SMITH HAYES Financial Services

Second Quarter 2010
Volume 2, Issue 2

SMITH HAYES
Financial Services Corporation
Member FINRA & SIPC

Inside This Issue:

Stocks Post Sharp Decline During Second Quarter….

Clinton Rushing, CFA, Research Coordinator

U.S. equity markets posted notable declines during the second quarter of 2010 as worries over the sustainability of the economic recovery intensified during the latest three-month period of 2010. The main concern is whether the recent financial troubles within the European Union will have a 'spill-over' effect into the U.S. and Chinese economies during the remaining quarters of 2010, thereby derailing the economic recoveries being witnessed around the globe. In terms of the performance statistics from the second quarter, after having advanced by nearly 5.0% during the first quarter, the S&P 500 Index declined by nearly 12.0% during the second quarter. The Dow Jones Industrial Average declined by 10.0% during the latest quarter, while the NASDAQ posted a notable decline of 12.0% most recently.

Domestically, several economic reports released late in the quarter suggested that the U.S. residential housing market continues to face significant headwinds following the recent expiration of homebuyer tax credits. New home sales declined by nearly 33% during the month of May (U.S. Commerce Department), while sales of existing homes declined by a more modest 2.2% during the same period (National Association of Realtors). Despite extremely attractive mortgage rates, in all likelihood, the U.S. labor market is likely going to have to demonstrate sustainable improvement during the coming quarters before the U.S. housing market can return to more solid footing.

Second Quarter 2010, Market Data Overview…..

Market Indicator	03/31/2010	06/30/2010	2Q 2010 Change	YTD Change
S&P 500	1169.43	1030.71	-11.9%	-7.57%
Dow Jones Industrial Average	10,856.60	9774.02	-10.0%	-6.27%
NASDAQ	2397.96	2109.24	-12.0%	-7.05%
Russell 2000	678.64	609.49	-10.2%	-2.54%
EAFE	1584.28	1348.11	-14.9%	-14.7%
10-Year Treasury Yield	3.828%	2.93%	-0.90 basis points	-0.91 basis points
Gold	$1,114.50	$1,245.90	11.8%	13.4%

Market Returns Calculated From Bloomberg Information

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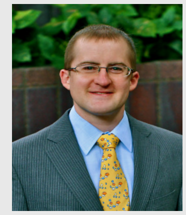
It's Different This Time….

Clinton Rushing, CFA, Research Coordinator



For those of us employed within the investment management profession, the phrase "It's different this time," is usually cause for immediate caution and temperance. The phrase has been widely known to have been used in some of the most inopportune moments in history. For example, during the Internet stock boom of the late 1990s, the phrase of "It's different this time" routinely appeared within investment research reports, claiming that earnings and cash flow were no longer relevant metrics in stock valuation. Rather, 'clicks' and 'page views' were the new valuation metrics that were of true importance in the era of dot-com investing.

Recently, some investors have been openly debating whether the current economic conditions being faced within the U.S. and abroad really qualify us for a "It's different this time" mentality. In other words, bearish market prognosticators argue that the U.S. is facing a number of serious economic and social problems that may lead to a prolonged period of below trend-line economic growth during the coming years. Indeed, the reasons to be bearish are numerous, and include a still troubled housing market, high unemployment levels, higher taxation, more government regulation, etc.

However, a look at headlines featured in the past within mainstream magazines suggests that our nation has faced similar, although not identical conditions before. Accordingly, while the current challenges being faced by our nation shouldn't be minimized, it is important to recognize that our country has traditionally possessed an ability to overcome these and other seemingly insurmountable challenges before.

Historical Comments & Quotes Printed in Popular Magazines:	Source/Date
"For better or for worse, then, the U.S. economy probably has to regard the death of equities as near-permanent condition-reversible some day, but not soon."	BusinessWeek, August 13, 1979*
"I think that we are at a very major watershed in this country. The chips are down. We either make a significant turn at this point, or we are going to be fighting economic stagnation for the next decade." - Alan Greenspan	Time, December 29, 1980**
"Meanwhile, the roof caved in on housing. New housing starts have fallen from 2.02 million in 1978 to an estimated 1.28 million this year."	Time, December 29, 1980**
"This is more than just a recession in the conventional sense. What has happened has put the fear of God into people."	Time, January 13, 1992***
"The underlying change in the way American consumers and business leaders think about saving and spending will make the recovery one of the slowest in history and the 1990s a decade of lowered expectations."	Time, January 13, 1992***
"The 1980s binge took place on a colossal scale in every sector of the economy. Runaway federal deficits have more than tripled the national debt since 1980."	Time, January 13, 1992***
"Its not just decline; its turmoil. Even those people who are still working have lost faith in their ability to stay employed. The memory of what's going on is not going to be erased from today's workplace any more than the memory of the 1930s was erased from earlier generations."	Time, January 13, 1992***

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**BusinessWeek, Money & Banking*

***By Christopher Byron & William Blaylock*

****By John Greenwald, William McWhirter, Jane Van Tassel and Richard Woodbury*

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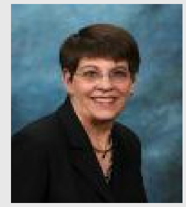
Maximizing Your Social Security Benefits...

Maria Sinley, CFP®, Vice President, Investment Consultant



Most people know that they are eligible to start taking their Social Security benefits at age 62; the question is, should they? For someone who is not working and doesn't have many resources, there may not be any choice. Someone who is able to continue working, however, has an opportunity to maximize their benefits by waiting to take their benefits until age 66 or later, up to age 70.

Why not start taking benefits at age 62 and get as much as you can as early as you can? The full retirement benefit, referred to as the Primary Insurance Amount or PIA, is payable at age 66. If you apply at age 62, your monthly benefit will equal 75% of your PIA. More importantly, this is the amount you will receive for the rest of your life, increased only by cost-of-living adjustments (COLAs.) In addition, if you are receiving benefits, under full retirement age, and working, you may have some of your benefits withheld. For every $2 of W-2 income you earn over the earnings test amount ($14,160 for 2010), $1 in benefits will be withheld. Even though your benefit is recalculated when you reach full retirement age and you're given credit for the months when some benefits were withheld, you would probably still end up with a lower benefit than if you waited until full retirement age.

At age 66, you reach full retirement age and are eligible for your full, unreduced primary insurance amount. If you wait to claim your benefits, your benefits will increase by 8% per year up to age 70, after which no additional credits may be earned. And, with the exception of the year you turn 66, you can take your benefits, continue working and earn any amount and no benefits will be withheld.

So why wait? First, Social Security benefits are calculated on the "average" life expectancy and many of us will live longer than the "average." In addition, women generally tend to live longer than men. The longer you live, the more important that higher benefit becomes. If you take reduced benefits at age 62 and live longer than average, you will receive less in total benefits than if you'd waited until full retirement age or later. Second, if you continue to work and are taking benefits, your benefits may be taxable depending on how much other income you earn. By delaying your benefits, you can earn delayed credits to boost your benefit and defer taxation on those benefits.

Social Security is an integral part of the retirement planning process.

Another important consideration is the survivor benefit. While the spousal benefit is 50% of the working spouse's PIA, the survivor's benefit equals 100% of the deceased spouse's actual benefit, not his PIA. The survivor benefit is maximized by waiting until 70 to apply. For this reason, the higher-income spouse is often encouraged to delay applying for benefits because this is the benefit that will be paid in the event of either spouse's death.

The Social Security website, at www.socialsecurity.gov, has lots of information. Click on the Retirement Planner and you will be able to estimate your benefits, request a Social Security statement, calculate the effect of early or delayed retirement, find the answers to your questions, even apply for benefits online.

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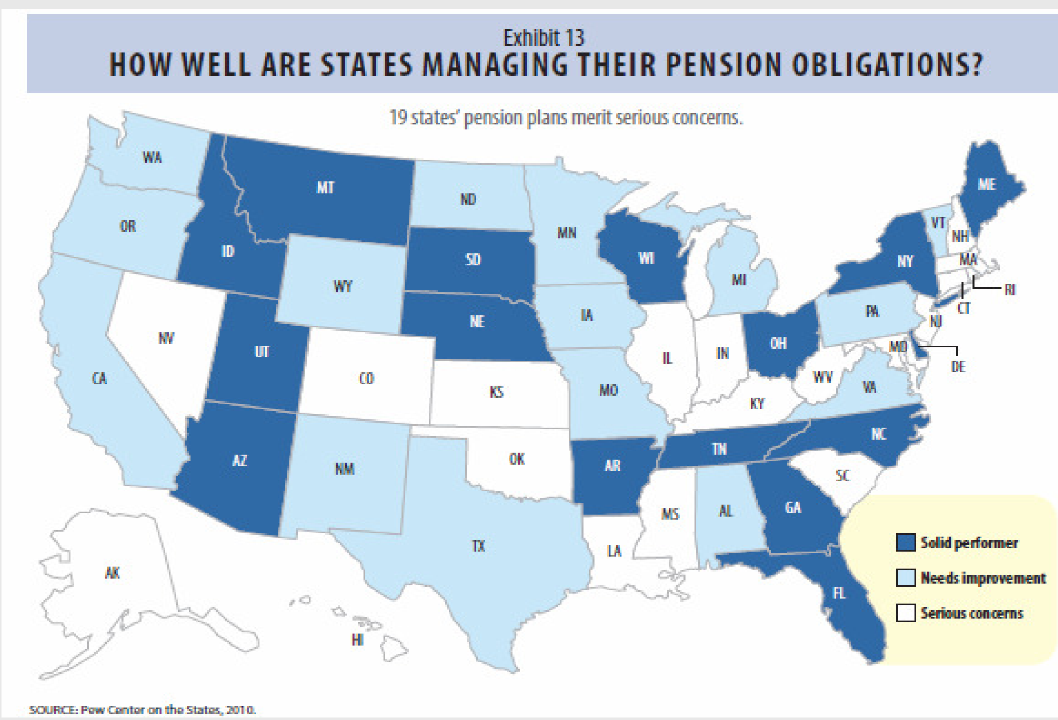
Nebraska Tax Exempt Bond Market Update…..

John Walters, Senior Vice President

Has the luster gone from the municipal bond? Are we going to see huge increases in the default of Nebraska municipal bonds? Do you still think they are a good investment? Will you and other Nebraskans continue to support your communities and the projects they need to stay viable? Will there continue to be value in municipal bonds?

These are questions that have been raised for many years about the municipal bond market's viability. Most recently there seems to have been more questions raised by well-known investment personnel who think the market may carry more risks in the future. There is concern about local/state governments being able to collect enough taxes to cover their budgets and pay for their debt. This concern has been further exasperated by the recent financial crisis and recession witnessed within the U.S. and abroad. Meanwhile, here in Nebraska, we have continued to maintain the infrastructure of our communities and gone to the people and asked permission, by voting on issues, before proceeding with bond issues. Our conservative nature has helped keep our communities in check and our debt to a minimum.

Additionally, unlike several other states across the country that are facing onerous state worker pension obligations, the State of Nebraska has thus far been able to manage these obligations in a sufficient manner. Indeed, The Pew Center On The States noted in a February 2010 report that the State of Nebraska ranked as a 'Solid Performer' in terms of meeting pension obligations.



We continue to see great value in tax exempt bonds because of the very attractive spreads relative to securities with similar maturity profiles. This value will only continue to increase if we see an increase in income taxes. Municipal bonds will continue to be a very important part of the state and local governments to assist them with their various funding needs for streets, sewers, schools, power and other community needs. Our continued support of our local governments will assist them in their needs for the future and will continue to provide us with tax advantaged income.

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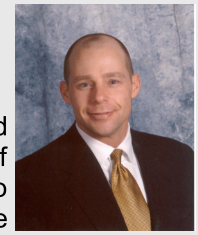
SMITH HAYES Nonprofit Symposium….

Bryan Schneider, Senior Vice President



For each of the past eight years, SMITH HAYES has conducted a half-day conference for our qualified plan clients, presenting industry trends and best practices. Last year, after sensing the same type of demand from the boards and committee members serving our nonprofit clients, we decided to do something similar for them. So in October of 2009, SMITH HAYES held its first ever Best Practice Symposium for Nonprofit Organizations. Our presenter was Dr. Peter Frumkin, a Professor of Public Affairs and Director of the RGK Center for Philanthropy and Community Service at the Lyndon B. Johnson School of Public Affairs, University of Texas at Austin. Dr. Frumkin is considered one of the country's foremost experts on managing nonprofit organizations and forming public / private partnerships. He spent the half day in October, presenting and facilitating discussion on Logic Models, Balanced Scorecards and Fundraising. The feedback on Dr. Frumkin's presentation and the event in general was tremendously positive and that has been the catalyst for our second annual Best Practices Symposium for Nonprofit Organizations.

This year's event will be held at the La Vista Conference Center on Wednesday, September 29th. We are happy to announce Dr. Frumkin will again be our presenter. This year's distinctly different topics are extremely relevant, as the economic downturn has forced nonprofit organizations to compete harder for donations, more closely evaluate the social benefit and the reality of cost for each of the programs they operate and finally, seek more leadership from their Boards. To address these very pertinent issues, Dr. Frumkin's sessions will consist of the following:

Competitive Analysis – Nonprofits operate in a highly competitive environment with many organizations vying for government contracts, philanthropic support, skilled board members, and dedicated volunteers. To understand better a nonprofit's competitive position, we will focus on adapting and applying Michael Porter's Six Forces analysis to the nonprofit sector. Participants will learn how to analyze their own competitive position and start to think about ways of protecting and improving it, a critical skill in today's pressured and fast changing sector.

Program Portfolio Analysis – Most nonprofits operate more than one program at a time. Typically an organization will have a portfolio of programs that have emerged over time and together, constitute their effort to fulfill their mission. To understand better the mix of programs within a nonprofit organization, participants will learn how to develop a program portfolio matrix that will break down and classify programs according to both their financial and social return. We will discuss what the proper mix between "margin" and "mission" really is across an often diverse set of programs within a nonprofit organization.

Attributes of High Performing Boards – Governance is critical to nonprofit success. But what are the attributes of high performing boards? In this panel session we will consider the framework put forth by authors Chait, Ryan and Taylor which breaks governance work down into three main categories: Fiduciary work, strategic work and generative work. We will discuss the balance of these functions and the need within boards to find time for direction setting or generative work, which poses the big questions about purpose and meaning. There will also be time for participants to share their successes and challenges in the area of creating and managing effective governing boards.

We expect this to once again be an extremely popular event and seating will be limited. There is no charge to attend the conference and if you wish to register, please contact Lori Moss at 1-800-279-7437 or lmoss@smithhayes.com. The La Vista Conference Center is part of the Embassy Suites. The address is 12520 Westport Parkway La Vista, NE 68128.