

THE WEALTH ADVISOR

Issue 1

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Welcome!



Welcome to The Prosperity Consulting Group, LLC's new newsletter, *The Wealth Advisor*.

We believe it is important to provide our clients with information regarding events in the economy that affect them. Our goal for this newsletter is to provide our clients with useful information and to have the opportunity to provide insight on the current issues that we feel are important.

If you have any topics that you would like addressed please feel free to contact us so we can include them in an upcoming issue.

The Prosperity Consulting Group, LLC makes it a point to embrace the total wealth management process.

We differentiate ourselves by developing relationships and providing you with objective wealth management strategies, aligned to your financial objectives.

The Prosperity Consulting Group, LLC is known for providing wealth management and life planning services. Our retirement plan group not only manages the retirement assets but is intimately involved in executing enrollment meetings and management of the 401(k) process.

We welcome the opportunity to review your existing plan or speak with you about retirement planning options for your company or key employees.

For the individual participant, if you leave your place of employment, and would like to explore available options with your 401(k) plan, we are able to assist you.

The Prosperity Consulting Group, LLC appreciates the trust you have instilled in us, and remains committed to helping you achieve your wealth management goals.

OUR MISSION STATEMENT

To provide comprehensive wealth management solutions tailored to meet the unique needs of our clients that emphasizes value added services aligned with our clients' best interests. We are committed to our clients' success.

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Volatility Versus Financial Goals

During times of market volatility, many consumers wonder why they are investing in the equity markets at all. The answer is simple. Over long periods of time, a diversified group of equity investments has historically beaten inflation, bond returns and most importantly, has helped many investors accomplish various long-term financial goals. *(Past performance is no guarantee of future results.)*

It's not easy for the average investor to stay the course when times are tough, much less buy more equity investments in the middle of what seems like "financial Armageddon." Yet, this is exactly the attitude that many successful investors have – they want to buy more investments when it seems like the worst thing they could possibly do with their money, because they understand the long-term trends of the economy.

Consumers should invest in a diversified portfolio (meaning broad groups of equity, bonds, real estate, and natural resources suitable for their risk tolerance) and consider long-term financial goals, not react to current market events. A common reaction successful long-term investors have during down markets, is to add money to their diversified portfolio or to rebalance their portfolio back to their target mix of asset classes.

Investors who are getting nervous during this economic downturn may want to ask themselves which risk is greater: the risk of value swings (yearly or quarterly) in their investment accounts, or failing to achieve the long-term rate of return they need on their money to accomplish their financial goals. Achieving the proper portfolio risk level is clearly a balancing act and should be addressed by your advisor in the targeted mix of diversified asset classes utilized. To get higher returns, investors have historically had to take bigger risks, thus incurring more volatility and having a less certain outcome.

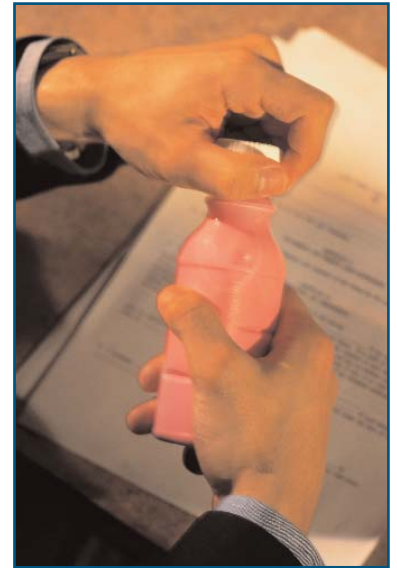
Over the past 100 years, the domestic stock market has suffered 30 bear markets. The market has recovered from all of them. Historically stocks have outperformed bonds and cash investments. Although times may seem especially bad now, investors should remember that there have always been and there always will be factors that make consumers think they should be out of the equity market: wars, oil

shocks, presidential assassinations, terrorist attacks, currency melt downs, and economic downturns. Maintaining a diversified group of equity investments has historically allowed investors that remained invested to be better poised for a market recovery. This is because more uncertain investments demand higher returns from investors, much as a banker would demand a higher interest rate on a loan to a small start-up company versus an established blue chip large company.

Jeremy Siegel gives an example of stocks overcoming the risks of an era in his book, *Stocks for the Long Run* (third edition). Siegel discusses how the world was threatened with a potential nuclear holocaust from the Soviet Union from 1949 through the end of the 80s. The

height of the threat came in the late 1950s and early 1960s, a period of strong economic growth and stock prices. While we now have an increased risk of future terrorism, we have eliminated the risk of total nuclear war. The world has become more of a global economy and corporations around the world have experienced dramatic gains in productivity and earnings.

The important thing to remember is that there will always be reasons to be out of the equity markets, yet successful investors have historically been paid for tolerating the increased risk of uncertainty.



If you know of others who should regularly receive this newsletter, or should you like to be removed from this mailing list, please email cpf@prosperityconsult.com.

Avoiding Investment Pitfalls

One of the greatest challenges investors face is controlling their emotion-driven decision-making and investment behavior. Neither uncertainties regarding geopolitics nor the global economy are as likely to defeat investors over time as their own fickle emotions.



by Don Hoffman, MS, CPA
President

Often attitudes of fear and greed lead to excessive trading and market timing at exactly the wrong times. It is always helpful to step back and examine these flaws in investor behavior so as to learn to avoid them. Here are some attitudes to steer clear of:

Overconfidence

Investors are often overconfident about their ability to forecast the future. Investing is really a bet on an uncertain future so portfolios should be structured accordingly. The purpose of a multi-asset class portfolio is to protect against what we do not know about the future.

Loss Aversion

Investors are averse to realizing losses on positions in their portfolio. This reluctance leads investors to hold losing concentrated security positions while they wait for the holding to climb back to its purchase price – which means taking a loss. Instead of being loss-averse, investors should be risk-averse.

A risk-averse investor would sell any concentrated position (even at a loss)

and use the proceeds to diversify. This diversification makes the overall portfolio less volatile.

Rebalancing is another strategy to spread risk. A risk-averse investor rebalances on a regular basis by shifting assets from the top performing asset classes to the underperforming classes. This forces an investor to sell high and buy low with a portion of his assets.

Asset Segregation

Investors tend to focus on the performance of individual holdings instead of portfolio behavior as a whole. It is likely that in a given year one or more asset classes of a properly constructed portfolio will generate negative performance returns.

The performance of the portfolio as a whole and not its individual components is the proper focus for reaching long-term financial goals. If every asset class in a portfolio is showing positive returns, then chances are the portfolio is not properly diversified.

Home Bias

Investors all over the world are inclined to favor familiar domestic stocks in their respective countries. However, by including a mix of foreign stocks with domestic stocks, portfolio returns may be enhanced and portfolio risk may be reduced versus the portfolio solely invested in domestic equities.

Employing an asset allocation strategy in a well-diversified portfolio may

help you stay the course over the long term, regardless of short-term market behavior and economic and political swings.

Investment discipline and portfolio structure are key tools to help protect your current and future lifestyle. Make sure you regularly review your investments with your trusted financial advisor. Ask your advisor if your asset allocation is aligned with your risk tolerance and time horizon and determine if your portfolio is fully benefiting from a diversified multi-asset class philosophy.

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Did You Know...

Wall Street gets its name from a defensive wall that was put up to protect New Amsterdam (now New York) from New Englanders.

The Adams Express closed-end mutual fund got its start as a delivery company. During the Civil War they delivered paychecks to both sides, and even delivered a boxed-up slave to freedom!

The Dow Jones Industrial Average is an average of 30 stocks. When it started there were only 12 stocks. General Electric is the only company of the original 12 still in the index.

Source:

<http://www.financeprofessor.com/trivial/FinanceProfessorcomtrivia.html>

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Estate Planning

Estate planning is an ongoing process. You must not only develop and implement a plan that reflects your current financial and family situation; you must also constantly

review your current plan to ensure it fits in with any changes in your circumstances.



Reasons for updating your estate plan differ from person to person; however, there are a few basic reasons:

1. Family changes. Marriages, divorces, births, adoptions, and deaths can all lead to the need for estate plan modifications.

2. Increases in income and net worth. What may have been an appropriate estate plan when your income and net worth were much lower may no longer be effective today.

3. Geographic moves. Different states have different estate planning regulations. Any time you move from one state to another, you should review your estate plan.

4. New health-related conditions. A child may develop special needs due to physical or mental limitations, or a surviving spouse's ability to earn a living may change because of a disability. Such circumstances often require an estate plan update.

For information regarding estate planning, please contact The Prosperity Consulting Group, LLC.