BEDEL FINANCIAL
CONSULTING, INC.

Financial Planning and Investment Management

Winter 2006

Keeping the Emphasis on Individualized Service

By Kathy Hower, CFP®

Bedel Financial Consulting, Inc. is a fee-only wealth management firm that provides financial planning and investment management services to individuals seeking guidance regarding their personal financial goals and objectives. A summary of our services is outlined below.

Financial planning
A comprehensive financial plan is compiled according to the client's goals and objectives, which are determined in an initial meeting. This written plan contains educational information, an analysis of existing resources and recommendations for achieving objectives. Typically a plan will include:

- Cash flow and wealth accumulation projections
- Education funding
- Income tax planning
- Financial security/retirement planning analysis
- Estate planning, including charitable and family gifting
- Life, disability and long-term care insurance analysis
- Investment review and recommendations

Every plan is tailored specifically to each client and may also include diversification strategies for significant stock concentrations, planning for stock option exercise, non-qualified employee benefit plans, divorce settlement issues or continuity of a family business. Implementation of a comprehensive financial plan requires a minimum of two to three meetings.

As a fee-only wealth advisor, Bedel Financial Consulting does not sell products or receive a commission for the use of a particular product, service or advisor. Our financial planning fee is based on the projected amount of time spent on the preparation and implementation of the plan, and is agreed upon prior to the beginning of a new relationship.

We have three wealth advisors who work solely on enhancing client relationships through financial planning and implementation: Elaine Bedel, Kathy Hower and Julie Scheers.

Investment management
A detailed investment plan is derived according to the investment manager's review of a client's existing portfolio and understanding of short- and long-term financial goals. Once the client's goals are determined, an appropriate investment allocation is established and a strategy is put in place.

Bedel Financial Consulting uses no-load mutual funds as well as individual securities in client portfolios. The type of investment vehicle(s) used is determined by the size of the portfolio and/or the client's personal preference. Investment assets are held in the name of the client with a suitable custodian, such as a discount brokerage firm or bank.

The manager makes investment decisions and implements transactions in a client's portfolio based on the goals and objectives set forth in the detailed investment plan. The investment manager is responsible for ongoing review of client portfolios to:

- Maintain the desired asset allocation
- Ensure underlying assets continue to meet the objectives initially determined
- Capture tax savings opportunities
- Enable tax-efficient planning through retirement savings

Our investment management service is also offered for employer-sponsored retirement plans.The investment manager will review the available investment options and assist with implementation, consistent with the overall investment plan. Ongoing review of these portfolios is also provided.

Bedel Financial Consulting has three dedicated portfolio managers: Bill Wendling, Dawn Morley and Matt Roop. Collectively they develop firm-wide strategies for allocations to various asset classes and alternative investments, as well as duration and quality targets for fixed income portfolios. They also develop and maintain a recommended list of securities that is deployed in individual client accounts. This list is monitored on a regular basis to ensure that recommended securities are performing at the top of their peer group.

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In This Issue

From Elaine
Our Family Story

At Bedel Financial Consulting we focus on learning your life story so we can use our expertise to help you accomplish your life goals. Sometimes we assume that you already know our story and are familiar with our services and the many ways we can assist you. Periodically, we are reminded that that is not always the case. This issue's feature article provides an overview of these services. As you read it, do not hesitate to contact us if you have needs we can address.

Here are the people who make up our story. Starting from the far left, investment operations coordinator Brenda Mendez assists our portfolio managers with account set-ups, transfers and transactions. Next is Matt Roop, one of three investment managers. Kathy Bair is the administrative assistant/ receptionist who initiates much of our information flow. Kathy Hower is a financial planner. Here I am, and then to my right is office manager Sue Coker who additionally schedules all prospect and client meetings. Portfolio manager Dawn Morley, financial planner Julie Scheers and portfolio manager Bill Wendling complete the picture. In future newsletters, we will continue to tell our story.

Some of you may already be familiar with members of our family outside of Bedel Financial Consulting. Like our firm, they are dedicated to community service. Dawn Morley is serving in her second year as Chairperson of the Fine Arts Society. Julie Scheers is a North Central Kiwanis Club member and also serves on the Public Relations Committee for the local Financial Planning Association. Bill Wendling serves on the Board of Advocates for the University of Indianapolis, his alma mater, and volunteers with the Indiana Sports Corporation. Brenda Mendez volunteers on a regular basis at the Holy Family Catholic Shelter. Matt Roop is a Carmel Rotary Club member and coaches various athletic teams in which his children participate. Kathy Hower is active with the Estate Planning Council and the Financial Planning Association, and Sue Coker is a member of Network of Women in Business. Starting in July, I will serve as president of the Downtown Rotary Club, as well as continuing to serve on other local boards.

This year I will also serve as Chairperson of the International Financial Planning Standards Board, the organization that develops and promotes standards for the practice of global financial planning through the Certified Financial Planner® designation. I am honored to assist in advancing the financial planning profession outside of our borders, and will be attending meetings in Vancouver and Hong Kong during my tenure. I am able to participate in this effort only because every one of our experienced and dedicated staff is committed to oviding you with excellent service.

Sincerely,

Elaine E. Bedel, CFP®

Client Dream –
Do Not Let Your Emotio

By: Bill Wendling, CFA, Portfolio Manager

We meet with many clients that have accumulated a nice investment portfolio over time, largely due to the performance of one stock. While this one investment that makes up a significant amount of their portfolio bodes well for the portfolio when the stock is experiencing a strong performance, it exposes the portfolio to unnecessary risk. If something unforeseen were to happen to the company, the negative impact could be damaging to the client's long-term plans.

In our client meetings, everyone usually agrees this concentrated position needs to be reduced in order to lower the risk to their portfolio. Everyone sees the wisdom of the adage: Do not put all your eggs in one basket. Theoretically, this strategy is easy to understand and appreciate, but putting it into practice can prove more difficult.

Recognizing and avoiding the following three key heuristics (behavioral tendencies) can help you reshape your portfolio into a more appropriate portfolio based on your long-term goals, not your emotions.

Loyalty
First, investors understandably feel loyal to the companies whose stocks have helped them build a sizeable portfolio. Selling the stock may portray a lack of confidence or faith in a company that has always come through for them, so they hold on to it. That is a noble idea, but not very practical. Keep in mind that executives and board members of these companies are advised to, and often do, sell shares of stock to reduce the risk to

Corporate Calendar

Bedel Financial Consulting will be closed for business on the following days:

May 29 - Memorial Day
July 4 - Independence Day
September 4 - Labor Day
November 23 - Thanksgiving
November 24 - Day after Thanksgiving
December 25 - Christmas Day

Year 2007
January 1 - New Year's Day

ns Control Your Portfolio

their own portfolios. If the financial disaster of Enron taught us anything, it is that misplaced loyalty can wreak financial havoc.

Optimism

Second, investors can be overly optimistic with a company's future prospects, translating past performance into future results. As we all hear every time we tune into CNBC, "past performance is not indicative of future results." Investment professionals appreciate it when the investing public becomes overconfident. In fact, overconfidence is a big reason that stocks become mispriced, allowing us to take advantage of buying and selling opportunities. Of course, we would prefer that our clients benefit from this heuristic, rather than be controlled by it.

Pound Foolish

Third, because investors often follow the price fluctuations of these mispriced stocks, they get caught up in trying to sell at the "perfect time." Everyone believes that they know what their stock is worth and will not sell for a penny less. In the big picture, selling too early rarely hurts investors, but selling too late can be devastating.

If you pay close attention to these potential roadblocks and refuse to let them control your decision-making, you will likely be more successful in reducing your concentrated position, and therefore your risk. Then, together we can reshape your portfolio into a lower-risk vehicle that has a greater chance of meeting your long-term goals.

Contact Bill if you have questions or would like additional information regarding this topic.

Industry News

What Is All the Hype about Interest Rates?

By: Dawn E. Morley, MBA

Domestic and international interest rates have been a focus for the financial media for years. Recently attention has focused on the actions of the U.S. Federal Reserve ("the Fed")—specifically a series of interest rate increases that began in June 2004. The latest increase was January 31, 2006, when the Fed increased short-term interest rates by 25 basis points to 4.50%. The next meeting of the Fed is March 28, 2006. It will be interesting to see what happens then.

Interest rates are critical to the health, tempo and infrastructure of any economy. The impact of interest rates on the investor, the consumer and corporate net margins cannot be overestimated. Rising interest rates potentially can reduce the market value of an investment. For example, long-term fixed-income securities, such as bonds and preferred stock, subject their owners to the greatest amount of interest rate risk. Common stock prices are also affected by changes in interest rates, although the linkage is less clear than is the case with debt securities and preferred stock. On the other hand, short-term securities, such as Treasury bills, are influenced much less by changes in interest rates.

Interest rates affect the consumer by influencing borrowing rates such as residential mortgages. The lower long-term interest rates go, the more competitive mortgage rates are. Lower mortgage rates interpolate into strong housing prices, as buyers can buy more house with fewer dollars committed on a monthly basis. Interest rates affect corporations as well. When interest rates are high, the cost of capital increases for corporations, potentially resulting in squeezed margins and lower stock prices.

Interest rates change for numerous reasons. However, general theory is short-term interest rates are controlled by the Fed through the federal funds and discount rates. By making changes in interest rates, the Fed controls the strength of the economy and can influence inflationary pressures. When the Fed adopts an easy monetary policy, short-term interest rates will fall. When the Federal Reserve adopts a tightening monetary policy, short-term interest rates will rise. Easy monetary policies speed the economy, while tightening monetary policies slow the economy.

The general theory is that expectations for inflation control long-term interest rates. When inflationary expectations are high, long-term interest rates rise. When inflationary expectations are low, long-term interest rates fall. Interest rates also have secular trends. For example, long-term interest rates have been generally trending downwards since the early 1980s.

The hype about interest rates is not just hype. Interest rates and their trends could not be more important to investors. BFC's Investment Committee continually monitors the current environment and invests our clients' fixed income portfolios based on our expectations going forward.

Contact Dawn if you have questions or would like additional information regarding this topic.

ADV Form Request

Our clients have the opportunity to request the latest update of Bedel Financial Consulting, Inc.'s ADV Form Part II, as required by the Security and Exchange Commission. Please let us know if you would like to receive the latest version.

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In addition to receiving monthly account statements from custodians, clients also receive a quarterly investment report prepared by their portfolio manager. These reports provide information specific to the performance of each client's portfolio. Clients can meet with their portfolio manager to review quarterly performance as desired.

Bedel Financial Consulting's investment management fee is based on a declining schedule determined by the size of the consolidated investment portfolio: the more assets under management, the lower the aggregated fee percentage.

Team approach

Our wealth advisors and investment managers work together as a team to maximize the benefits provided to our clients. Understanding our clients' life circumstances is an important component in implementing an effective wealth management plan. For additional information regarding our services, you may visit our Web site at www.BedelFinancial.com.

Contact Kathy if you have questions or would like additional information regarding this topic.

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Your Questions

Making 401(k) Changes & Medicare Part D Decisions

By: Julie Scheers, Financial Planning Specialist

Q: *How do I change my contributions to maximize my 401(k)?*
A: For most people, a simple call to their employee benefits office is in order. Your benefits office may direct you to a Web site where you can make changes online, or they may have you submit a form to make your desired contribution changes. Designate either a percentage of your gross pay or a dollar amount that you would like your employer to withhold from your paycheck. For 2006, the limits are $15,000 for individuals under age 50, and a total of $20,000 for individuals over age 50 (or for those who reach age 50 during 2006). Some people will be subject to additional Federal laws that impose lower contribution limits. Your employee benefits office will inform you of any such limitations.

Q: *What happens if I do not decide on Medicare Part D by the deadline?*
A: The initial enrollment period for making a decision on Medicare Part D ends on May 15, 2006. If you choose to enroll in a Part D plan after that date, you may be charged a higher premium. If your current plan is considered “as good as” or “better than” the basic Part D policy, you will not have any future cost increases if you choose to switch to Part D. This assumes that you have continued your current coverage until you make the switch. However, if your current plan does not compare favorably to Part D, and you choose to enroll in a Part D plan after May 15, 2006, the financial penalties can be significant. For each month between May 15 and the time that you decide to obtain a Part D policy, your Part D premium will increase by one percent. For example, if you wait one-and-a-half years to purchase Part D, your premium will be 18 percent higher than the premium rate you would be paying had you purchased that policy before May 15. There are several plans available, and it can be confusing to know which one is the best option, but do not let that stop you from taking action. It is important to enroll in a Part D policy by the deadline. You can always make plan changes during the next enrollment period, which starts November 15, 2006 for coverage beginning January 1, 2007.

Contact Julie if you have questions or would like additional information regarding these topics.

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