
CUSTOMIZED

RESPONSIVE

NON-TRADITIONAL

THE PRESIDENTIAL DYNAMIC 401(k)SM



**An Innovative New Program
To Help You Turn Chaos
Into Effective Management
Of Your Money for Retirement**



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America's Retirement Tragedy

America's plans for retirement have been blown up – at the cost of trillions of dollars – and lost dreams for millions of people. We are *losing our retirement resources* at a devastating rate, and there is *no place to turn* for help with individual 401(k) advice. The *financial industry has turned their backs* on what could be America's biggest, most important asset – the 401(k). *Now there's a place to turn to for individualized help – objective advice – about your 401(k), or other retirement accounts.*

Presidential Brokerage can help fix it. Our Presidential Dynamic 401(k)SM program directly addresses the enormous problem of helping people with their retirement dollars through a *new, creative and responsible approach.*

The problem is that many people have ignored their 401k plans. They rarely open statements, and have relied on traditional asset allocation. This buy-and-ignore strategy has failed miserably in recent times. Most people now have losses of 40%, 50%, or more. This is a huge problem, especially for those within a few years of retirement. Many have now had to change their plans for retirement. At Presidential we have a plan to help keep the same process from repeating itself going forward. A dynamic, proactive, system updated monthly for deciding when to be in the market, money market funds, or fixed income.

WE CAN HELP

An Innovative new program for protecting and actively managing 401(k) programs is customized for each investor – using your existing custodian and the investments available through your current employer's plan. Each month we determine the current economic environment – looking at performance of bonds, stocks, and money markets – and determine a general allocation based on the relative strength of each asset class. We then measure which of YOUR investment alternatives are performing the strongest and recommend how those should be incorporated into your 401(k). The program keeps your funds in money markets and fixed income in prolonged periods of declining markets, and investing them in the strong performing choices of your 401(k) when we are in prolonged periods of rising markets.

Today's the day to take action. Don't delay. Take advantage of this unique and innovative program designed to help stop the pain and start rebuilding your retirement plans.

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Everybody Talks About Their 401(k)s — but Nobody Does Anything About Them

When was the last time you received any advice about your 401(k)? If you're like millions of other Americans you probably never have — other than something insipid such as “Be diversified” or “Review your allocation every year.” But — again, like millions of other Americans — if this was the attention (or lack of attention) you paid your 401(k) during the past few years you have probably lost half of your retirement dollars. Zip! Gone!

And just as bad, you probably have no strategic plan to help you manage that money going forward — whether your hope is to stem additional losses, or to help re-grow your money so retirement is pleasant and not stark.

So, what happened to America's dreams for retirement? If they didn't go up in smoke altogether over the past many months, they were

certainly charred heavily around the edges. The average 401(k) has lost between 30% and 50% of its value — depending on how allocations were established and maintained.

That leaves the American potential-retiree in a terrible quandary and asking a difficult question: “Do I move my 401(k) assets to a “safe” investment like my money market selection and come to grips with making do with what I still have left, or do I keep my investments in the stock and bond markets in order to try to grow them knowing they could get cut in half again?!”

Well, we believe there is an answer that can help you responsibly fortify and rebuild — allowing participation in the market at times, and retrenching into money markets or bonds when the times are appropriate. It is a system customized to your individual plan, utilizing sophisticated measurements to determine which segments of the market are performing better than others, and giving specific monthly indicators as to how your 401(k) assets should be arranged.

**We call this Presidential's
Dynamic 401(k)SM.**

What's up with your 401(k)?

If your answer is “nothing, nothing at all!” then you are like tens-of-millions of other Americans who have seen their plans for retirement bounce around crazily and then evaporate in front of their eyes like water droplets on a hot skillet.



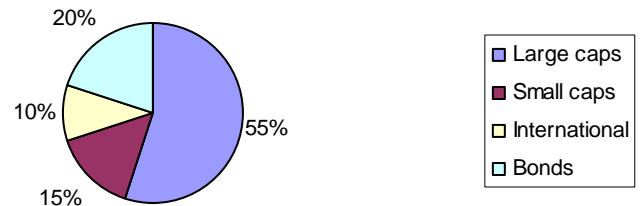
No Place to Hide

Remember when allocating a portfolio was as easy as ordering off a Chinese menu? “Let’s see, I’ll take some bonds from Column ‘A’, two orders of large cap stocks from Column ‘B’, and maybe some international growth stocks from Spicy Column ‘C’. And throw in some fortune cookies, please.”

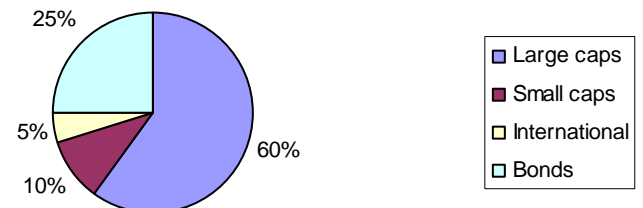
Common wisdom — now, in hindsight, more like common myth — said the performance you got depended only on what selections you picked from the menu. Stocks — over time — gave a highly predictable return. So did bonds. As, to a lesser degree, so did international stocks, small cap stocks, and other subcategories which were created along the way partially because the allocation model didn’t really perform as anticipated, and adding little additional slices helped give an illusion of predictability and sophistication.

Remember when it seemed like a “magic formula” was all that was required for a secure financial future?

"Old-style, Static Aggressive"



"Old-style, Static Moderate"



Then everything broke down. No longer was the decision as easy as saying, “55% large cap stocks, 20% small caps, 10% international, and 15% bonds.” Everything started to go to Hades in a hat box. People’s accounts, retirements, futures got crushed. What was missing? What went wrong?

To start with, maybe nothing went wrong with the concept — remember, all those promises (correction: theories) that were always accompanied

by the caveat “past performance does not guarantee future performance” (which, incidentally, is a regulatory disclaimer requirement, that nobody truly believed. “Of course,” everyone (including the regulators, from their behavior)

What's different about 401(k)s?

- Extremely limited investment alternatives
- Most available investments track performance of the S&P 500 very closely — real diversification is largely an illusion
- Employers typically provide no guidance as to allocation possibilities due to fear of potential liability
- Money cannot be removed prior to age 59^{1/2} without significant penalty and taxes
- YOUR 401(k) IS LIKELY YOUR LARGEST — OR POSSIBLY 2ND-LARGEST — ASSET AND IT IS CAPTIVE TO YOUR EMPLOYMENT!

were saying under their breath was, “past performance guarantees future performance. That’s what traditional allocation is all about!”). And the other cautionary tale, “over the long term ...” which may or may not hold up.

Over the “long term” it may be difficult in the foreseeable future for stocks to

generate 11% returns per year as they did for most of the twentieth century. To get back to that 11% average may take another 10, 25 or 50 years; and most of us simply do not have that luxury of time. What’s the old wag’s remark? Over the long term, we’ll all be dead.”

For a lot of us — the 80,000,000 baby boomers for example who are — were — months away from retirement, the clock is ticking and we simply don’t have another half– or three-quarters of – a century to see if it all works out in the “long term.”

An example of the failure of some traditional asset allocation models: Between November, 2007 and February, 2009 a highly popular “lifecycle” investment designed for people planning to retire in thirty years fell 54%,

Even if we grant whether the extended time frame makes that somewhat understandable, that the same family’s “lifecycle” investment for people planning to retire in only about ONE YEAR fell 35% is less forgivable.

IS BUY-AND-HOLD REALLY JUST BUY-AND-IGNORE?

A popular but passive “lifecycle” investment designed for individuals planning to retire in 2010 — and then the rug was pulled out from under them.



Is There A Better Way With Your 401(k)?

Passivity has never been an American characteristic. Yet millions of Americans are almost totally passive when it comes to the most important thing in their lives — excepting, of course, their families — and that’s their retirement money.

What most people want, we believe, is *not* what they have been sold: buy-and-hold, buy-and-ignore, one-size-fits-all (with the illusion of “customization”), past performance is a guarantee of future performance, and that asset classes over the “long term” are predictable.

What most people want, we believe, is a logical, organized, simple-and-straightforward approach to managing retirement funds that includes a risk management strategy. It doesn’t have to be complicated — or have the guise of being complicated. Americans hate to be talked down to.

It can be as simple as having the ability to go to part or all cash when the indicators tell us to — and returning to being invested in stocks and/or bonds when the time comes. And those decisions being based on timely measures of what is performing stronger at a given time: **the Relative Strength of money markets vs. the S&P 500, the S&P 500 vs. bonds, and bonds vs. money markets.**

While the financial industry remains fixated on not being able to “beat the market” over any prolonged period of time, a growing body of research strongly suggests it can be — and occasionally is — done. In a 1996 book by James O’Shaughnessy, he searched for major themes

to determine if specific traits held up as good stock-selection mechanisms. His research — which in part was to test the hypothesis that monkeys throwing darts at the financial pages were as good at picking stocks as any professional money manager — showed that the market “consistently and methodically rewards certain attributes while it punishes others quite severely.”¹

O’Shaughnessy noted that “**relative strength is one of the criteria in all 10 of the top-performing strategies**, proving the maxim that you should never fight the tape.” He pointed out that the worst strategy he tested

was the anti-relative strength strategy of bottom fishing and buying stocks with the worst one-year performance.” In an update to his original re-

search, through year-end ‘05, a decade after his initial findings were published, he found that every strategy that was shown to be the best in 1996 had continued to be the best.

So, what is this magic elixir called Relative Strength? First, let’s be clear, it really is not a panacea. It is a tool, and it works consistently — never constantly — only in the presence of an effective risk management component. It is an ongoing measurement of which investment or investments have recently performed

Modern Portfolio Theory — the staple of cookie-cutter, pie-chart financial advisers — doesn’t work very well when change occurs

Risk can be a measure of standard deviation and variance, or it can be the likelihood of running out of money before you die!

One person’s theory can be another person’s tragedy

1. Dorsey Wright & Associates, 8/20/07

stronger than others based on percentage price changes. Whether in the craftsmen's talented hands of such notables as William O'Neil (published of *Investor's Business Daily* and author of *How to Make Money in Stocks*) or Tom Dorsey of Dorsey Wright & Associates (author of *Point & Figure Charting*), it is used to find trends to exploit.

In sports, the analogy might be deciding to send a hitter to the plate with a .350 batting average

in the big game rather than leaving him in the dugout and sending in the guy who's hitting a blistering .185. Neither is a sure thing, of course, but smart money goes with the best track record — the power hitter. In physics, Newton would have put it, "An object in motion tends to stay in motion ... an object at rest tends to stay at

Characteristics of Presidential's Dynamic 401(k)

- Depth not breadth
- Agile not inflexible
- Assertive not passive
- Mindful not forgetful
- Good — perhaps terrific — not perfect

rest..." In gambling, casinos have long shown that you don't have to have big odds in your favor to be a big winner. Sixty, fifty-five, or even fifty-one percent of the time being "lucky" improves your winning chances. You don't have to win big, you just have to have the odds in your favor ... and a little time.

In another, more academic-oriented paper by Jagadeesh and Titman (1993) showed that **movements in individual stock prices over the period of six to twelve months tend to predict future movements in the**

same direction, unlike long-term trends which tend to reverse themselves. More recently, Dr. Ken French at the Tuck School of Business at Dartmouth College, found that of the best of a number of strategies that outperformed the market over time, a simple momentum strategy consisting of buying stocks with the highest relative price performance over an intermediate period of time "creamed them all."¹

How do we make all this work for you?

Enough (already!) of the theory. How can Presidential put a system together to work for you?

Here's how the Presidential Dynamic 401(k) works: There are two components to helping allocate your investments. The first is what we call a Macro Allocation which is an objective analysis of general market conditions, and the second is a Customized Allocation constructed of investments specific to your individual 401(k) program.

Macro Allocation

First, we conduct **three intermediate-term measures of the Market**. We ask, on a relative strength basis, Is the broad stock market or bonds performing better?; Are bonds performing better

than money markets?; Are money markets performing better than the broad stock market (i.e., the S&P 500 index)?

Values are given to each finding, and our algorithm assigns a percentage to each category. For example, in strong market conditions such as

much of 2007, momentum could be concentrated in stocks and the allocation directed accordingly — heavily weighted in stocks. But the system does not

Money Market	↓	vs.	S&P 500	↑
Bonds	↓	vs.	S&P 500	↑
Money Market	↑	vs.	Bonds	↓

The Macro Allocation Process

We examine how the three major asset classes in your 401(k) are performing compared to one another. That determines not only the "big picture" allocation, but also how much of your 401(k) should be in the customized portion.

Your customized report locates which two of the investments available currently have the highest — and positive — Relative Strength, with the goal of concentration on top performers.

end there. It is just getting going.

Because this program works exclusively in the world of 401(k)s, we must keep in mind that the number of investment possibilities open to you are very limited: Typically between eight and twenty. (And to further complicate matters — at least for us and the rest of the financial services profession — your company's investment alternatives are specific to your program and have only general similarities to other programs out there.) But Presidential goes the extra distance to generate reports specific to YOUR 401(k) program.

Moving between money markets, bonds, and equities

Every 401(k) program we've seen has a money market and a bond investment available inside it. In difficult stock market conditions, such as those seen in 2008, our indicators migrate quickly toward conservative investments such as cash and bonds. However, in more robust times — such as the majority of time in US stock market history — stocks are the place to be. But, obviously, not always. It is their stronger relative strength which helps the timing of when to be in the market — and when to stay out.

As conditions move from safety to cautious to high stock market performance (and back again), our program swings toward finding the specific high relative strength investments available to you in your 401(k) or the safest option in which to take cover.

Customized Allocation

Once a month we perform a customized report

on your investment alternatives. We identify the top two highest performers and recommend them for inclusion in your account. Fifty percent of your Customized Allocation goes to the top performer and fifty percent to the next highest performer. The following month we again generate the report; if your holdings remain in the top five positive relative strength performers no changes are made.

If one (or both) have fallen out of the top five (as can happen during volatile times) the investments

now appearing as the top two performers replace one or both. In instances where only one of your available choices has positive relative strength, half is purchased of that investment and the balance defaults to your money market. This effort is designed to help keep you in the highest performing investments available to you and —

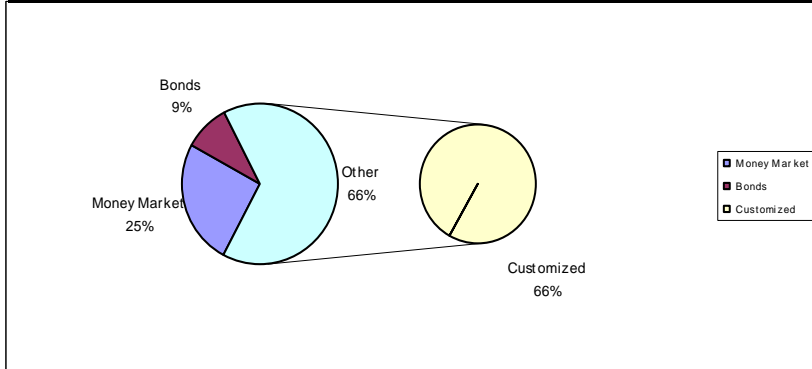
VERY IMPORTANTLY — keep away from the under performing ones.

How much of your entire 401(k) portfolio is invested in these two top relative strength vehicles depends on the overall condition of the market. The Macro Allocation takes precedence and dynamically determines how much, if any, of your portfolio should be in equities — including possible alternatives such as international, small-cap, mid-cap, large-cap, precious metals, value, growth, etc., that you have at your disposal.

Keep in mind that all of this is reviewed — and readjusted if indicated — each month to help keep your money working at the best possible pace given your specific 401(k) investment alternatives.

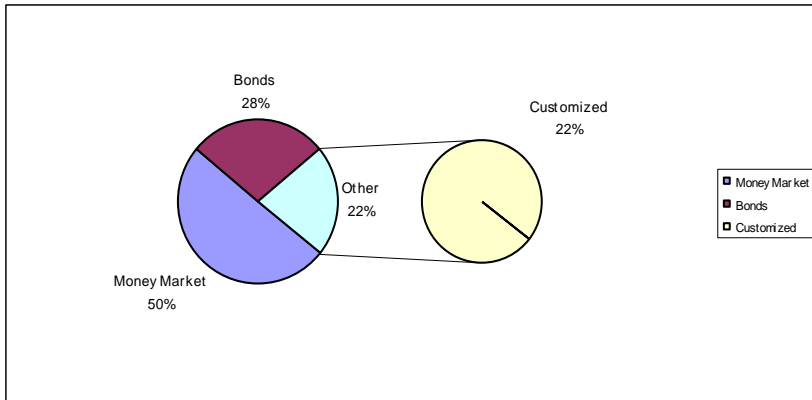


HOW YOUR DYNAMIC 401(K) CAN CHANGE TO MEET EVOLVING MARKET CONDITIONS



Evolving allocation dynamics

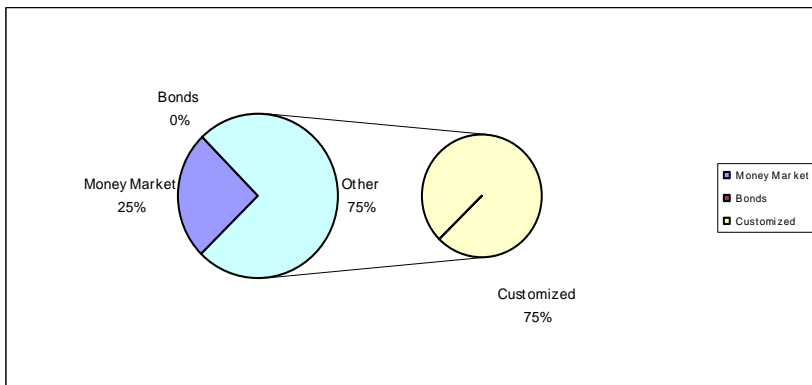
By looking at the accompanying four charts you see how, given changing market conditions, allocations can adapt. Change can occur relatively quickly when conditions demand, or remain basically unchanged depending on how various asset classes are performing.



During difficult markets

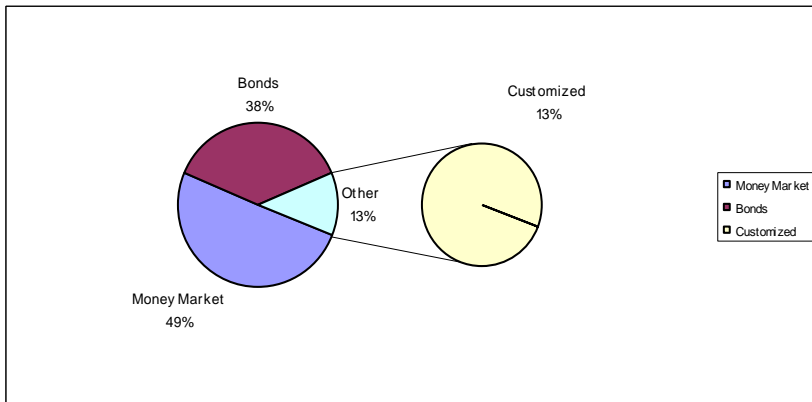
When stocks are in decline, this program analyzes whether it is better to have funds in something secure, like money markets or bonds, rather than in stocks.

NOTE: frequently the customized allocation will mirror the macro allocation — investing even a higher percentage in money markets and/or bonds than indicated on the chart during trying times.



No one wants to be on the sidelines when a major market move is underway

This flexible program is designed to help you participate in major moves in the market. At times like these, your customized allocation, for example, may include international funds, small cap growth funds, or other high performers available to you in your 401(k) plan.



Your customized allocation

Like a turtle pulling its head in when danger lurks, the macro and customized aspects of this program help protect against major downturns — and help be invested during times of major market moves.

The chart to the left depicts a time when it is safer to be in money market funds and bonds — the 13% allocation of your customized portion could well be in the same, conservative investments, possibly keeping you away from more volatile equity investments if conditions warrant.

Action Items

Simple Steps to Help Get Underway

1. Gather a list of all the funds available in your 401(k) program

Look on your 401(k) website for a list of investments — and send them to us USING THE TICKER SYMBOL. Each symbol will look something like this: FFACX. You will probably have anywhere from seven to twenty possible funds available in your plan.

It is important to have each ticker symbol because so many funds have extremely similar names and it is important for us to have accurate information in order to give you the best results.

2. Review and sign the Agreement

We want you to understand thoroughly our strategy and how it is designed to work for you, the costs to you, and services provided.



3. Send your signed Agreement to your local Presidential office

When we have your Agreement, we will place you in the next review and report period, usually only a few days after entering the program.

4. Each month thereafter we will generate your reports, implement them, and provide you copies

5. We believe you will have greater peace of mind — along with a regularly monitored and maintained 401(k)

It is our intention to bring order and discipline back to your financial wellbeing. No system is perfect, but we believe Presidential's Dynamic 401(k)SM program is a responsive, unique, non-traditional strategy that over time will provide better control and direction to your retirement funds.

DON'T DELAY

The Presidential Dynamic 401(k)SM helps you gain control over your retirement funds, provides a strategic plan to help achieve better position management, and is customized to the investments available in your individual employer's plan.

If you feel your plan has floundered around long enough, take charge. Act today. Don't wait for the market "to come back." If you have lost 35%, 45%, or more of your retirement hopes and dreams call us. Our modest fee for helping you work through these perilous times we believe may represent one of the best investments you could make.

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