THE MONEY NAVIGATOR
AMERICA'S MOST TRUSTED INVESTMENT NEWSLETTER

Trusted Advice to Guide Your Investments — NAVIGATORNEWSLETTERS.COM — NAVFX.COM

THE MONEY NAVIGATOR CUSTOMER SERVICE: 1-855-521-7788, 9AM - 5PM EST · SUPPORT@MONEYNAVIGATORONLINE.COM

DECEMBER 2011

How to Navigate ETFs Like a Pro

Now reaching **62,148** readers

I have received many emails from readers asking me to explain how our exchange-traded fund (ETF) ranking system works. The following is a summary of my recent interview with *Investor's Business Daily (IBD)*.

ETFs have not only been a godsend for individual investors, but also big-time money managers who are increasingly running pension fund and mutual fund portfolios solely with ETFs. Mark Grimaldi manages Sector Rotation (NAVFX), a pure no-load mutual fund that invests only in ETFs. The two-year-old fund has $24 million in assets. Sector Rotation (through October 12) was ranked number 1 out of 375 World Allocation funds tracked by Morningstar. Sector Rotation produced an average annual return of 10.25% from August 31, 2002, to October 31, 2011, vs. 5.47% for the S&P 500 Index, according to Morningstar. Grimaldi is most proud of his returns from 2008, when the S&P 500 Index lost 38.49% while his model lost only 4.23%.

IBD: Why do you only use ETFs?

Grimaldi: I use ETFs when managing Sector Rotation because they have ample trading liquidity and allow me to track institutional money flows. Although we like no-load mutual funds, ETFs allow us to select exact sectors, not just asset classes. For example, with an ETF, we can isolate a country, not just a continent. Or we can invest in the price of gold and/or silver without also carrying the uncertainty of precious metals, miners and producers. A well-diversified portfolio of ETFs will be more focused, less expensive and more tax efficient than one consisting of mutual funds. Individual stocks by nature are subject to risk from company mismanagement. We like to think of an ETF as just investing in one company's product as opposed to the entire company.

IBD: What's your investment strategy for Sector Rotation?

Grimaldi: We seek growth of capital by buying a wide range of sectors and asset classes such as gold, utilities, inverse Treasuries and inflation-protected securities. Income is a secondary objective. Whenever possible, we offset a realized gain with a realized loss to keep taxes to a minimum. The fund employs a ranking system to identify the sectors that it believes are showing the greatest relative strength and increases the fund's exposure to those sectors. Our proprietary ranking system has successfully identified where the money flows are going to help us position the fund ahead of the market.

We rank ETFs based on eight criteria:

1) The 52-week high/low price, which is a simple gauge to show where the ETF is in the business cycle. For example, Consumer Staples Select Sector SPDR (XLP) was ranked number 1 as of November 1. It was

continued on next page...

NAVIGATOR UPDATE

- Follow *The Money Navigator* on Twitter @Money_Navigator.
- Happy Holidays!
- Debt Super-Committee fails to act.
- TIPS continue to soar!
- Our 2012 recession probability is at 60%.
- Look for model changes if S&P 500 Index falls to 1,120.
- Unemployment rate falls to 8.6%.
- Third-quarter GDP is revised down to 2% annualized.
- *Navigator* puts people first. See page 10.

TABLE OF CONTENTS

Commentary from Suze and Mark	1	*401(k) Solutions*	6
No-Load Solutions	2	*401(k) Solutions: Fidelity*	7
What is a Mutual Fund?	3	*401(k) Solutions: Vanguard*	8
What is an ETF & ETF Solutions	4	*Economic Outlook*	9
Suze's "Approved" DCA Program	5	*Navigator Tips*	10

continued from previous page...
getting close to its 52-week high of $32.46. That was a positive sign, suggesting it could break out above its 52-week high. If that happens, it could continue to rise and establish a new high.

2) One-month, three-month, and one-year percentage returns, which help spot price trends.

3) The Relative Strength Index (RSI), which shows us if the herd is moving in or out of an ETF and whether an asset is overvalued or undervalued. An RSI reading above 70 suggests the ETF is getting overvalued, while 30 or below signals it's undervalued. We like a reading at the mid point. XLP's reading was at 54.38. We liked this because XLP was nearing its 52-week high but was not overvalued.

4) Standard deviation (SD), which lets us track the volatility of the asset. We use the three-year SD to show how far the herd can move the price in either direction.

5) Ulcer Index (UI), which measures short-term risk. This works with the RSI and SD. I like this index because it tells me if the herd starts selling, how low the price can drop. A UI reading above 5 means the security is in at a risky level. Below 5 there is only moderate risk. The UI reading for XLP currently is 3.41, indicating a low to moderate level of risk. XLP is nearing a 52-week high with an RSI reading in the mid 50s and UI reading under 5. That is a very strong buy signal. We put XLP in the model and since April 1, 2011, it has beat the S&P 500 Index by 10% with a third of the volatility.

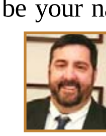
6) The yield or dividend the ETF is paying.

7) Sharpe ratio, which helps determine whether high returns are due to good investment decisions or because of high risk.

8) Volume, which measures the strength of a market move. If the market moves up with a high volume of transactions, the move is more significant. We rank the ETFs on a monthly basis. During volatile times, however, the ranking will be twice a month. We sell the ETFs that fall out of the top 25% and buy the ones that move into the top 25%.

Each of these data points plays a vital role in selecting an ETF. You can see from our nine-month report card that the system seems to be ranking just fine. Since 2/28/11, the S&P 500 Index is down 6.05% and the ETF model is up 4.52%. Also remember that a good portfolio is always a work in progress, so be sure to follow the newsletter and allow it to be your navigator.

Mark



HOW ARE WE DOING? OUR NINE-MONTH REPORT CARD: A+

Portfolio *Launch Date: 3/1/11	Amount Invested 2/28/11	Value as of 11/30/11	Navigator Difference (compared to S&P 500 Index)	
S&P 500 Index	$100,000	$93,950	$	%
Navigator ETF Growth*	$100,000	$104,520	$10,570	11.25%
Navigator TD Ameritrade Growth & Income*	$100,000	$100,470	$6,520	6.94%
Navigator No-Load Growth* & Income	$100,000	$101,210	$7,260	7.73%

No-Load Solutions—Model Portfolios

This section contains three model portfolios which we **recommend for all of your non-401(k) accounts—including IRAs, Roth IRAs and SEP IRAs**. Each portfolio is designed and managed to meet a specific investment need.

Growth .... This portfolio is ideal for investors who are 20 or more years away from retirement.

Growth & Income ..... This is an excellent choice for investors who are five to 20 years away from retirement.

Income .... This is for our most conservative investors and those already in retirement—those who are most interested in receiving dividends.

S&P 500 Index Return Since 2/28/11: –6.05%

GROWTH: 20 OR MORE YEARS TO RETIREMENT

Return Since 2/28/11: –4.57% Current Yield: 1.84%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Dreyfus Small Cap	DISSX	$2,500	$100	15%	Beat peers over last 10 years / **www.dreyfus.com**
Janus High Income	JAHYX	$2,500	$100	20%	Top 2% of peers for 15 years / **www.janus.com**
Sector Rotation Fund*	NAVFX	$2,500	$100	15%	Good way to add ETFs to the model / **www.navfx.com**
Am Cent Heritage	TWHIX	$2,500	$50	30%	5 stars over five years / **www.americancentury.com**
Am Cent Value	TWVLX	$2,500	$50	20%	5 stars over 10 years / **www.americancentury.com**

**The minimum initial investment for NAVFX can be as low as $50. See page 5 for NAP Pioneer Program details.*

No-Load Solutions—Model Portfolios
continued from previous page...

GROWTH & INCOME: FIVE TO 20 YEARS TO RETIREMENT *Return Since 2/28/11: 1.21% Current Yield: 2.26%*

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Janus Flexible Bond Fund	JAFIX	$2,500	$100	25%	5 stars over five years / **www.janus.com**
Oakmark Equity Income*	OAKBX	$1,000	$100	30%	#1 among peers over 15 years / **www.oakmark.com**
Sector Rotation Fund**	NAVFX	$2,500	$100	15%	Good way to add ETFs to the model / **www.navfx.com**
Am Cent One Choice Moderate	AOMIX	$2,500	$50	15%	Low risk / **www.americancentury.com**
Am Cent Inflation Protected	ACITX	$2,500	$50	15%	Inflation protection / **www.americancentury.com**

**Available at www.oakmark.com. Navigator alternative fund for major discount brokerages: Dreyfus Growth & Income (DGRIX), www.dreyfus.com.*
***Dollar cost average fund (to learn more about dollar cost averaging, see page 5). The minimum initial investment for NAVFX can be as low as $50 for* The Money Navigator *readers. See page 5 for NAP Pioneer Program details.*

INCOME: ZERO TO FIVE YEARS TO RETIREMENT *Return Since 2/28/11: –0.95% Current Yield: 4.60%*

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Am Cent High Yield	ABHIX	$2,500	$50	30%	6.95% yield / **www.americancentury.com**
PIMCO Total Return	PTTDX	$1,000	$100	20%	5 stars, high dividend / **www.pimco.com**
Janus Flexible Bond Fund	JAFIX	$2,500	$100	30%	5 stars over five years / **www.janus.com**
ProFunds Rising Rates Opp 10	RTPIX	$5,000	$100	10%	Rising-interest-rate protection / **www.profunds.com**
Am Cent Equity Income*	TWEIX	$,2500	$50	10%	5 star fund / **www.americancentury.com**

**Closed to new investors. Navigator alternative fund for new investors: American Century One Choice Conservative Inv (AOCIX), www.americancentury.com.*
This model is suitable for all conservative investors, regardless of years until retirement, or if they are already retired.

What is a Mutual Fund?

A mutual fund is created when a group of investors pool their money into one large account or fund. The fund employs an investment advisor to manage the fund in accordance with a set investment objective. The fund could be managed for growth, income, growth and income, etc.

Advantages of a Mutual Fund

1. ***Diversification:*** *Because there are thousands of investors who have pooled their money, a fund may hold hundreds of investments. Each investment only makes up a small part of the fund. If a particular investment has trouble, the overall fund may not feel it.*

2. ***Professional Management:*** *Mutual funds provide a cost-effective way for individual investors to gain access to professional management. Each fund has a professional money manager whose job is to allocate the fund's portfolio according to its investment objective.*

3. ***Liquidity:*** *This is a fancy way to say that, if you need to, you can sell any portion of your fund shares on any day the stock market is open.*

All of the mutual funds in the above models can be purchased from all major discount brokerages free of charge. All The Money Navigator *mutual funds can be purchased directly from the individual fund company. For a prospectus and more information, please visit the appropriate web site listed to the far right of the fund.*

ETF Solutions

ETF GROWTH: 15 TO 40 YEARS TO RETIREMENT

Return Since 2/28/11: 4.52% Current Yield: 2.60%

Name	Symbol	Yield	Allocation	Web Link
Consumer Staples Select Sector SPDR	XLP	2.68%	20%	**www.sectorspdr.com**
Utilities Select Sector SPDR	XLU	3.84%	20%	**www.sectorspdr.com**
iShares Dow Jones U.S. Health Care	IYH	1.53%	20%	**www.ishares.com**
iShares Dow Jones U.S. Consumer Goods	IYK	2.08%	20%	**www.ishares.com**
iShares MCSI Malaysia	EWM	2.89%	20%	**www.ishares.com**

The model invests in the top five funds from our rankings, which are generated monthly, and the model is adjusted accordingly to reflect any changes. This model involves above-average risk and is best suited only for that portion of your portfolio designated for capital appreciation.

ETF INCOME: ZERO TO 15 YEARS TO RETIREMENT

Return Since 2/28/11: –2.19% Current Yield: 4.83%

Name	Symbol	Yield	Allocation	Web Link
PowerShares Fundamental High Yield Bond	PHB	6.23%	35%	**www.invescopowershares.com**
ProShares Short 20+ Year Treasuries	TBF	0.00%	15%	**www.proshares.com**
Barclays TIPS Bond	TIP	4.27%	15%	**www.ishares.com**
iShares Investment Grade Bond	LQD	4.60%	20%	**www.ishares.com**
PowerShares Financial Preferred	PGF	7.24%	15%	**www.invescopowershares.com**

This model is suitable for all conservative investors, regardless of years until retirement, or if they are already retired.

What is an Exchange-Traded Fund (ETF)?

An ETF is similar to a mutual fund. As an owner of an ETF, you own shares of the fund. ETF shares can be bought or sold at any time the stock market is open (unlike a mutual fund, which, when bought or sold, provides you with the price at the next market close). ETFs do not have a professional investment advisor watching over the funds. That puts most of the responsibility on you, the individual investor. ETFs are not diversified as are mutual funds, so the selection process and monitoring is very important.

The Money Navigator *is an industry leader in managing ETF model portfolios. We give you everything you need to create, monitor and manage your own ETF model portfolio.*

ETF Trading Costs

ETF trading is like trading stocks (IBM, Apple, Ford, etc.), so a trading commission will apply to all purchases and sales. The Money Navigator *has researched the marketplace to determine the typical commission on an average ETF transaction. We have calculated that price to be $8.95 per trade.*

In our research, we discovered that large discount brokerage firms may offer up to 100 ETF trades that can be made free of charge. Please be aware that the free offer is usually accompanied by a typical holding period of 30 days.

The Money Navigator is published monthly by The Prestige Organization, Inc., 1207 Route 9, Suite 10, Wappingers Falls, NY, 12590. The Prestige Organization, Inc. is affiliated with Navigator Money Management, Inc., the adviser to the Sector Rotation Fund. As the adviser, Navigator Money Management, Inc. and the fund's Chief Portfolio Manager Mark A. Grimaldi receive compensation on assets placed in the fund. This compensation in no way increases the cost of the fund or decreases the return to any shareholder. For more information, please refer to Navigator Alert #NA201101. The subscription rate is $63 per year. All numbers quoted are from reliable sources and believed to be accurate. Before buying any mutual fund or ETF, you should obtain and read the prospectus carefully.

What is a 401(k) Plan?

Simply put, a 401(k) plan is an account that is established for the employee's benefit where a certain percentage of the employee's wages are deposited. The deposited amount is called a contribution. The contribution is made before taxes are deducted. Therefore, the money in the 401(k) plan is considered "pre-tax." When you withdraw money from the account, it is taxed as if you earned it during that year. Basically, a 401(k) plan consists of wages you have not paid taxes on yet. As an incentive to contribute to your 401(k) plan, an employer may deposit money directly into your account. This additional money is called the employer match. The employer match is "free" money and also is considered a pre-tax contribution.

Is my 401(k) plan taxed?
No. Money goes in before taxes and is not taxed until you withdraw it. This is also true for employer-matching dollars. Your investments are tax-deferred.

When can I withdraw money from my 401(k) plan?
The IRS will allow you to start withdrawing money from your 401(k) plan when you reach the age of 59½. At that time the withdrawal will be taxed as if you earned it that year. This also applies to the employer match.

What if I have to withdraw my money before I reach 59½ years of age?
Withdrawing 401(k) plan money should be the course of last resort. If you find yourself in that situation, the IRS will allow you to either take a loan or a hardship withdrawal. If the loan is not paid back in accordance with IRS rules, the loan will be considered an early distribution and be taxed as ordinary income. Additionally, a 10% federal penalty will apply to the entire amount.

What is Dollar Cost Averaging (DCA)?

DCA is a simple and easy way to invest money in a mutual fund on a monthly basis. Typically, you can start with as little as a $2,500 investment and then invest an additional $100 per month.

Why is DCA a smart way to invest?
It is smart because when you make your monthly investments, you will automatically buy shares of the mutual fund. If the price of the mutual fund goes up, you will buy fewer shares at the higher price. If the price drops, you will buy more shares at the lower price. Over time, the average cost of the shares you bought will be less than the average price. The process itself allows you to be a smarter investor because you buy more shares at lower prices and fewer shares at higher prices.

What are the keys to successful DCA?
There are two keys to DCA. First, you must pick a good mutual fund and stick with it. The Money Navigator *will help you to do that. Second, you need to invest the same amount of money each month. For maximum efficiency, the DCA program should run at least two years.*

APPROVED: Use the NAP Pioneer Program to put dollar cost averaging to work for you!

The Money Navigator *provides those of you who want someone else to do all the work with the assistance you need. As a subscriber to* The Money Navigator, *along with the NAP Pioneer Program, you will have access to a 5-star Morningstar-rated fund manager for a minimum initial investment of just $50. (Normal initial investment for this fund is a minimum of $2,500 for individuals.) For more details about the NAP Pioneer Program, please visit www.navfx.com or email Sheila Pitz at* spitz@navigatormoney.com. *Suze does not receive any compensation for assets placed in the Pioneer Program.*

The Money Navigator *team has been ranked #1 for overall risk/return performance by Hulbert Financial Digest, a Dow Jones Company. All portfolio recommendations will be made by* The Money Navigator's *Chief Economist Mark Grimaldi. Mark will use his 25 years of experience to guide you to your financial goals. Take a look at the chart below to see how his Navigator growth models have beaten the S&P 500 benchmark since 2001.*

NAVIGATOR MODEL PORTFOLIO PERFORMANCE

NAVIGATOR PORTFOLIO	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	$100,000 Investment
Capital Appreciation	-2.47%	-5.39%	36.21%	20.72%	15.53%	9.15%	16.06%	-31.25%	24.58%	24.38%	$236,460.64
Growth & Income	14.06%	-8.89%	31.97%	16.76%	8.66%	9.92%	7.50%	-20.35%	10.68%	7.41%	$194,645.34
S&P 500 Benchmark	-12.01%	-22.14%	28.50%	10.74%	4.76%	16.60%	5.38%	-37.02%	19.79%	14.91%	$114,865.19

401(k) and Non-401(k) Solutions at TD Ameritrade, Schwab, Principal

Model Portfolios through 11/30/11

We made designing your 401(k) portfolio easy.
Step one: *Pick a model that represents your years to retirement.*
Step two: *Divide your contributions according to the recommended allocation.*
If your 401(k) plan does not offer the exact mutual funds, use the color-coded legend below to select funds in your plan that match up to our models. For example, our Income model recommends 20% be invested in PIMCO Total Return (PTTDX). This is a "diversified bond" fund, or tan. So, in your plan, invest 20% in a fund that is in the "diversified bond" category. If your 401(k) plan offers more than one fund in a category, The Money Navigator *recommends using the fund with the lower expense ratio (cost).*

GROWTH: 20 TO 40 YEARS TO RETIREMENT

Return Since 2/28/11: –4.57% Current Yield: 1.84%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Dreyfus Small Cap	DISSX	$2,500	$100	15%	Beat peers over last 10 years / **www.dreyfus.com**
Janus High Income	JAHYX	$2,500	$100	20%	Top 2% of peers for 15 years / **www.janus.com**
Sector Rotation Fund	NAVFX	$2,500	$100	15%	Good way to add ETFs to model / **www.navfx.com**
Am Cent Heritage	TWHIX	$2,500	$50	30%	5 stars over five years / **www.americancentury.com**
Am Cent Value	TWVLX	$2,500	$50	20%	5 stars over 10 years / **www.americancentury.com**

GROWTH & INCOME: FIVE TO 20 YEARS TO RETIREMENT

Return Since 2/28/11: 0.47% Current Yield: 2.06%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Federated Strategic Income	STIAX	$1,500	$100	20%	Well diversified / **www.federatedinvestors.com**
Oakmark Equity Income	OAKBX	$1,000	$100	30%	#1 among peers over 15 years / **www.oakmark.com**
Sector Rotation Fund	NAVFX	$2,500	$100	20%	Ranked 7 of 381 peers in 2011 / **www.navfx.com**
Am Cent One Choice Moderate	AOMIX	$2,500	$50	15%	Low risk / **www.americancentury.com**
Am Cent Inflation Protected	ACITX	$2,500	$50	15%	Inflation protection / **www.americancentury.com**

INCOME: ZERO TO FIVE YEARS TO RETIREMENT

Return Since 2/28/11: –1.61% Current Yield: 4.72%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Am Cent High Yield	ABHIX	$2,500	$50	30%	6.95% yield / **www.americancentury.com**
PIMCO Total Return	PTTDX	$1,000	$100	20%	5 stars, high dividend / **www.pimco.com**
Federated Strategic Income	STIAX	$1,500	$100	30%	Well diversified / **www.federatedinvestors.com**
ProFunds Rising Rates Opp 10	RTPIX	$5,000	$100	10%	Rising-interest-rate protection / **www.profunds.com**
Am Cent Equity Income*	TWEIX	$2,500	$50	10%	5 star fund / **www.americancentury.com**

**Closed to new investors. Navigator alternative fund for new investors: American Century One Choice Conservative Inv (AOCIX), www.americancentury.com.*
This model is suitable for all conservative investors regardless of years until retirement.

Legend: Asset Classes

Match the color boxes in the charts above with those below to see what asset class each fund is associated with.

Small-Cap	High-Yield Bond	World Allocation	Mid-Cap	Large-Cap Value	Diversified Bond	Large-Cap Growth	Large-Cap Blend	Government Bond	World Bond	Bond

401(k) and Non-401(k) Solutions at Fidelity Investments

Model Portfolios through 11/30/11

We made designing your 401(k) portfolio easy.
Step one: *Pick a model that represents your years to retirement.*
Step two: *Divide your contributions according to the recommended allocation.*
If your 401(k) plan does not offer the exact mutual funds, use the color-coded legend below to select funds in your plan that match up to our models. For example, our Income model recommends 20% be invested in Fidelity Equity Income II *(FEQTX). This is a "large-cap value" fund, or olive. So, in your plan, invest 20% in a fund that is in the "large-cap value" category. If your 401(k) plan offers more than one fund in a category,* The Money Navigator *recommends using the fund with the lower expense ratio (cost).*

GROWTH: 20 TO 40 YEARS TO RETIREMENT

Return Since 2/28/11: –4.36% Current Yield: 1.68%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Fidelity Small Cap Discovery	FSCRX	$2,500	$1	20%	5 stars over five years / **www.fidelity.com**
Fidelity High Income	SPHIX	$2,500	$250	20%	6.75% yield / **www.fidelity.com**
Fidelity Select Gold	FSAGX	$2,500	$250	20%	Precious metals exposure / **www.fidelity.com**
Fidelity Value	FDVLX	$2,500	$1	20%	Holds dividend-producing stocks / **www.fidelity.com**
Fidelity Mid Cap Stock	FMCSX	$2,500	$1	20%	Currently top-rated asset class / **www.fidelity.com**

GROWTH & INCOME: FIVE TO 20 YEARS TO RETIREMENT

Return Since 2/28/11: –2.28% Current Yield: 2.48%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Fidelity Mid Cap Stock	FMCSX	$2,500	$1	20%	Currently top-rated asset class / **www.fidelity.com**
Fidelity Balanced	FBALX	$2,500	$1	20%	4 stars over 10 years / **www.fidelity.com**
Fidelity Floating Rate High Inc	FFRHX	$2,500	$1	20%	Rising-interest-rate protection / **www.fidelity.com**
Fidelity Focused High Income	FHIFX	$2,500	$250	20%	5.69% yield / **www.fidelity.com**
Fid Spartan Total Market Index	FSTMX	$10,000	$1	20%	Solid long-term core holding / **www.fidelity.com**

INCOME: ZERO TO FIVE YEARS TO RETIREMENT

Return Since 2/28/11: –0.94% Current Yield: 3.53%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Fidelity Inflation Protected Bond	FINPX	$2,500	$1	20%	Inflation protection / **www.fidelity.com**
Fidelity Capital & Income	FAGIX	$2,500	$250	20%	5 stars over 30 years / **www.fidelity.com**
Fidelity Floating Rate High Inc	FFRHX	$2,500	$1	20%	Rising-interest-rate protection / **www.fidelity.com**
Fidelity Equity Income II	FEQTX	$2,500	$1	20%	Dividend-paying stock exposure / **www.fidelity.com**
Fidelity Focused High Income	FHIFX	$2,500	$250	20%	5.69% yield / **www.fidelity.com**

This model is suitable for all conservative investors regardless of years until retirement.

Legend: Asset Classes

Match the color boxes in the charts above with those below to see what asset class each fund is associated with.

Small-Cap	High-Yield Bond	Precious Metal	Mid-Cap	Large-Cap Value	Diversified Bond	Large-Cap Growth	Large-Cap Blend	Government Bond	World Bond	Bond

401(k) and Non-401(k) Solutions at Vanguard

Model Portfolios through 11/30/11

We made designing your 401(k) portfolio easy.
Step one: *Pick a model that represents your years to retirement.*
Step two: *Divide your contributions according to the recommended allocation.*
If your 401(k) plan does not offer the exact mutual funds, use the color-coded legend below to select funds in your plan that match up to our models. For example, our Income model recommends 20% be invested in Vanguard High-Yield Corporate (VWEHX). This is a "high-yield bond" fund, or orange. So, in your plan, invest 20% in a fund that is in the "high-yield bond" category. If your 401(k) plan offers more than one fund in a category, The Money Navigator *recommends using the fund with the lower expense ratio (cost).*

GROWTH: 20 TO 40 YEARS TO RETIREMENT

Return Since 2/28/11: 0.49% Current Yield: 3.15%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Vanguard Precious Metals	VGPMX	$10,000	$100	20%	Commodity exposure / **www.vanguard.com**
Vanguard Small-Cap Index	NAESX	$3,000	$100	20%	Small-cap has led the market / **www.vanguard.com**
Vanguard Balanced Index	VBINX	$3,000	$100	20%	4 stars over 10 years / **www.vanguard.com**
Vanguard Mid-Cap Index	VIMSX	$3,000	$100	20%	Currently top-rated asset class / **www.vanguard.com**
Vanguard High-Yield Corporate	VWEHX	$3,000	$100	20%	6.73% yield / **www.vanguard.com**

GROWTH & INCOME: FIVE TO 20 YEARS TO RETIREMENT

Return Since 2/28/11: 0.41% Current Yield: 2.40%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Vanguard Wellesley Income	VWINX	$3,000	$100	20%	Holds dividend-paying stocks / **www.vanguard.com**
Vanguard Inflation Protected	VIPSX	$3,000	$100	20%	Inflation protection / **www.vanguard.com**
Vanguard Growth & Income	VQNPX	$3,000	$100	20%	Dividend income and growth / **www.vanguard.com**
Vanguard Small-Cap Index	NAESX	$3,000	$100	20%	Small-cap has led the market / **www.vanguard.com**
Vanguard 500 Index	VFINX	$3,000	$100	20%	Solid long-term core holding / **www.vanguard.com**

INCOME: ZERO TO FIVE YEARS TO RETIREMENT

Return Since 2/28/11: 3.01% Current Yield: 3.83%

Name	Symbol	Initial	Additional	Allocation	Comments / Web Link
Vanguard Inflation Protected	VIPSX	$3,000	$100	20%	Inflation protection / **www.vanguard.com**
Vanguard Wellesley Income	VWINX	$3,000	$100	20%	Holds dividend-paying stocks / **www.vanguard.com**
Vanguard High-Yield Corporate	VWEHX	$3,000	$100	20%	6.73% yield / **www.vanguard.com**
Vanguard Balanced Index	VBINX	$3,000	$100	20%	4 stars over 10 years / **www.vanguard.com**
Vanguard Wellington	VWELX	$10,000	$100	20%	5 stars over 10 years / **www.vanguard.com**

This model is suitable for all conservative investors regardless of years until retirement.

Legend: Asset Classes

Match the color boxes in the charts above with those below to see what asset class each fund is associated with.

Small-Cap	High-Yield Bond	Precious Metal	Mid-Cap	Large-Cap Value	Diversified Bond	Large-Cap Growth	Large-Cap Blend	Government Bond	World Bond	Bond

C'est la Vie? European Crisis Hits American Shores

It was bound to happen sooner or later: Europe's financial upheaval has reached U.S. shores, rattling domestic companies with exposure to the region—and that's sure to hit American consumers at some point. The economic distress may already be here, in fact.

In mid-November, the interest rate on Italy's 10-year bonds reached 7%, which is alarming because it's the same level that eventually forced Greece, Portugal and Ireland to request multibillion-euro bailouts. In response, the European Union (EU) warned that the region's debt crisis shows alarming signs of spinning out of control, and said that if it does, the 17-country eurozone could slip into "a deep and prolonged recession" in 2012.

Those are dire words, but likely true, as there are already indications of trouble: According to the eurozone's economic watchdog, the European Commission, the eurozone will likely grow by a paltry 0.5% in 2012 (significantly lower than prediction of 1.8% growth the European Commission made in the spring), and unemployment will stick at 9.5% for the foreseeable future.

Although it seems as if the impact has not yet been felt in the United States, it will at some point. The European Union is the largest U.S. trading partner, with nearly $475 billion in goods passing between the regions in the first nine months of 2011. Around 14% of revenue from the 500 biggest U.S. companies ($1.3 trillion) comes from Europe. As a result, any slowdown in Europe will certainly felt here at some point.

It may be happening already—just not at the consumer level. I say that because some U.S. manufacturers have begun reporting a slowdown as a result of Europe's turmoil. Case in point: Marlin Steel Wire Products, a Baltimore-based manufacturer, says its $4 million contract with a German manufacturer has been put on hold while the German firm waits out the turmoil in Europe. According to Marlin Steel Wire Products' management, the firm would have hired more labor if not for the European situation. It's only a step further to think the firm might have to lay off labor if the situation worsens. Marlin isn't an isolated situation; across sectors, companies are reporting problems. Phoenix-based First Solar, for example, has postponed plans to finish building a solar panel factory because of a worldwide glut in panels that's been caused by falling demand in Europe. Nike, meanwhile, has said its most recent quarterly revenue rose in every region it operates in except Western Europe.

I'm not the only economist predicting trouble. Wells Fargo has estimated that the U.S. economy will grow just 2.1% next year—0.4 percentage points lower because of Europe's slowdown. Goldman Sachs thinks the U.S. economic situation is worse, and Europe's slowdown could shave a full percentage point off U.S. growth in 2012.

That doesn't even consider the impact of a credit crunch. Many U.S. banks hold the debt of European governments and companies. That debt could lose value if the crisis in Europe worsens—and if that happens, U.S. and European banks may become so worried about each other's ability to cover losses that they'd stop lending to one other. That crisis of confidence would freeze lending and shock the global economy. Sound familiar? If so, it's because that's what happened in 2008. This process may already be in its early stages, as evidenced by the fact that bond yields jumped in November for essentially every eurozone country government except Germany. Even France seems to be a problem, with its bond yields inching close to 4% on concerns about its exposure to others country's debt.

Even without the crisis in Europe, the U.S. economy has troubles of its own. Its recovery has been modest from the start, restrained by headwinds from the bursting of the housing and credit bubbles—and a slowdown in activity this year has renewed fears of a double-dip recession. Some data suggests a firming of economic activity: For example, the National Association of Home Builders' market index rose in November to its highest level since May 2010. Other data suggests no firming of economic activity at all: For example, the U.S. economy added just 80,000 jobs in October, for example, showing that the U.S. economy is growing at a snail's pace. This discrepancy has been the case for some time, which you know if you've been reading this column every month.

I also like to look at data adjusted for inflation, which is no less confusing. For example, retail sales and industrial production showed solid monthly gains in October, rising 0.6% and 1.1%, respectively. Factor in inflation, however, and they came in at 0.5% and 0.8%, respectively. You'll hear that inflation isn't a problem, but we disagree. Yes, the Consumer Price Index (CPI) decreased 0.1% in October, with annual inflation coming in at 3.5%. But those numbers, as we've said before, include some fancy maneuvering in calculations, according to Shadowstats. Using calculation methods in place in 1990, annual inflation is 6.9%; using methods in place in 1980, it's 11.1%. Core CPI, which eliminates volatile food and energy costs, has risen for 12 straight months, since the U.S. Federal Reserve Board (Fed) introduced QE2.

So, which data should we believe? The good data, the bad data, inflation-adjusted or not? In my opinion, it's sometimes best to simply look at the big picture. The U.S. economy is still in the doldrums. Inflation is looming, if not here. A new layer of complexity has been added with the debt crisis in Europe. The Fed has pretty much exhausted its options. Now, you tell me what you think.

Here's what I think: There have been no changes in underlying fundamentals to sup-

C'est la Vie? European Crisis Hits American Shores

continued from previous page...

port a sustainable turnaround in consumer spending and thus in general economic activity. What we've seen is essentially bottom-bouncing. Accordingly, consumer spending should become increasingly negative in the coming months, and economic activity should continue to drag along at a slow place.

In this environment, many investors have turned to gold, and the precious metal hit a high of $1,895 per ounce on September 5, indicating that it might be overvalued. But is it? Gold prices have yet to re-hit their earlier all-time high of $850 per ounce, reached on January 21, 1980, when adjusted for inflation. That $850 per ounce is equivalent to $2,474 per ounce based on October 2011 CPI-adjusted dollars, and $8,695 per ounce based on inflation measures in place in 1980. In our opinion, then, gold may have room to climb, so don't consider it overvalued yet.

But one can't invest only in gold, of course, and other asset classes are tricky as well. Equities are volatile, and fixed-income yields are low. A case can be be made for equity income in this environment: At the end of the third quarter, more than one third of the companies in the S&P 500 Index (180) were paying higher dividend yields on their stocks than coupons on their own intermediate-term bonds, according to FactSet. So, we're a fan of high-quality stocks, but we also believe in diversification. In times like these it pays to keep your options open.

Thanks for reading,

Mark Grimaldi

America's Economist: Follow Mark on Twitter @NavigatorMoney

The Money Navigator's sister company, Navigator Money Management, Inc., making its 61st consecutive and largest quarterly "Helping Hands" donation of $3,193 to the Hudson Valley Food Bank. Thank you for making this donation possible. Merry Christmas!

Automatic Renewal

Every issue, update and weekly commentary of *The Money Navigator* is important for your investment objectives. Make sure to never miss an issue by signing up for automatic renewal for only $54 per year (just $4.50 per month). If at any time you decide you do not want to renew for another year, just let us know.

Dividends

The Money Navigator recommends that dividends and capital gains paid by your mutual funds and/or ETFs be reinvested. However, you can set up your account so that your dividends and capital gains are paid in cash if you need the current income.

Money Navigator Tips

1. Never leave your 401(k)/403(b) money in the old employer's plan.

2. Don't stop your 401(k)/403(b) contributions just because the stock markets are lower.

3. Prepare for your FICA tax to return to 6.25% in 2012.

4. We keep **all** past issues on the web site so you can go back and re-read them.

5. Watch Suze every Saturday night at 9 p.m. (and 12 a.m.) EST on CNBC.

6. Renew your subscription today! The best rate is $54 with auto-renewal.

7. Happy holidays!

NAP Compass Program

The Navigator team uses a "hands-on" approach for clients in the Navigator Auto Pilot (NAP) Compass Program, which keeps your accounts in line with the model portfolios that fit your investment objectives. To become a member of the NAP Compass Program, please email John Morgan, our Navigator Vice President—Client Relations. See more details on page 2 of your weekly commentary. Suze does not receive any compensation for assets placed in the Compass Program.

jmorgan@navigatormoney.com

MONEY NAVIGATOR STAFF

Chief Navigator	**Suze Orman**
Chief Economist	**Mark Grimaldi**
Publisher	**John Morgan**
Managing Editor	**Laura Phillips**
Relationship Manager	**Joshua Brenner**
Assistant to Publisher	**Sharon Marshall**
Intern	**Daniel Trocino**

Follow Suze on Twitter @SuzeOrmanShow

Customer Service
support@moneynavigatoronline.com

Financial Questions
markets.economist@moneynavigatoronline.com