To Your Wealth

A Semi-Annual Report to the Clients of Financial Service Group, Inc.

An Introduction...

Welcome to the first issue of ***To Your Wealth,*** *our semi-annual report to clients. This device replaces our previous newsletter and will be published and distributed to you twice a year. We are confident that you will find the content valuable, informative and perhaps even entertaining at times.*

To satisfy the need for both immediate news and updates as well as provide for less time sensitive material, the Financial Service Group Quarterly will move to a semi-annual publication augmented with more frequent Client Communication Briefings.

The Semi-Annual Report will focus primarily on results from the major financial markets, planning strategies, and ideas of value to your financial well being. In the interim between newsletters, I will be keeping you up-to-date on market conditions and trends that affect your financial plans.

We feel that this new formula will more effectively address your needs for relevant and timely news and information. We are always open to your feedback and would welcome your comments on our new format. ▲

MARKET COMMENTARY

Fourth Quarter Performance Report

December 31, 2001

Recovery is under way

While it may have been hard to recognize, we did experience a significant recovery in the financial markets in the final quarter of 2001. This improvement was, in part, due to the aggressive package of lower interest rates and government spending that was quickly put in place after the tragic events of September 11. For the quarter, the Dow gained over 13%, the S&P 500 was up by over 10% while the NASDAQ led the charge with returns of over 30%.

As for 2001, the only positive comment I can make about the year in general is that it is over and we can look forward to better times in 2002. While stocks recovered quite well in Q4, all the major stock indices were down for the second consecutive year. This is the first time we saw back-to-back losses in stocks since 1973-74. The S&P500 finished the year off by over 12% after dropping by nearly 10% in 2000. The Dow decline was 7% in 2001 after losing nearly 5% in 2000. The worst performance was saved for the technology-rich NASDAQ, which lost 39% in 2000 and dropped an additional 21% in 2001. Small company value stocks bucked the trend with gains of over 13% in 2001 and over 20% in 2000.

When large company growth stocks soared from 1994 through 1999, small value stocks languished with annual returns of less than 5%. As the tech wreck gathered momentum and the large growth stocks swooned, investors bid up the prices of value stocks and bonds. This demonstrates why it's important to include all asset classes of stocks in a diversified portfolio. We cannot forecast the future, but we can hedge by diversification, thereby reducing volatility.

Bonds are another asset class that we include in a diversified portfolio, particularly when the investment objective is income. While bond returns were basically flat in the fourth quarter of 2001, they provided strong returns over the previous two years. Initially, this is because investors pulled money from stocks and bought bonds thereby driving up bond prices. Additional momentum for bond price appreciation came from the Federal Reserve's aggressive interest rate cuts in 2001.

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MARKET COMMENTARY

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Bond returns will not repeat that feat this next year as the economy starts to recover in the second half of 2002. Investors will start shifting their assets toward stocks and away from bonds, pushing bond prices down and interest rates up.

Over the past two years, we have been using the bond/ fixed income part of the portfolio to draw from to cover the distribution needs for our income-orientated clients. As stocks recover this next year, we will reallocate by selling some of the stock investments and purchasing bonds and cash. This is to replenish the bond and fixed income allocation that was drawn down during this past bear market in stocks. At your next review, we will discuss your allocation and determine what changes, if any would be recommended and appropriate.

Unforeseeable events, and particularly tragic ones like September 11, temporarily disrupt all financial assets. During uncertainty that follows such an event, time and patience are needed to allow the natural relationship between these asset classes to be restored. We've seen this approach played out repeatedly in the past four months.

In summary, the prospects are encouraging for an economic recovery in 2002. The past year, and the past quarter, has certainly tested the mettle of all investors and financial industry professionals. We turn our sights now to a brighter, less volatile, and improved condition in 2002. ▲

STOCKS & BONDS PERFORMANCES

Stock Performance	*4th Quarter 2001*	*2001*	*2000*	*1999*
S&P 500	10.68	-11.88	-9.10	21.04
Barra Small Cap Growth	20.19	-1.19	0.57	19.57
Barra Small Cap Value	21.65	13.52	20.88	3.05
MSCI Europe	10.07	-19.90	-8.39	15.89
MSCI Pacific	-0.64	-25.40	-25.78	57.63
MSCI Emerging Market	26.26	-4.91	-30.00	66.18
Barra Large Cap Value	7.97	-11.71	6.09	12.72
Barra Large Cap Growth	13.04	-12.72	-22.08	28.25
Dow Jones Industrial	13.84	-5.44	-4.85	27.21
Nasdaq Composite	30.13	-21.05	-39.29	85.59

Bond Performance	*4th Quarter 2001*	*2001*	*2000*	*1999*
LB Government Index	-0.59	7.24	13.23	-2.25
LB Credit	.35	9.76	9.40	-1.94
LB Mortgage-Backed Bond	0.07	8.22	11.17	1.85
CSFB Global High Yield	5.65	5.78	-5.21	3.28

Report Card *(continued)*

your time to complete, but it provides us with the type of feedback we need to develop long-term plans for delivering those services you find to be of the most value. The data is also used to correct areas identified as needing improvement and is an important element in ensuring our goal of providing best-in-class experiences each time you deal with us.

Key elements of the Report Card grades our performance on client service, administrative practices, communications, and performance. Since we value the opinions of all of our clients based on their individual experience with FSG, we will be providing copies so spouses can express their separate opinions if they wish to.

Watch your mail in late February for the Report Card. As an incentive, respondents who send in their Report Cards by the identified date will have their name entered into a drawing for a fabulous – well…at least really nice – prize from FSG. ▲

Out of Sight, Top of Mind

As an important client to FSG, our meetings to review your financial plan represent a significant opportunity to ensure that we are adding value to you. However, it's important for you to know that our attention to your financial welfare goes on even when we're not meeting personally. You may be out of sight for a time, but you're not out of mind when it comes to managing your account.

Our management services include on-going and consistent financial review, monitoring, consulting, and implementation to help ensure your financial planning objectives. Additionally, we conduct a complete asset allocation review each quarter. Based on that review, we formulate suggestions and recommendations if adjustments are necessary to align with the objectives stipulated in your Investment Policy Statement. You also receive a quarterly view of your investments in the Current Position Financial Reports that we mail to you.

Perhaps more significant than the quarterly review is the Financial Service Group differentiator of daily management of the assets we hold on your behalf. Each day we review electronically provided reports that reflect the cash balances, margin debit balances, changes in securities held and all other activities in each client's account. Significant changes, such as maturing bonds or securities and periodic distributions, are identified for appropriate reinvestment as determined in your written investment policy statement and consistent with your financial objectives.

We have the processes and systems in place that allow us to be proactive in helping you achieve your goals—even when you are out of sight. ▲

For Your Review...

Be sure to bring the following documents with you for our next review meeting.

- ✔ Latest available tax return
- ✔ Insurance policies and/or renewal statements
- ✔ Beneficiary designations
- ✔ Powers of Attorney
- ✔ Deeds, business interests, buy/sell agreements
- ✔ Trusts, wills, and other estate planning documents

AN FSG SPECIAL INSERT

Out & About

NY @ Ground Zero

November 18, 2001

On a crisp autumn weekend, I took advantage of airfare and hotels priced at giveaway rates to visit New York City. I went there with my son, Jason and a running buddy, Cory Hlavka. We left early on November 16, arriving at our hotel in mid-town Manhattan by late morning.

After checking in to The Hilton and Towers (where we paid only $95 per night), we headed south down the Avenue of the Americas to jog the five miles to the now infamous Ground Zero. It was a perfect day for a run – bright sun, light breezes from the south and temperatures in the 50s. Occasionally, we could detect the smell of the smoldering rubble –like the odor of a wet campfire. As we passed Macy's department store, the hustle of shoppers seemed incongruent with horror that had unfolded just a few miles away. The smell became stronger as we entered SoHo and Greenwich Village.

We observed our first definitive sign of the loss and destruction when we came upon the firehouse that was first to respond to the attack (see first picture). The station was a little more than a mile from the Twin Towers and it had been turned into a shrine honoring firefighters-turned-heroes who sacrificed all on a

different sunny day. Candles, notes, posters, and flowers, which served as a visual expression of loss and grief shared, surrounded their photos – all eleven – by all. A silent pall overtook us as we approached the barricaded street – we were still six blocks from the fallen towers. Even though the foot traffic was considerably heavier, no one spoke. The fence barricade was covered with fading missing person posters and the only way to witness the carnage from the attack was

to wait for a turn to peer through gaps in what could be called America's Wailing Wall. It defied comprehension that what we were seeing was actually four blocks from where the Towers once stood. On that crisp, sunny day we saw the NYFD rescue squad waiting with the engine running. The workers had recovered five more bodies.

No matter how much I saw on TV, nothing could compare to the massiveness of the

(over)

NY @ Ground Zero

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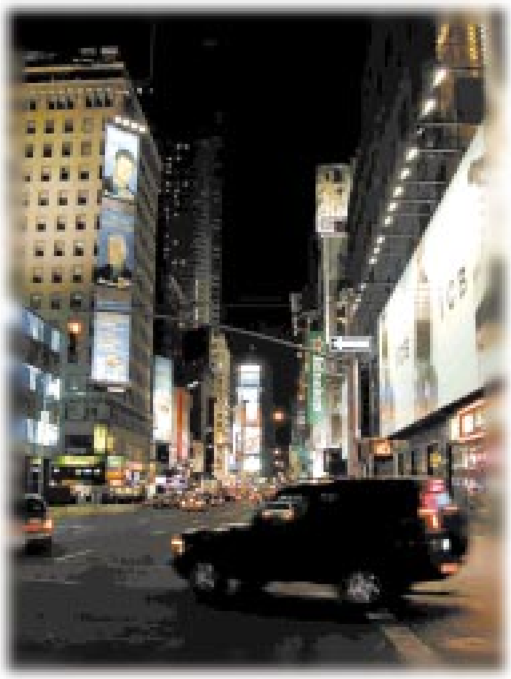
destruction I witnessed. It reminded me of the first time I saw the Grand Canyon. As no photos could provide the same experience of vastness that you feel from the Canyon, the same can be said for the Twin Tower tragedy.

Our band of three said little during the hour hike back to our hotel. Once we made it to Times Square, life seemed almost normal – stores were preparing for the holiday shopping season. Back at the hotel, cheerleaders were



excitedly preparing for the Macy's Day Parade coming up in a few days. We went for a run in Central Park and observed the New Yorkers doing what they force themselves to do – getting on with their lives – families together, children playing.

On Sunday morning I joined six thousand runners and walkers and ran a four-mile fund raising race in Central Park. The cause was to raise funds for food delivery for the disabled and shut-ins – more evidence of America's giving spirit. A recent Indiana University study found that over 75% of Americans made donations following September 11. Standing in that crowd of 6,000 runners in a city that had so recently been brought to its knees, I truly felt privileged to be an American.

I would highly recommend traveling to New York City – *the experience will be unforgettable.*

Additional photos from my own NY experience are posted on our web site at toyourwealth.com. ▲

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Financial Service Group, Inc. is a Registered Investment Advisory firm with the Securities Exchange Commission.

Copies of disclosure brochure outlining services available by calling: (262) 554-4500 or (800) 420-4500

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A Quick Scan Can Prove Valuable

Imagine having all your important documents available to you, or others you designate, all available electronically in one place. The advantages are numerous: convenience, organization, speed – all factors that can prove valuable when life events create need, crisis, or change.

FSG provides electronic document archiving to clients as a value-added service. Bring your important papers to your next review and we'll see to it that they are scanned and stored, while maintaining confidentiality and security of your sensitive information (refer to Privacy Statement, at left).

Electronically accessible copies can increase our ability to respond quickly and reduce pressure from your family during times of crisis. Files can be easily and quickly transmitted to authorized recipients. Having all your documents in one place is convenient for you and helpful to us when reviewing your accounts and your financial planning objectives for consistency.

What You Should Have Scanned

- Estate planning documents
- Deeds of trust and other important real estate documents
- Powers of Attorney
- Insurance Policy Declaration pages and renewal notices
- Beneficiary designations