



Compositions

The Health Care Industry: A Fund Manager's Point of View

As the health care team at Rochdale Investment Management, we were asked to give our thoughts on the major trends that are currently in the forefront of the health care industry. While we see healthcare companies facing many issues, there are perhaps five broad general themes that most healthcare people will recognize.

Demographics: The population of the US (and most of the developed world) is aging, and increasing age clearly correlates with increasing demand for medical services. Over the next several years, we will begin to see increasing demand on the medical infrastructure not only in the US, but also world wide. Companies that are able to manage the increased demand and still maintain quality and access standards will drive shareholder value.

The patient as consumer: Patients are increasingly taking charge of their own healthcare and becoming "consumers" of medical treatments. We are demanding higher quality, better treatment and fewer errors in the

delivery of our care. Companies who are able to help patients become better consumers will succeed in this new era of information.

Health care cost control: It's no secret that health care costs continue to rise faster than inflation — a situation which is not sustainable in the long run. Companies who manage costs without sacrificing quality will be the leaders over time, but they must be careful not to cut so drastically that patients suffer. Some are beginning to do this already by using disease management to help treat patients before they get sick. Companies like Healthways (HWAY) and specialty HMOs like Magellan Health Services (MGLN) have recognized this need before many others and are succeeding in keeping costs down while providing better care.

Rise in cosmetic surgery: Twenty years ago, balding, wrinkles, and small breasts were not considered medical problems. Today, however, some see these same conditions as medical emergencies. Many health care companies have responded by offering "lifestyle" treatments like Botox and many

others. We see this very strong trend continuing as patients increasingly want to maintain a youthful look and are willing to pay out-of-pocket for it. Companies like Mentor (MNT) and Allergan (AGN) who both offer many dermatology and cosmetic industry products are well placed to take advantage of this trend.

Personalized medicine: One day we will be able to go to the doctor and receive treatments designed specifically for the individual. We are not at that point yet, but medicine is becoming more personalized with our increasing knowledge of genetics. Better medicine testing and screening is also helping identify the best treatments for patients. We see companies like Illumina (ILMN) or Affymetrix (AFFX) as those who can help further genetic analysis or the targeting of therapies which will one day lead us to personalized medicine.

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Money and Mental Health

Does money really provide happiness? I once heard someone say that wealth and spending may be associated with success and happiness, but they will not give you a love for life.

Do you know that studies done in Australia found that materialistic people were more likely to suffer from depression and anger? I wonder what brings more stress, too much or too little?

Other researchers have found that a more lasting effect on happiness are a strong marriage and good health. Especially when one realizes that experiencing good mental and physical health for many years can not be purchased with money.

With retirement savings responsibility shifting from the employers and the government to individuals, another stressor has been added to the already burdened family in today's society. And as

we know, retirement income planning and investments can be challenging and complex. By partnering with a planning professional, your mental health can be buoyed. Statistics show that developing a sound financial and investment plan actually drives satisfaction!

It just may be that the key to a peaceful state of mind (when it comes to money) is to make a plan and stick to it.

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Staying Fit Physically *and* Financially

Whether you are young, nearing retirement, or enjoying life after work, your physical health has an effect on your financial health. Read on for facts and information to keep your entire life in shape.

Baby Boomers:

Would you be surprised to hear that the much-followed group of near retirement boomers are less healthy than their parents and grandparents were? According to experts and researchers on the subject, while many are less likely to smoke but do pay for gym memberships, the stress level, constant commutes and desk jobs have produced less than desirable health issues. Obesity, high blood pressure, sleep disorders, and high cholesterol to name a few.

So what does this mean for the future financially? Be prepared for those future costs of health care by continuing to save as much as you can in retirement plans, investment accounts and savings. The best advice is to minimize the surprises in retirement health costs by saving more, and schedule activities that require walking, lifting weights and eating healthy. Early education and awareness when developing your financial plan is essential.

Habits That Cost:

Have you ever taken the time to examine what your habits may be costing you? Not only do the costs associated with supporting certain unhealthy habits (i.e., poor eating habits, smoking, alcohol, etc.), but there is a correlation between healthy behaviors and lower medical costs. Believe it or not, eating habits have the greatest effect on the cost of health care.

On www.healthpages.com, the writers developed a chart that compared the monthly costs of healthcare between smokers and non-smokers. The results? Smokers spend an average of \$122 per month compared to non-smokers at \$93 per month. And those who manage their weight effectively pay an average of \$91 per month, while those who don't manage their weight average \$125 per month. Just think of the savings (or costs) over time!

Intelligent Money Tips:

Be aware of your health insurance and doctor's fees! Keep a log of your medical history to avoid repeating tests; buy generic drugs; and avoid the emergency room except for true emergencies. And most importantly, get in shape!

Top Five Risks To Your Financial Health

1. **Health Care Expenses:** Not only the rising costs of health care, but also having inadequate coverage can have a negative effect on your financial plan. By having an insurance audit performed by your financial advisor, you will see any shortfalls in your coverage.
2. **Living Longer:** People are living longer, and many underestimate their life span. A comprehensive look at the future of your money will help to know the risk of outliving your money.
3. **Withdrawal Rate:** Retirees are better served if they pay attention to the rate they are withdrawing their money.
4. **Inflation:** When constructing a healthy financial plan for your future, your advisor should take the rising costs of goods and services into consideration.
5. **Asset Allocation:** A move to more conservative investments in retirement is not always the most appropriate decision. Many people may expose their portfolio to a greater risk of outliving their money. Your advisor may suggest a portfolio that includes high dividend and income-producing investments to maintain returns while helping to minimize risk.

For more information, please consult with your financial advisor.