

DAVIDSON WEALTH MANAGEMENT

of Wells Fargo Advisors

2011 was a good year for many of the clients of Davidson Wealth Management. Financial markets may not have behaved as one would hope, but your team was there for you. This is our annual “State of the Practice” and our accounting of our work on your behalf and our plans for the New Year.

As we reflect on 2011, we are reminded of some of the possibilities you had to consider. Arab Spring / Ghadafi / oil uncertainty / debt ceiling / government shutdown / political rhetoric / Japan earthquake and tsunami and subsequent disruption of “just in time inventory” lead to “double dip” recession speculation / U.S. government debt downgrade / Greece and potential European Union collapse / stock market collapse in August / recovery this January / headlines, headlines, headlines.....

These headlines were sowing the seeds of investor concerns and setting the stage for meaningful progress. In 2011 we invested time listening to you and planning for the things we can control, knowing headlines are outside of our grasp. In fact, some of our team members attended advanced, multi-day workshops just to learn how to be better listeners. Collectively, our 7 member team, representing 128 years of experience, invested an estimated 300+ hours on advanced training and continuing education in order to bring you current, relevant solutions and to ultimately better serve you. We went back to basics, assisting many of you with further defining your goals and taking action to get you closer to them. Our meetings included budget reviews, balance sheet restructuring, retirement transition plans, income plans and investment plans.

While we listened, we heard you speak of matters of substance, “*My plan is all about taking care of my spouse. Should I pay off my house? My daughter will attend college next year. My sister needs help – what can we afford to contribute? My husband’s Alzheimer’s has recently worsened. I received an unexpected “package” from my employer – what do I do?*” These discussions revealed your values and purpose of your investments. Our plans are grounded in your purpose and sound investment fundamentals. We anticipate these plans to payoff in 2012 and beyond.

We see hope and possibilities in 2012 and the years ahead and we have written and shared these with you recently on a conference call. A confluence of events in early August took its toll as investors sold stocks sending asset prices in sharp decline. Our response was to write two position papers, “*The Fork in the Road*” and “*Two Speed Bumps and a Detour*” (www.davidsonwealthmgt.com) – offering both a perspective of short term understanding and long term encouragement, as the mathematics of security analysis suggested to us promising future investment returns. The statistical data of our research continues to be encouraging and we are anxious to share with you in person.

Again in 2011, *BARRON’S*, an independent investment magazine, ranked us 8th in NC among all financial advisors¹. Our practice was in the top 1% of all Wells Fargo Advisors (over 15,000). In addition, for three years, we have served on Wells Fargo Advisors eight-member Advisory Council soliciting new services on your behalf. Our dedication to fee-based planning, asset management, and reliance on Envision[®] planning were noted as best practices. As leaders in our field we remain committed to bring you our very best in 2012.

Assets under advisement at year-end were \$364 million, up from 2010. (This does not include over \$300 million in 401(k) plans.) Net new assets under advisement were up even though client withdrawals for spending and restructuring balance sheets remained high.

Painfully, we lost 11 clients to death in 2011, the same as in 2010, reminding us how personally precious every relationship is. We are grateful for every relationship, regardless of portfolio size and longevity with our practice. We will never forget the people behind the assets we manage and those we will miss.

Listening and serving means going the distance – beyond asset management. In 2011 we helped our clients build strong balance sheets through both asset and liability management. We often referred you to lending services through our banking affiliates, resulting in over 40 debt restructurings in 2011 through our referrals. Income planning and risk management were standard in our service model. Looking forward, we pledge to continue to ask thoughtful questions and seek solutions for long term care risks and spending sustainability. We will continue to provide online service assistance, helping when technology falls short of its promise. We will continue to be passionate that no client receives voice mail unless they ask for it. Serving means never saying “I’m satisfied.” Serving is core to our values.

We will continue to rely not just on our core values, but on our true team commitment, diligence, experience and persistence to payoff for you in 2012. Thank you for providing us inspiration.

“We help manage your family’s financial life.”



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1. The rankings are based on data provided by over 4,000 advisors. Factors included in the rankings were assets under management, revenue produced for the firm, quality of the practice, and other factors. Institutional assets are given less weight in the scoring. Investment performance isn’t an explicit component.