

• Firm Update by Jim Steffen, CFP®, President



Summer was slow to arrive in Minnesota but is finally in full swing. I hope you enjoyed some quality time with family and friends over the Fourth of July Holiday. A week of sunny weather at the cabin in Minong, WI, was a fantastic vacation for the Steffen's. It has been a busy and productive first half of the year at Trott Brook. We have been blessed with a steady stream of new clients joining our firm family. Thank you to so many of you that have steered your friends our way. Those introductions are priceless and much appreciated!

This fall will mark five years in our space at the Ramsey Office Plaza...wow, that went fast! We have been busy designing an office expansion that will accommodate our needs for the next five years and beyond. Much like building a house for a growing family, there are so many things to consider. We look forward to showing you our new space later this year.

Our annual "Half Time Report" will be held on Tuesday, July 30th, at the Fountains of Ramsey. Breakfast will be served at 7:30 with the presentation beginning at 8:00. This is a follow-up to our State of the Markets address that is held each January. Ted will reflect on the economy at the half way point of the year and discuss new trends that look to drive the markets going forward. We hope you'll join us. Guests are welcome and a great opportunity to introduce someone to our firm. Please call Nikki to reserve your seats.

Another annual favorite is the Trott Brook Benefit Bash set for September 14th at Rum River Central Regional Park in Ramsey. This is our ninth year raising funds for the Ann Talle Anoka Area Chamber of Commerce Scholarship Fund. We are closing in on \$50,000 raised, or 100 scholarships granted to graduating seniors at our local high schools, since we created this event in 2005. We are excited this year to have GB Leighton as our featured entertainment! Performing 200 shows a year for the last fifteen years across the upper Midwest, Brian Leighton is one of Minnesota's best singer songwriters and a rare solo performance will make this year's Benefit one you won't want to miss. Watch for your invitation in August or purchase tickets now at trottbrook.com.

Upcoming Event...

Annual Half-Time Report

Tuesday, July 30, 2013

7:30 am - Registration & Breakfast

8:00 am—Presentation

Fountains of Ramsey
7533 Sunwood Drive
Ramsey, MN 55303PI

Please RSVP prior to July 25th at 763.213.1000 or nikki@trottbrook.com

• Commentary by Ted Erhart, CFP®, Financial Consultant



It appears we may have finally seen the bottom of interest rates. Freddie Mac, one of the largest purchasers of mortgages in the United States, reports that mortgage rates hit their lows in November 2012 and just about touched bottom again this past April. According to Freddie, in the week ended April 25th, the average 30 year fixed mortgage rate was 3.40%. The average 15 year fixed rate was 2.61%.

Since April, rates have been creeping up and recently jumped notably when the Federal Reserve announced it plans to slow down its "monetary easing" policies. "Monetary easing" is basically a fancy way of saying enacting policies that promote a low interest rate environment.

Since the depths of the financial crisis in 2008, the Federal Reserve has moved aggressively to keep interest rates low. This policy was designed to help the economy recover from the recent recession. Low interest rates generally incentivize businesses and consumers to spend because the cost of debt is reduced.

To put the interest rate increase into perspective let's look at where rates are now. According to Freddie Mac, for the week ended June 27th, the 30 year fixed rate mortgage averaged 4.46% while the average 15 year fixed rate averaged 3.5%. So roughly speaking, interest rates are up about 1% over the past two months.

So what do rising interest rates means for investors?

Generally speaking, bond investors are the most directly impacted by changing interest rates. Higher rates can be good and bad. The good news is that newly issued bonds will be paying more interest. The bad news is existing bond holdings will likely lose market value.

Remember, bond prices move opposite of interest rates. Let's look at an example. Imagine you own a \$1,000 bond issued by Target Corporation that pays 4% for 10 years. Further, let's say the bond is half way to maturity and Target decides it needs further financing so the company issues new bonds. Because interest rates are have increased, the company issues shorter maturity bonds. In this example we'll say the new bonds mature in 5 years. The interest rate on the new bonds is 5%.

Assuming Target's credit risk is the same, you now have two identical bonds except for the interest rate (they both mature in 5 years and have the same credit risk). Which would you prefer, a 5 year bond that pays 4%, or one that pays 5%? Because investors prefer the higher yield, all things being equal, the lower yielding bond will decline in market value.

In a rising interest rate environment, investors are generally better off owning shorter term bonds because they aren't stuck with them for so long. When the bonds mature, new issues can be bought that pay the higher market rates of the day.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.



Jim & Lisa Steffen

Despite the grueling winter and rainy, cold spring the Steffen family managed to have fun! Jim and the kids were able to get some hours on the snowmobile. They enjoyed running the river and Jim participated in the Mayor's trail ride. Lauren and Tommy both took to the hoops and had a great season! Lisa's brother and sister in-law came from Chicago to cheer Tommy on through the final tournament. It was exciting for all, unfortunately they were defeated in the last game. This spring Lauren joined the varsity track and field team. We now have a mid distance runner, high and long jumper. She did an awesome job! Tommy is back on the Anoka Traveling Baseball team and having a great season which is now winding down. The kids have a full schedule of camps and staying in shape for the fall sports season. Speaking of getting in shape...Lisa just completed a 10 week, 6 days a week class at Farrell's Extreme Body-shaping. She just re-signed to continue these grueling kick boxing and band classes. The LPL Master's Conference took us to Scottsdale for spring break. It was amazing to see all the changes at ASU where Lisa graduated. It was a perfect trip of hot sun, great hikes, pool time and fun with old friends and family. Lisa snuck away alone to surprise her folks in Naples, FL. Needless to say...her mother was completely shocked when she opened the door! It was a trip she will always treasure! Jim and his dad just returned from their annual Canada fishing trip. This year's special guest, the incredible fishing machine...Tommy Steffen attended! It was a trip that the three generations of fisherman will never forget! Lisa has become the Queen of silent auctions. She again co-chaired the Mercy / Unity Hospital's Crystal Ball along with the Legacy Academy Golf Scramble. A few summer getaways include the cabin and Chicago for some much loved fun with our families. The kids are looking forward to working at Papa's hotdog stand and getting their fill of hotdogs & ice-cream! Have a great summer!



Ted Erhart

Every time I sit down to write my personal update I'm amazed at how fast time goes. During the first several months of the year I finally had a chance to finish a few books. Two books I would highly recommend are *Influence: The Psychology of Persuasion* by Robert Cialdini and *The Age of Turbulence* by Alan Greenspan. If you are interested in psychology or self-improvement, Robert Cialdini's book is for you. Though Alan Greenspan's legacy took a hit as a result of the financial crisis, his autobiography provides a great history of American economics and politics dating back to the 1950s. Aside from reading books, I've spent a fair amount of time shooting trap and skeet this spring. Until a year ago I had never done much in the way of shooting other than hunting. I've really come to enjoy the sport. Perhaps the most exciting news as-of-late is that my wife Kelly accepted a job as a nurse-anesthetist at St. Cloud Hospital. What's amazing is she doesn't even start until January 2014! She actually is still in school until mid-November. Kelly and I are both grateful that she will be graduating with a job lined up considering the competitive world we live in. She is especially excited to be done with academics so she can get back to doing what she loves, riding her horses!



Nikki Cellette

Summer has finally arrived! I am beyond thrilled for the rain and the cold weather to be behind us and to enjoy the sunshine. This spring was very busy with family and the demand of sports for both children. In the beginning of May, my parents sold their business of eighteen years. They spent those years and long hours managing and owning Primetime Food and Spirits in Breezy Point. It had become a second home to my family and was very sad to say goodbye. The memories and life long friends we developed there are amazing! The kids have missed working in the kitchen, cleaning tables, late nights and of course making money. They are still trying to comprehend the fact that we now have to pay for food and there is no longer an endless supply of quarters to play video games! We are feeling very blessed to finally have the one on one time with grandpa and grandma that we have always wanted! In May, George was one of the lucky golf bloggers who won a trip to the "Nike Oven" in Dallas, Texas. The Oven is where the research and technology begins in creating Nike golf clubs and is restricted to Nike employees and professional golfers only. This all inclusive trip included a new set of custom made clubs, apparel, travel bag, gift cards and a short game with Kyle Stanley and Jonathan Vegas! This was certainly a dream come true for Nike's biggest fan and avid golfer. I am looking forward to attending my first National LPL Conference in San Diego this August!