

What now? An investment portfolio recovery plan

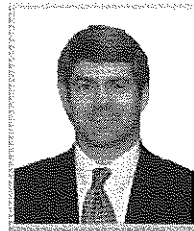
As we all have witnessed, the past year and a half has seen significant market swings and volatility.

The impact on your emotions and investment decisions has been just as significant. With seemingly daily headlines of gloom and doom — the war in Iraq, inflation, fraud and seemingly endless government spending — it is often difficult to remain optimistic. However, fear and indecision are emotions frequently linked to harmful investment decisions. Another major contributor to a lack of investment success is the tendency to overweight recent market and/or economic news in the short term causing you to miss out on future recovery and opportunities for portfolio repair and growth.

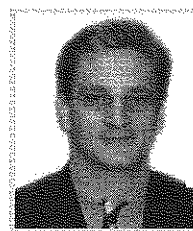
It would be nice to know with 100 percent certainty when the stock market has reached a new height, a new low, when it is best to buy, and when it is best to sell. Unfortunately, this is much easier said than done. Nobody knows exactly when the stock market reaches a top or bottom.



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In many cases when the stock market begins to recover, it can increase in quick bursts. For example, during the second quarter of 2009, the S&P 500 index had a positive return of 15.93 percent. Often by the time people realize the stock market has started its rebound, they have missed the opportunity to participate. Unfortunately, even if you only miss one day, this is often critical and your returns may be compromised. 1.

Let us examine some statistics from a longer period. The S&P 500 gained 11.8 percent per year between 1982 and 2001. However, only the investor who stayed invested for the entire period managed to earn that large rate of return.

■ If you invested \$10,000 in 1982 and stayed invested the entire time, you

would have just over \$93,000.

■ During this 20-year period, if you missed the 10 best days during that time-period, the value of your investment would only be \$56,000.

■ If you missed the 30 best days during that period, you would only have \$28,000.

■ If you missed the 50 best days out of all 19 years, you would have only \$15,000. 2.

If you observe the wealth-building techniques of two very successful investors, Warren Buffet and Sir John Templeton, you will notice that both of these legendary men often reaped great rewards at times when others may have panicked. Their disciplined and non-emotional approach to owning and staying invested even during difficult times certainly paid off for both of these billionaires.

The lesson we can learn from these great investors and such statistics is that one of the best ways to successfully invest in your future is to determine your goals and risk tolerance, invest with a plan and then stick with your financial goals rather than try and time the market.

A bell is only rung to open and close the market, not to tell you when to buy and when to sell.

After such a tumultuous year, many investors may read the above and find themselves now asking, “How? How do I repair my portfolio? How do I plan for a retirement period that may last longer than my working years? How do I plan for the contingencies that are prevalent in life?” To move beyond counterproductive behaviors, consider the following steps:

1. Select an advisor that understands your goals and has a proven track record.
2. Allow your investment professional to diagnose and implement a prudent strategy that matches your goals with your risk tolerance.
3. Have a documented non-financial goal for your investment dollars. This will allow for periodic tracking to help insure you are on the correct path and allow for adjustments when needed. This will make you less likely to deviate from that goal during volatile markets and increase your focus on the long term.

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"The only comment I can make is one that the immortal Bobby Jones related: 'One learns from defeat, not from victory.' I may never have the chance again to beat the kids, but I took one thing from the last hole: hitting both the tee shot and the approach shots exactly the way I meant to wasn't good enough. ... I had to finish."

Tom Watson

Golfer, following an excruciating loss at this year's British Open

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4. Rather than trying to pick entry and exit points in the market, develop a consistent investment process that takes advantage of dollar cost averaging.

5. Periodically review your investment and insurance portfolio as well as your estate planning with your advisor to make necessary changes and take advan-

tage of opportunities in the market place.

In closing, we would like to use a recent sports story. As many of you know the hall of fame golfer Tom Watson recently captured the hearts and minds of many baby boomers that watched him during the prime of his career in the 1970s and 1980s. Watson had a chance to win this year's British Open at the age of 59, which would have made him the oldest major champion in golf history. Unfortunately for Watson, he lost his lead on the final hole. "The

only comment I can make," said Watson, "is one that the immortal Bobby Jones related: 'One learns from defeat, not from victory.' I may never have the chance again to beat the kids, but I took one thing from the last hole: hitting both the tee shot and the approach shots exactly the way I meant to wasn't good enough. ... I had to finish." The game of golf is much like life. A golfer can do everything right but sometimes you have bad bounces. We have all been through a very bad bounce. It is what we learn and

what we do in the future that will determine our success.

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1 Indexes are unmanaged and not intended to represent specific investments. Investors cannot invest directly in an index. Individual results may vary to management fees, transaction costs and taxes. Performance figures do not take into account the fees and expenses. Past performance is no guarantee of future results. **2 The source of this information is a study done by the University of Wisconsin-LaCrosse.** The S&P 500 is comprised of 500 stocks representing major U.S. industrial sectors and is considered representative of the market as a whole. Performance figures are inclusive of dividends reinvested.