Wealth Advisor Group LLC
A Dixon Hughes Company

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In order to better acquaint you with Wealth Advisor Group LLC, we are sending you our quarterly client newsletter which accompanies our clients' quarterly performance reports. We hope this gives you some insight into our firm. If you have any questions about our services, please call.

FIRST QUARTER 2007 INVESTMENT REPORT

Fee-only vs. Fee-based: The Dirty Little Secret

All of us at Wealth Advisor Group make a big deal about being a **fee-only** Registered Investment Advisor. We shout it from the rooftops whenever given a chance. If you look at the three-ringed logo in the upper right corner of this letterhead, note that one represents the importance of objectivity in the investment process. We, and virtually all other independent, unbiased experts, believe that fee-only investment management is the supreme way to show a client total objectivity.

Not surprisingly, this fee-only method of advisor compensation, and its preference by well-heeled investors, has not gone unnoticed by the big brokers and bankers. For more than a decade, in addition to their normal commission/load structure, they have offered accounts that charge quarterly fees ... and called them *fee-based* accounts. If you asked them what was the difference between a fee-only and a fee-based account, we'd guess they would say there was little if any difference.

But that would be wrong.

Unless you look really closely, fee-only and fee-based accounts can appear surprisingly similar. Fee-based accounts have been advertised as having:

- Customized advice and investment strategy
- Ongoing guidance and monitoring
- Ongoing personal relationships with investment professionals
- Enhanced reporting, including quarterly reports, tax information, etc.

Even our clients would be hard pressed to see a difference between the above bullet points and many of the same benefits we offer here at WAG. But there is a difference – a huge difference. Unfortunately, that difference is often seen only by studying the small print-legalese. Below is an actual example of the language in a large national brokerage firm's non-discretionary fee-based documentation:

Read that small print, and you find out that there are a bunch of reasons why a broker or banker might sell you a fee-based account that may not be in your best interest or guarantee that they would have a totally objective motive.

Would you like a real world example? Earlier this year, as reported in an industry trade journal, a top national brokerage firm announced the creation of a new deferred compensation plan for its brokers. They would earn up to $100,000 per year in deferred pay if they put clients in fee-based accounts with a written service agreement and had their clients use the firm's proprietary financial plan. The award was based on the number of client accounts that used the plan. Prior to this incentive, the firm had used special trips to entice the brokers to sign up clients.

Fee-only advisors' only source of compensation is from their clients' fees. Fee-based advisors can have their cake (client fees) and eat it too (numerous other incentives [*deferred comp, vacation trips, bonuses, etc.*] that may not necessarily be in their clients' best interest).

So now you know the dirty little secret … and why our blood pressure always rises when we hear someone use the terms fee-only and fee-based interchangeably. If you are aware of any misguided friends or colleagues who may be under the wrong impression, please enlighten them, or tell them to contact us and we'll be happy to do it.

Final Steps in the TD Ameritrade Merger

Eighteen months ago, when news of the merger between TD Waterhouse and Ameritrade was first published, we advised you that there would be little outward effect to our clients. Other than the official name change on statements and envelopes, you have probably not noticed much difference. In the second quarter of this year, the merger process will come to an end, and with that end will come two changes you probably will notice.

The first will be a change of your account number, and it will be a simple one. The first digit of your current eight digit account number will be changed from a 5 to a **9**; and there will be a **0** added at the end of your account number, to make a new nine digit number. For example, if your current account number is 512-34567, your new number will be **9**12-34567**0**. It is that simple.

The second, and much more exciting change, will be a brand, spanking new monthly statement format. Finally, TDA is going to change from an admittedly very mediocre monthly statement to one of the industry's best (trust us, we've seen it). This new format will allow you to elect to see an ongoing tally of cost basis information. Overall, it will be a cleaner and more uncomplicated design. In our opinion, it will be the single most positive, client-friendly change of the merger, and we are sure you will enjoy it. Expect to see these changes in your May '07 statement.

First Quarter 2007 Asset Class Returns

	1st Qtr		**1st Qtr**
S & P 500	0.60%	***Int'l Large Cap***	4.38%

Large Cap Value	2.01%	***Int'l Large Cap Value***	5.03%
Medium Cap	4.52%	***Int'l Small Cap***	8.15%
Small Cap	3.51%	***Int'l Small Cap Value***	9.06%
Small Cap Value	3.07%	***Int'l Emerging Mkts***	2.18%
Micro Cap	1.66%	***Int'l Emerging Mkts Value***	7.42%
Real Estate	3.39%	***Int'l Emerg. Mkts Small Cap***	7.35%
Intermediate Income	1.51%	***Pacific***	4.42%
Long Term Income	0.77%	***European***	4.14%

Vanguard Group and DFA, Inc.

For the first seven weeks of 2007, the market continued the upward path it had taken in the fourth quarter of last year. But when we awoke on February 27, news from China broke this trend. More than 800 Chinese stocks had dropped 10% or more that day. As many other global markets followed the direction, if not the extent, of the downdraft, market watchers tried to come up with logical reasons for this volatility. The fact that this same Chinese market had appreciated more than 100% in the previous 12 months seemed to elude them. A 10% correction to the previous year's doubling doesn't really take too great an IQ to realize that emerging markets can and most definitely will be explosive. Many investors apparently don't seem to mind when the explosion is in a northern direction. But when the market heads south, suddenly risk has a whole new meaning.

Interestingly, as shown in the chart above, with all the market gyrations that occurred during the last three months, all asset classes we track had positive returns. Even the ongoing leaders of the last few years – the exciting Emerging Markets and International Small Cap asset classes, were able to once again lead the way with high single digit returns. This continued strength, after years of above average returns and a great excuse to have a big pullback (the Chinese correction), clearly shows that the long awaited consolidation of these classes is not yet ready.

Back home, domestic equities fared less spectacularly. Large Cap stocks, as evidenced by an anemic S&P 500 return of less than 1%, continued to lag most other asset classes. Value classes continued to slightly out perform Growth. Most of our clients hold meaningful amounts of Large Cap in their accounts. It is and will continue to be a core holding. We expect when a change finally occurs, this important asset class will help dampen the inevitable correction of the Small Cap's currently out-performing cycle.

Our economy continues to balance between too much and too little. Strong employment is counterbalanced by a somewhat impaired housing market and a weakened market for sub-prime (risky) mortgage loans. Interest rates continue to stay in a narrow band, where there is little difference between the yield of a 2-year Treasury Note and 30 year T-Bond. Greenspan wonders out loud about a slowdown, while Bernanke ... not so concerned. The bottom line is a healthy, yet cautious, environment, which appears to signal a continued stability in interest rates. And as any Wall Street guru will tell you, stable interest rates are a prerequisite for any meaningful strength in the stock market.

As always, your portfolio's Performance Report is included with this letter. If we have managed your portfolio for less than a full three months, you will receive only a partial report, with the full report following next quarter.

Spring demands that you get outside and enjoy the explosion of color. So quit worrying about the occasional outbursts on your TV screen and in your portfolio, and head outdoors.

Sincerely,

Wealth Advisor Group

Wealth Advisor Group LLC
Selected as one of **Medical Economics'** ***150 Best Financial Advisers for Doctors for 2006***.

Our client centered portfolio management – something we call **The PROsperity Model (sm)**, is designed by combining:

- Our investment **Philosophy**, based in Modern Portfolio Theory,
- Our **Resources**, seen in human terms by our highly experienced, professional advisors; our affiliation with Dixon Hughes; and finally our unique ability to offer our clients institutional investment vehicles unavailable to most brokers, bankers or individual investors,
- Our **Objectivity**, which is anchored in our fee-only compensation structure, assuring no potential conflicts of interest of any kind.

- Our clients stand at the center of these principles, benefiting by the **Integration** of all three. We believe that a superior investment experience and performance can only be found when not one or two, but all three values occur simultaneously.