investor might ask some of these questions about a stock:

- Has the stock's price been rising recently?
- Is the stock reaching new highs?
- Are sales and earnings per share accelerating from quarter to quarter and year to year?
- Is the volume of trading in the stock rising or falling?
- Is there a recent or impending announcement from or about the company that might generate investor interest?
- Is the industry going up as a whole?

Why understand investing styles?

Growth stocks and value stocks often alternate in popularity. One style may be favored for a while but then give way to the other. Also, a company can be a growth stock at one point and later become a value stock. Some investors buy both types, so their portfolio has the potential to benefit regardless of which is doing better at any given time. Investing based on data rather than stock tips or guesswork can not only assist you as you evaluate a possible purchase; it also can help you know when to sell because your reasons for buying are no longer valid.

Clients at New Wealth Advisors enjoy access to premier investment managers specializing in both value and growth strategies across all equity classes. Each investor's portfolio is customized for their unique preferences and needs. Our clients can also incorporate a more passive style into their investing approach if preferred, using our "Best of Both Worlds" method of portfolio design.

Financial Planning--Helping You See the Big Picture

Do you picture yourself owning a new home, starting a business, or retiring comfortably? These are a few of the financial goals that may be important to you, and each comes with a price tag attached.

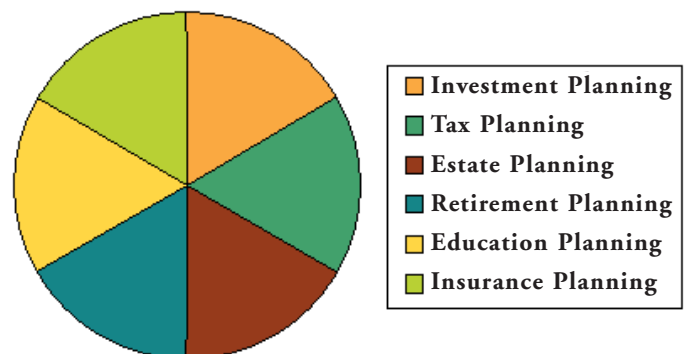
That's where financial planning comes in. Financial planning is a process that can help you reach your goals by evaluating your whole financial picture, then outlining strategies that are tailored to your individual needs and available resources.

Why is financial planning important?

A comprehensive financial plan serves as a framework for organizing the pieces of your financial picture. With a financial plan in place, you'll be better able to focus on your goals and understand what it will take to reach them.

One of the main benefits of having a financial plan is that it can help you balance competing financial priorities. A financial plan will clearly show you how your financial goals are related—for example, how saving for your children's college education might impact your ability to save for retirement. Then you can use the information you've gleaned to decide how to prioritize your goals, implement specific strategies, and choose suitable products or services. Best of all, you'll have the peace of mind that comes from knowing that your financial life is on track.

Financial Planning Concerns



The financial planning process

Creating and implementing a comprehensive financial plan generally involves working with financial professionals to:

- Develop a clear picture of your current financial situation by reviewing your income, assets, and liabilities, and evaluating your insurance coverage, your investment portfolio, your tax exposure, and your estate plan
- Establish and prioritize financial goals and time frames for achieving these goals
- Implement strategies that address your current financial weaknesses and build on your financial strengths
- Choose specific products and services that are tailored to meet your financial objectives
- Monitor your plan, making adjustments as your goals, time frames, or circumstances change

Common financial goals

- Saving and investing for retirement
- Saving and investing for college
- Establishing an emergency fund
- Providing for your family in the event of your death
- Minimizing income or estate taxes



Some members of the team

The financial planning process can involve a number of professionals.

Financial planners typically play a central role in the process, focusing on your overall financial plan, and often coordinating the activities of other professionals who have expertise in specific areas.

Accountants or tax attorneys provide advice on federal and state tax issues.

Estate planning attorneys help you plan your estate and give advice on transferring and managing your assets before and after your death.

Insurance professionals evaluate insurance needs and recommend appropriate products and strategies.

Investment advisors provide advice about investment options and asset allocation, and can help you plan a strategy to manage your investment portfolio.

The most important member of the team, however, is you. Your needs and objectives drive the team, and once you've carefully considered any recommendations, all decisions lie in your hands.

Why can't I do it myself?

You can, if you have enough time and knowledge, but developing a comprehensive financial plan may require expertise in several areas. A

financial professional can give you objective information and help you weigh your alternatives, saving you time and ensuring that all angles of your financial picture are covered.

Staying on track

The financial planning process doesn't end once your initial plan has been created. Your plan should generally be reviewed at least once a year to make sure that it's up-to-date. It's also possible that you'll need to modify your plan due to changes in your personal circumstances or the economy. Here are some of the events that might trigger a review of your financial plan:

- Your goals or time horizons change
- You experience a life-changing event such as marriage, the birth of a child, health problems, or a job loss
- You have a specific or immediate financial planning need (e.g., drafting a will, managing a distribution from a retirement account, paying long-term care expenses)
- Your income or expenses substantially increase or decrease
- Your portfolio hasn't performed as expected
- You're affected by changes to the economy or tax laws

Common questions about financial planning

What if I'm too busy?

Don't wait until you're in the midst of a financial crisis before beginning the planning process. The sooner you start, the more options you may have.

Is the financial planning process complicated?

Each financial plan is tailored to the needs of the individual, so how complicated the process will be depends on your individual circumstances. But no matter what type of help you need, a financial professional will work hard to make the process as easy as possible, and will gladly answer all of your questions.

What if my spouse and I disagree?

A financial professional is trained to listen to your concerns, identify any underlying issues, and help you find common ground.

Can I still control my own finances?

Financial planning professionals make recommendations, not decisions. You retain control over your finances. Recommendations will be based on your needs, values, goals, and time frames. You decide which recommendations to follow, then work with a financial professional to implement them.



What tax credits are available for making homes more energy efficient?

To encourage energy savings, the American Recovery and Reinvestment Act of 2009 expanded the tax credits related to energy-efficient home improvements.

For 2009 and 2010, you may be able to claim a tax credit equal to 30% of the cost of energy-efficient property that you install in your principal residence. Qualified products can include new windows, doors (exterior and storm), insulation, roofing, HVAC systems, nonsolar water heaters, and biomass stoves (e.g., those that use plant-derived fuels, including wood and wood pellets) for your existing principal residence. (Note that installation costs are covered for HVAC, biomass stoves, and nonsolar water heaters, but not for the other products listed here.) A total combined credit cap of \$1,500 applies to all 2009 and 2010 improvements.

For property placed in service in 2009 through 2016, you may be able to claim a separate tax credit for 30% of the cost of buying and installing qualified geothermal heat pumps, solar panels, solar water heaters (pool or hot tub heaters do not qualify), small wind energy systems, and fuel cell power systems (limited to \$500 per 0.5kW of power capacity); generally, no cap applies to these improvements. This tax credit is available for products installed in both new and existing homes. With the exception of fuel cell systems (which, to qualify, must be used in a home that is or will be your principal residence), these products may be used in a second or vacation home as well.

Only products that meet very high energy efficiency standards qualify, so you'll need to carefully check the manufacturer's certification. It will tell you whether or not the product qualifies for a tax credit. Keep a copy of the statement, and receipts, for your tax records. A tax professional can give you more information about these tax credits. You can also visit the Energy Star website, www.energystar.gov, to find out more about energy-efficiency standards and products.

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I'm buying my first home, but I already own an investment property. Will I qualify for the first-time homebuyer's tax credit?

Even though you already own an investment property, you may be able to qualify for the first-time homebuyer's credit that was included in the American Recovery and Reinvestment Act of 2009. For the purposes of qualifying for the credit, a first-time homebuyer is defined as someone who has not owned a principal residence during the three-year period prior to the home's purchase. Your investment property is not considered to be your principal residence, so you may still be eligible for the first-time homebuyer's credit, assuming you meet other requirements.

One requirement is that you must purchase a home on or after January 1 and before December 1, 2009. You must also meet certain income limits. To qualify for the full credit, which is equal to 10% of the home's purchase price (up to a maximum credit of \$8,000), your modified adjusted gross income must be no greater than \$75,000 if you're single, or \$150,000 if you're married. The credit is reduced if your income exceeds these amounts, and is eliminated if your modified adjusted gross income exceeds \$95,000 (\$170,000 if you're married filing jointly).

If you're married, and your spouse has owned a principal residence within the past three years even if you have not, neither of you will qualify for the credit. But if you're single, and are buying a home with someone else who has owned a principal residence within the last three years, you may still qualify, even though the other buyer will not.

Note that if the home you're buying ceases to be the principal residence of you and your spouse within 36 months of the purchase date, you'll have to pay back the credit. For more details, visit the IRS website, www.irs.gov.

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