

WHITE HOUSE

FINANCIAL & INVESTMENT SOLUTIONS, LLC

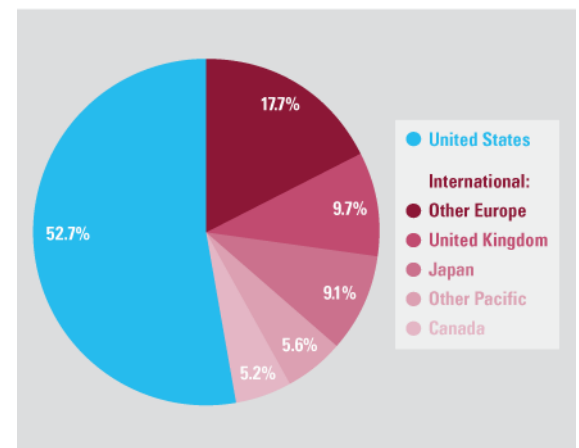
May 2012 Vol. No. 1 Investment Updates

A World of Opportunity

As trade barriers continue to break down, the world economy has become a small neighborhood. Should investors seek to participate in this wave of globalization, or are they getting all they need here at home?

Historically, foreign investments have acted in a significantly different way from domestic investments. When the U.S. market slumped, various opportunities abroad have prospered. An American investor who put some money into foreign markets may have reduced risk while still attaining attractive returns. With the spread of globalization, this benefit decreases as companies across the globe are acting more like each other. However, as the image illustrates, an investor who doesn't take advantage of options outside of the United States is missing out on roughly half of the investable developed stock market opportunities in the world.

World Stock Market Capitalization
Year-End 2011



International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards.

Source: World Market Capitalization by Country is from the Morgan Stanley Capital International Blue BookSM. The data is expressed in U.S. dollars.



cyril@whitehousesllc.com
734-433-1670
www.whitehousesllc.com

Advisor Corner

We hope that you enjoy our new monthly newsletter and we appreciate and value your business and referrals! Please check out our newly updated web site www.whitehousesllc.com

Securities offered through SIGMA FINANCIAL CORPORATION; Member FINRA/SIPC

Be a Better International Investor

International funds have received a lot of attention in recent years, and this should come as no surprise. For starters, it has become increasingly common for investors to build multi-fund international portfolios rather than rely on individual foreign offerings for all their overseas exposure. Further, international funds have posted exceptional gains in recent years (except in 2008 and 2011). This may sound good if a significant part of your portfolio is devoted to international funds, but be sure the popularity and performance of overseas offerings hasn't made you complacent.

In fact, it's just as important to periodically reexamine the parts of your portfolio that have done well and reevaluate the portions that have lagged.

If you do take on international funds, remember to keep both your near-term expectations and your overseas exposure in check. You can also consider conservative foreign funds.

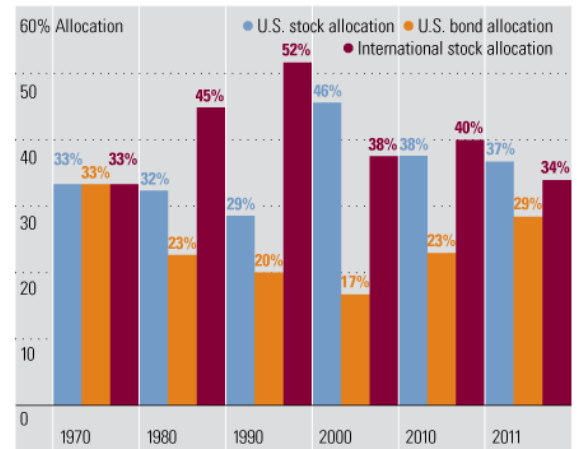
The first step is to set reasonable expectations for the short- to mid-term prospects of international funds. The superior relative gains posted by various types of overseas offerings in recent years may not be sustainable in the long run, as illustrated by weak international performance in 2008 and 2011.

When superior performance of overseas offerings does happen, check to see whether their overall foreign exposure exceeds the upper end of their international allocation range. A great portfolio performer can take on a larger percentage than you intended. Keeping an eye on your international allocation can help lower the overall risk of a portfolio.

The illustration paints a rather clear picture of this. In 1970, this portfolio began with an equal allocation to international stocks, U.S. stocks, and U.S. bonds. However, due to the strong performance of international stocks during the 1980s and 1990s, allocation to this asset class jumped to 52%. While many might overlook this shift in international exposure, keep in mind that international stocks have historically been riskier than their U.S. counterparts. As a result, the portfolio may take on an additional level of risk.

If you need to rebalance your overseas portfolio to reduce overall risk, or seek more foreign exposure, consider conservative foreign investment vehicles. Aggressive international investments have a higher probability of incurring damage during a prolonged downturn. Investing in conservative foreign funds can help balance this risk.

Importance of Rebalancing



Weights may not add up to 100% due to rounding.

Diversification does not eliminate the risk of experiencing investment losses. This is for illustrative purposes and not indicative of any investment. An investment cannot be made directly in an index. Past performance is no guarantee of future results. Government bonds are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed. International investments involve special risks like fluctuations in currency, foreign taxation, economic/political risks, and differences in accounting and financial standards.

Source: U.S. stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. International stocks are represented by the Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index. U.S. government bonds are represented by the 20-year U.S. government bond.

Three-Step Checklist for Turbulent Markets

When the stock market experiences extreme volatility, an investor's best bet is to focus his/her energy on factors that can be controlled. Unfortunately, many investors panic-sell and lose their money. When the market rebounds, many investors are left wondering if it's the right time to get back in.

Your best bet during turbulent markets is an investment of time. You want to invest in time to see where you stand now, and, if you determine changes are in order, thoroughly research your options. Here is a three-step checklist to manage your investments during turbulent markets.

Step 1: Check adequacy of cash reserves.

The best way to manage your portfolio during volatile markets is to make sure you have adequate cash on hand to cover your near-term needs. This way, your long-term stock investments can ride out the market ups and downs, but you can take comfort in knowing that they won't affect your ability to fund short-term cash needs.

Step 2: Check your long-term positioning.

Once you've done the liquidity check, the next step is to check the asset allocation of your long-term assets. Market sell-offs can be alarming for retirees and people getting close to retirement simply because they typically have more money invested, compared with their younger counterparts. Checking your long-term positioning helps you put things into perspective so that you can make sound investment decisions for your future.

Step 3: Initiate defensive hedges with care.

During turbulent markets, investors may initiate defensive strategies like selling out of stocks and buying into the so-called "safe" investments like gold. Gold and treasuries can serve as a legitimate defensive role in a portfolio; however, these investments may have already enjoyed a sizable run-up. If you're moving into either, do so with caution, and only after you've checked your existing exposure to those asset classes.

Treasuries are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. Debt securities are subject to credit/default risk and interest-rate risk (they have varying levels of sensitivity to changes in interest rates). In general, the price of a debt security tends to fall when interest rates rise and rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes.

Gold/commodity investments will be subject to the risks of investing in physical commodities, including regulatory, economic and political developments, weather events, natural disasters, and market disruptions. Exposure to the commodities markets may subject the investment to greater volatility than investments in more traditional securities, such as stocks and bonds.

Reducing the IRS' Bite with Tax-Efficient Funds

Handing over a portion of your investment earnings to the IRS is never pleasant. Fortunately, a specific category of mutual funds, called tax-efficient funds, might help you keep the amount you send to Uncle Sam to a minimum. Here's how tax-efficient funds work. Mutual funds must pay you almost all of the money they make from interest, dividends, or capital gains (money made from selling stock) in a year. That's called a taxable distribution (since you must pay taxes on that money). Tax-efficient funds keep their taxable distributions as small as possible, thus lowering the amount you have to pay in taxes. Tax-efficient funds can use several strategies to keep distributions low. They avoid stocks that pay dividends. They don't sell their stocks very often. When they do sell stocks, they might also try to sell some that have lost money to offset those that have made money. They could also hold stocks for more than one year before selling, since the profits are taxed at a lower long-term capital gains rate than short-term transactions. These methods, as

well as some others, keep your tax bill lower.

While tax-efficient funds seem extremely attractive, there are a few drawbacks to note. First, there are only a handful of these funds available from which to choose (relative to other categories). Second, of the funds that do exist, few have long-term investment records that you can analyze. Finally, most tax-efficient funds stick mainly with large-company stocks and tax-free (municipal) bonds. That means you might have to look at non-tax-efficient funds to get exposure to other types of investments in an effort to build a diversified portfolio.

Diversification does not eliminate the risk of experiencing investment losses. Past performance is no guarantee of future results.

©2012 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is intended solely for informational purposes; (2) is proprietary to Morningstar and/or the content providers; (3) is not warranted to be accurate, complete, or timely; and (4) does not constitute investment advice of any kind. Neither Morningstar nor the content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. "Morningstar" and the Morningstar logo are registered trademarks of Morningstar, Inc. Morningstar Market Commentary originally published by Robert Johnson, CFA, Director of Economic Analysis with Morningstar and has been modified for Morningstar Newsletter Builder.



White House Financial & Investment Solutions, LLC
114 South Main Street
Suite 300
Chelsea, Michigan 48118
cyril@whitehousellc.com
www.whitehousellc.com

Tel: 734-433-1670
Fax: 734-433-1671