BELL INVESTMENT ADVISORS
MOMENTUM FOR LIFE®

The Opening Bell

Vol. 20, No. 3
October 2010

To Dip or Double-Dip? . . . That is the Question.

by Matthew P. King, CFA, Managing Director, Chief Investment Officer

MORE COVERAGE INSIDE

The term "double dip" seemed to gain cultural relevance after a 1993 episode of *Seinfeld*, in which George Costanza is accused by his girlfriend's brother of double dipping his chip at a family party.

Girlfriend's Brother: What are you doing? Did you just double dip that chip?

George: Double dipped? What are you talking about?

Girlfriend's Brother: You dipped the chip. You took a bite, and you dipped again.

George: So?

Girlfriend's Brother: That's like putting your whole mouth right in the dip. From now on, when you take a chip, just take one dip and end it.

When you first read the words "double dip" above, I doubt that your first thought was Seinfeld or the faux pas of redunking your half-eaten tortilla chip in the community salsa. The term has taken on new meaning in the current economic environment. "Double dip" now means double-dip recession—a scenario in which an economic recession is followed by a brief period of recovery before sliding into recession again. To illustrate my point, over the past week alone, a Google News search on the term "double-dip recession" yields nearly 6,000 results.

How Realistic is a Double-Dip Recession?

Before we can examine how realistic the double-dip scenario is, first we have to define exactly what constitutes a double-dip recession. While recessions are officially established by the National Bureau of Economic Research (NBER) and have the standard rule-of-thumb definition of two consecutive quarters of negative GDP growth, there is no recognized definition of the double-dip version, official or not.

> *What is clear in studying these two modern double-dip recessions is that they appear to be man made.*
>
> – Matthew P. King, CFA

Considering that the average economic expansion since 1854 lasted approximately three years according to the NBER, a second recession would necessarily have to occur considerably fewer than three years after the previous one to be of the double-dip variety. Otherwise, it is likely just a new recession unrelated to the preceding one. So for the purposes of this article, let us say that a double-dip recession is one that begins no more than a year and a half after the previous one ends, meaning an expansion that is only half as long as the historical average.

Using that definition, there have been only five double-dip recessions out of 32 total recessions from 1854 to 2007. Of those five double-dip recessions, three began prior to the advent of the Federal Reserve System and coordinated monetary policy. The two "modern" double-dip recessions occurred in 1920-1921 and 1981-1982.

What is clear in studying these two modern double-dip recessions is that they appear to be man made, a result of the Federal Reserve raising the discount rate—the rate at which banks can borrow from the Fed—too soon and too high after the previous recession. At the outset of the 1920 recession, the Fed raised the discount rate from 4.75% to 6% in one move. During the brief twelve-month expansion that occurred between the recession of 1980 and the double-dip recession of 1981-1982, the Fed hiked the discount rate from 10% to 14% in four 1% increments. In both cases, the Fed tightened its monetary policy to reign in double-digit inflation.

(continued on page 2)

Account Performance Report through September 30, 2010

Since 1999 we have calculated the average return of our clients' accounts. These performance figures are derived from actual accounts managed by Bell Investment Advisors. Here is a quick look at the latest results:

	2010	January 1999 to September 2010	
Index	**Year-to-Date**	**Total Return**	**Annualized Return**
Bell Average Account (1)	5.6%	117.4%	6.8%
S&P 500 Index (2)	3.9%	14.3%	1.1%

This table compares our average account performance compared to the S&P 500 Index. With approximately $915 billion indexed to it, the S&P 500 has come up well short of expectations since the start of 1999, producing a return barely above 1% per year.

Meanwhile, our Active Portfolio Enhancement® methodology has more than doubled our clients' assets since 1999. Our advantage lies in our proactive, momentum-based approach versus the passive strategy of tracking a particular market index.

When you compare performance results, it is important to make note of what is, and is not, included in the stated returns. Our returns are reported net of all management fees, mutual fund expenses, and trading costs. Here, the bottom line is the bottom line.

Notes

(1) Includes the effects of Bell's management fee, mutual fund expenses, Schwab transaction fees, short-term redemption fees, and cash holdings.

(2) Does not include the effects of the items described in Note 1.

Disclosures

Past performance is no guarantee of future results. Future returns may differ significantly due to materially different economic and market conditions. Returns assume the reinvestment of dividends and capital gain distributions. These investments involve risk and the possibility of loss—including principal. Mention of a security in this newsletter should not be taken as advice to buy or sell that security.

In regard to the Bell Average Account, the term "average" is defined as a simple average—not a weighted average. Only fee-paying clients who fully employ our Active Portfolio Enhancement strategy are included in the return calculation. Client accounts that hold individual securities or funds not recommended by Bell; employ fixed income, hedging, cash reserve, market timing, socially responsible, or any other strategy not representative of Active Portfolio Enhancement; or maintain cash allocations greater than ten percent of the portfolio are not included in the calculation. We believe that removing these accounts improves the stated results as Active Portfolio Enhancement has traditionally been our most successful strategy. Additionally, only client accounts that were managed for the full calendar year are included in that year's return calculation. Accounts opened mid-year are not included in that specific year's reported results. We do not believe this policy has any material effect on the stated results.

S&P 500 Index is an unmanaged, market-cap weighted index of large-cap stocks commonly used to represent the U.S. stock market. More information can be found at www.standardandpoors.com. Neither the Bell Average Account nor the S&P 500 Index can be invested in directly. The composition and volatility of Bell's client accounts vary and may significantly deviate from the S&P 500 Index over time. ■

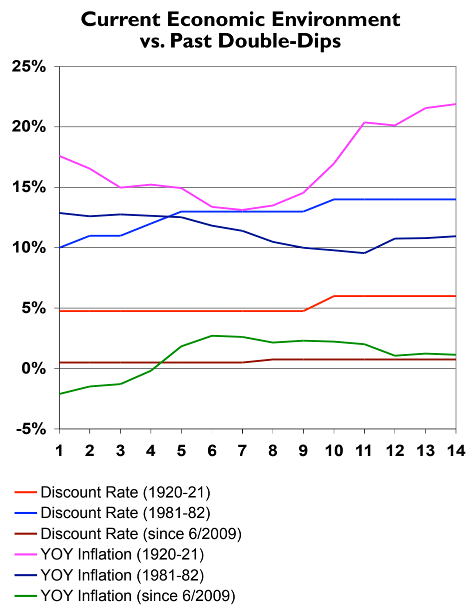
To Dip or Double-Dip? . . .

(continued)

The Current Situation

Obviously, the current economic situation is much different than the prevailing conditions at the time of each modern double-dip recession. The discount rate currently sits at 0.75% and has only been increased once (by 0.25%) since it bottomed at 0.50% in December 2008. On top of that, the Fed has shown no signs that it intends to increase it meaningfully in the near future. The reason they can keep the rate so low is because inflation is practically non-existent with a 1.1% year-over-year change in the Consumer Price Index as of August 2010.

It is clear that past double-dip recessions occurred in economic environments very different than the one we find ourselves in currently. As a result, we view the possibility of a double-dip recession in the United States as remote as long as the Fed doesn't change its tune on monetary policy by raising rates quickly, a situation that seems even less likely than George Costanza developing social etiquette.



The chart depicts the current economic environment relative to the double dips of 1920-21 and 1981-82. The X-axis is the number of months since the end of the first recession. We assume the 2007-09 recession, the end of which has not been officially dated yet, concluded in June 2009. ■

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A Different Kind of Double Dipping

Bonnie Bell, Principal, Director, Career & Life Coaching

Many of us at Bell are long-time Seinfeld fans, so Matt's reference to double-dipping in the lead article holds special meaning for us. We tend to laugh harder and louder at every old episode we see again and remind each other about in the lunch room.

But in my case, when it comes to double dipping, I have an even older personal association with the term: the double dip (or two-scoop) ice cream cone. In my family, it was a way of maximizing possibilities, not just maximizing volume. With our revamped newsletter, coming state-of-the-art interactive website (still bellinvest.com), new offers, and combinations of offers, we are double dipping all over the place.

Don't even try to take it in all at once. You'll have plenty of time to explore the new website, about to go live any day now, so stay tuned. You will find everything you are looking for and lots of things you weren't. Here is a brief orientation to the changes in look, feel, and design that you are beginning to observe in this issue of *The Opening Bell*.

The Logo

After countless meetings and focused discussion among ourselves and with our marketing and communications consultants, we decided to keep our name and the cursive "B". At a time when many investment firms and other businesses are moving away from the names of their founders to other more conceptual names, we have settled on it again and for the foreseeable future. The consensus was that the "B" in Bell still fits, and that it has become a meaningful symbol in itself—symbolic of performance and service, personal attention, and personal responsibility. In the new logo, though, you will notice that the "B" is bursting out of its box. The symbol within the box, and behind the "B" is a bare tree, symbolic of life, potential, and growth, all of which contain the properties of momentum.

The Tagline: Momentum for Life

Perhaps the most exciting moment in the entire year-long process arrived when the entire staff, assembled around the conference room table, *got it* at the same time.

It's not just about your money, it's about your life.

– Bonnie Bell, Principal

We began to see that how the questions underlying our proprietary momentum-based investment strategy also apply to our approach to financial planning and to career and life coaching. It was that *ah-ha moment* that turned our former tagline, *Let's Talk About Performance,* into *Momentum for Life*. It's not just about your money, it's about your life. Looking honestly at what's working and what's not working, and by following what is and avoiding what's not, you can build positive momentum for life. When you need help to get from A to B, ask us for help.

The Colors

We didn't want to or need to reinvent the wheel. We have always resonated with our colors, the colors of our office—deep red, green, blue and gold. But by focusing on and enriching the red and gold, and pairing it with the bright white of the paper, we have refreshed the look, just as we have refreshed ourselves and our business.

Images of Momentum

Each section and page of the new website contains, at the top of the page, a different image of momentum found in life and in nature. Examples, such as the water drop image at the top of the front page of this newsletter, that actually could, under certain circumstances, lead to the formation of a creek or raging river. Others include a photograph of wind mills, which produce power and energy, stepping stones, symbolizing steps into the future, and a photograph of a glider flying with ease through the air. Once you begin to understand the concept of momentum, you begin to notice images of momentum everywhere. We became fascinated with and had fun exploring and selecting these images. The point is to begin to understand the power of building positive momentum that can begin with a single spark or drop of water or step in the right direction!

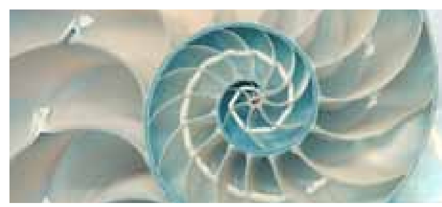
Evolution

We haven't changed so much as we have gradually evolved over time, and we are managing that evolution as best we can. We have paid close attention to what was working and what was not, and have worked hard to build positive momentum for the future of the business. We are ending the year with a lot of hard work now behind us and find ourselves in great shape to celebrate the 20th Anniversary of Bell Investment Advisors in 2011! Come along with us.

Workshops

The following workshops are forming for the new year: Making a Good Life Happen, and How to Manage the Evolution of Your Career. Each will take place on a Saturday at Bell Investment Advisors offices in Oakland. If you are interested in learning more, please contact me on my direct line, 510-763-5671. ■

UPCOMING EVENTS



Webinar: "Momentum for Life"

Wednesday, October 20, 2010
2-2:30 PM PDT.
Join us for a webinar exploring new perspectives on your money and your life. Visit bellinvest.com to reserve your spot today.

Lunch & Learn Seminar

in our Oakland office
E-mail us at info@bellinvest.com to request information

Bell Investment Advisors

- Investment Management
- Financial Planning
- Career & Life Coaching

While each of our offers stands alone, we believe that when people take advantage of all three, they maximize the possibility of building positive momentum for life.

How to Keep Success in Succession

by Jim Bell, CFP® President and Founder

For good reason, the topic of succession planning is foremost right now in every conference and professional trade journal for Registered Investment Advisors and Certified Financial Planners™. The average Registered Investment Advisor is in his or her late 50's and 60's, and most professionals with the CFP® designation are sole proprietors—so the public concern for succession is well placed.

Succession Planning Starts Early

I began focusing on succession for Bell Investment Advisors ten years ago when I hired Matt King to succeed my retiring investment analyst, Dr. Hy Resnick. To help me with that transition I contracted the services of John Latta, CPA, an experienced business consultant, who continues to serve as our external CFO. Now that I am in my early sixties, and the President and Founder, succession comes up in almost every client and prospective client conversation—as well it should.

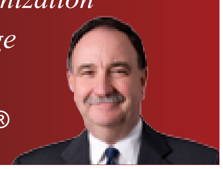
I am very proud of the fact that as we prepare to celebrate our 20th anniversary next year, we are an extraordinary organization of 14 people with 9 securities licensed professionals ready to take charge of any situation. Our securities licensed team spans multiple generations—30's, 40's, 50's and 60's. Many of our clients express concerns about who will be there for their spouses, children, and grandchildren; and in many cases, we are already working with three generations in the same family. We are honored that they think of us from the perspective of longevity and legacy in the context of our wealth management services. This honor inspires us to build an organization that will succeed at succession.

Succession is About the Hand-Off

Recently I came down with a bad cough in the middle of the night and needed to stay home the next day. I had an important meeting on my calendar with two new prospective clients who were ready to come in for final conversations. I called my son, Forrest Bell, one of our lead advisors, and my relationship manager, Jerene Meissert, who had already developed a relationship with these prospective clients. I told them that I wanted both of them to participate in this meeting.

. . . as we prepare to celebrate our 20th anniversary . . . , we are an extraordinary organization ready to take charge of any situation.

– James F. Bell, CFP®



It worked out beautifully because it turned out that the prospects' main concern was the lack of succession planning at the investment management firm where they formerly had invested their money. This meeting resulted in two new fabulous clients. My sudden cough allowed us to demonstrate how prepared we are for succession—even though Bonnie and I are not planning to retire any time soon. We both love what we do.

Succession is Preparing and Letting Go

What is it that makes succession successful?: a well-thought out plan and the advice and support of experts, including our corporate attorney, our CPA, our estate planning attorney, our life insurance agent, and our external CFO, who are well aware of our emergency plan, should we need it, and our more extensive succession plan. We have been working on it for a decade.

We began sharing ownership of the firm with our chief investment officer, Matt King, and our son Forrest some years ago. We have built teams of lead advisors and relationship managers so that our client service, headed up by Bing Chan, is extraordinary. Three of our staff, Forrest, a Senior Investment Advisor and Financial Planner; Dana Nelson, a Senior Investment Advisor and our Portfolio Manager; and Laurent Harrison, one of our Relationship Managers, will be sitting for the Certified Financial Planning exam in the fall. We develop our staff, and when they are ready, let them demonstrate what they can do.

Successful succession is about developing your successors, and when they are ready, letting go so they can succeed. ■

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