



RESPONSIVE FINANCIAL GROUP, INC.

A Registered Investment Advisory Firm

January 2007

The year 2006 is over and in the books. Not a bad finish either! We reported to you last quarter that the S&P 500 (with dividends) enjoyed the strongest quarterly return in nine years, well; this quarter was even better leaving the S&P 500 up 15.8% for the year. All of our Risk Adjusted Portfolios (RAPs) beat their benchmarks for the quarter by at least 0.7% to as much as 1.8%. Please see your reports for your actual portfolio performance and the benchmarks. Remember when it comes to returns, past performance does not predict future returns.

I hope you will forgive my not being too chatty this letter, we have a lot to tell you about and the letter is going to be too long as it is. We'll get right to it then.

We have significantly improved our Reports and Schwab's reporting to you in several ways.

- You will note a new, more informative and readable format for your Schwab Statements.
- In November, we reconciled Schwab's cost basis information for your accounts to our own, and so for taxable accounts, you will have access to your current cost basis information at Schwab 24/7 and will receive realized gain/loss reports from Schwab in 2008 for calendar year 2007. This is in addition to the reports we already provide to you, (and to your accountant if you have given us permission).
- Schwab has made available (finally) a complete eDelivery program. It is an exceptionally secure delivery system, certainly more secure than having paper statements mailed. It notifies you via email, immediately upon the availability of any new Schwab confirmation, statement or investment company reports. It not only reduces the time to receive your reports, (Our corporate Schwab account 12/31 statement was available on January 2nd!), but also the space to store them. Schwab keeps a rolling 10 years of reports online, which you can easily save to your own computer. Please let us know if you would prefer eDelivery or would like to know more about it. To top it all off Schwab will reduce your trading costs for individual securities and ETF's for electing eDelivery.

We have improved the format and clarity of our own reports:

- New pages in your report are a **Cover Page** to provide a bit of desktop confidentiality, the **Table of Contents** detailing all of the individual reports provided and the **Benchmark for Portfolio Performance Review** page. The latter page indicates the account for which the following reports apply and indicate the appropriate benchmark for comparison. For "Composite" reports, reports covering more than one account, you will need to review your individual account reports which follow it to determine which benchmark is appropriate for your purposes.
- Your **Portfolio Performance Review** has been dramatically improved. It is simpler to read yet contains more information.
 - First is the color performance graph, **Your Portfolio vs. Benchmarks**, (note the color of your benchmark from the previous page and compare it to your portfolio, the black bar).
 - Next is your usual detailed reporting for the last period (the year) in dollars.

- Lastly, your performance reporting section is more concise and complete. The first line, or row, is your account(s)'s **Time Weighted Net** rate of return, for periods of more than one year this is a cumulative total return. The next row is also your account but this is the **Annualized** (or average) return for periods of more than one year. Following these two rows are the annualized returns for each of our five most used benchmarks.
- Your **Portfolio Statement** has also been improved, but more simply with two additions:
 - The **Asset Class Allocation** pie chart will help you to monitor our “strategy” as of the end of each quarter. It indicates your portfolio’s (either individual accounts or composite portfolios) allocation to just four asset categories; **Cash & Cash Equivalents, Debt (i.e. bonds) & Non-Equities, Hybrids (managers who can change their own allocations), or Equities (i.e. stocks, real estate).**
 - The **Detailed Asset Allocation** pie chart you might refer to as our tactical report, or how we came to our strategy. Due to the nature of this graph, part of the label for some of the asset categories may be incomplete or missing. Depending upon how the software rotates your specific graph some the headings wind up outside the printable area. The missing data can be found in the detail section.
 - Following that is your detailed list of securities by asset category and the Cost Basis, Current Value, and Unrealized Gain (Loss) for each.
- The last report is your **Quarterly Billing Statement** indicating your fees.

We hope that you find our new reports easier to digest and more informative. During the coming year we will be unveiling additional advice, service and reporting enhancements to make the management of your financial life easier, more efficient and effective than ever before and more “*Responsive*” to your needs. Please call, write or email to keep us abreast of your specific needs and opportunities. The more we know from you, about you, the more we can share with you the financial techniques and tools that might work to your advantage, inform you of risks you might avoid or manage, and assist you in the process.

We will continue to employ all of our best efforts to assist you in meeting your financial goals. **Please contact us whenever a financial question or opportunity arises. We are here when you need us.**

Have a GREAT 2007!