THE WEALTH ADVISOR

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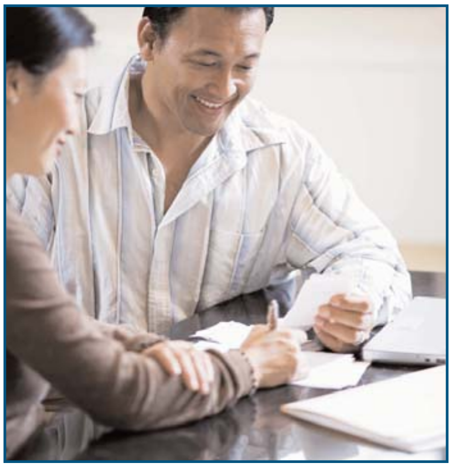
It May Be Time for an Insurance Audit



When was the last time you reviewed your insurance policies?

If you're like most people, the last time you even saw your insurance polices was the day you bought them. You recognize the value of insurance as a tool for planning for the unexpected, but that doesn't mean you want to think about your policies all the time.

Chances are you have had changes in your life since you bought your insurance policies – been married or divorced, welcomed a child or grandchild, acquired or sold a business, started a new job or earned a promotion, or taken on new future financial obligations (college tuition for a child, a retirement home, etc.). The coverage that once was adequate for the future you had in mind may no longer be appropriate.

If your goals have changed since you implemented your insurance program, an insurance audit may be in order.

An insurance audit can help you answer key questions such as:

- How has your life changed since you last spoke to your insurance professional?
- Were interest rates significantly higher when you purchased your traditional life insurance policy?
- Do you know the reasons why your life insurance might lapse?
- If you own term insurance, when does it terminate?
- What are your family's top priorities today? What will they be in 5 or 10 years?

By conducting an audit of your current insurance policies, we can help make sure you have the right coverage for your needs. We can analyze your current coverage to make sure your dreams are safeguarded, and, if necessary, recommend a course of action to help your insurance program keep pace with today's realities. Call us to schedule your insurance audit today.

Contact Us

Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, MD 21117
(410) 363-7211

Donald N. Hoffman, MS, CPA
President
dnh@prosperityconsult.com

Donna C. Gestl, CFP®
Sr. Vice President
dcg@prosperityconsult.com

William C. Martin, Jr., CPA
Sr. Vice President
wcm@prosperityconsult.com

Joanne L. Sherwin
Dir. of Business Development &
Retirement Plan Services
jls@prosperityconsult.com

Erin M. Ansalvish
Financial Services Coordinator
ema@prosperityconsult.com

Carol A. Pfab
Wealth Management Assistant
cpf@prosperityconsult.com

Inside This Issue

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.

Our Best Compliment is a Referral From You.

THE PROSPERITY CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

Bear Market 2008

The recent market meltdown has us all feeling anxious and in pain. As your advisors and fellow investors, we feel the same pain you are experiencing. However, calamities like the ones we are currently encountering are not unique – just think back to 1987 or September 2001. Crises, like the current one, have occurred before and will occur again. When they start or when they end is just about impossible to predict. While we can't predict such events, we can anticipate them. That is why now is a good time to revisit the principles upon which we built your investment portfolio. These principles have served true in bad times as well as the good times, and we firmly believe these principles will be a rock-solid foundation as we move ahead.

When we established your investment portfolio, we told you that we would work with you to attain your goals and dreams by building a diversified portfolio of investments suitable for the long term. Our investment program, built on the twin disciplines of asset allocation and diversification, and executed by excellent managers, has functioned exactly as designed. We have prudently diversified your portfolio across a set of distinct asset classes through a variety of investments. We didn't just scatter your eggs in several baskets; we made sure we placed them in different kinds of baskets. This strategy has, to a great extent, inoculated your portfolio against potentially massive economic and capital market disruptions.

Through multi-asset class diversification, your portfolio should not suffer nearly as much as any single asset class or single investment. Because of the cushioning effect of asset allocation, we urge you to stop focusing on isolated pieces of your portfolio, like any single asset class (for example: U.S. equity markets), single mutual fund, manager or stock, and think only in terms of your overall portfolio performance. The discipline we used to structure your portfolio remains solid and will be our framework for moving forward, today and in the future. It is also crucial to consider your current stage in life. If you are in the wealth accumulation stage, it is imperative to invest in a portfolio discipline based on diversification and asset allocation, as we have always preached. For our clients in the distribution/income phase or who are approaching that phase, we recommend and continue to implement investment models that are less volatile and place more emphasis on income generation than growth. All of our clients' portfolios are specifically customized to match your unique goals and time horizons.

We understand the anxiety induced by the current market volatility. When you want to hear the facts or need an educated opinion, please contact us. We can help you by separating the important information from the unimportant and interpret what it all means to you and your wealth management plan.

Our experience suggests that investors who require constant, complete and detailed information about everything (including the current value of their securities) do not fare well in the long term. Investors who can tolerate a state of "not knowing" obtain more favorable financial results. This psychological phenomenon, called "information deficiency paradox," is a strange concept, but it makes sense. You may be suffering, in small part, because of your reliance on short-term information to evaluate your investment portfolio, and right now, that information is not good.

However, history has shown that when investors have fled the equity markets and go to cash in a bear market, they rarely get back into the markets in a timely fashion. Historically, when bear markets bottom out, 33 to 50 percent of the market recovery occurs in the first 40 days.1 Missing out on an upsurge can severely hamper your long-term investment returns.

In our opinion, free market capitalism is not in trouble. Capitalism has passed the test of time through a variety of horrific historical events. Owning good investments through both good times and bad is the only way to earn the rewards of an economic system based on the private ownership of property.

The basic economic law of supply and demand teaches us that when consumer goods go down in price, there is a corresponding increase in demand, and when prices goes up, there is a decrease in demand. Why is it that this sound economic law that has worked so well for consumer goods is somehow ignored or rejected when it comes to intangibles like investments?

When stock prices go down, as in today's climate, there should be a significant increase in demand for these equities at lower prices. Clearly there are some good buying opportunities right now, but where are the buyers? Warren Buffet states, "A bear market is a period of time when the stocks of companies get transferred back to their rightful owners." That creation of value in stocks is happening right now and you should think of yourself as "a rightful owner," not a panicked seller. We need to discuss the strategy of rebalancing your portfolio and buying more equities, not selling them.

In light of the uncertainties of today's markets, and the media noise pressing in on all of us, we invite you to call on us to discuss your investment portfolio and your total wealth management picture. We can provide you the comprehensive perspective you need to analyze, evaluate and act prudently to help safeguard the important promises you make in life.

[1] *Standard & Poors. 8 October 2008. <http://money.cnn.com/2008/10/08/pf/money_crisis.moneymag/index3.htm>.*

Keeping the Faith

The stock market continues to waver causing extreme emotional and financial trauma to many Americans, especially those approaching or already in retirement.

You have every right to feel anxious, afraid and extremely fatigued. To feel a temporary loss of confidence in Wall Street and the media may be very well justified, but at some point in the future, these temporary fears will subside and the logic, reason and discipline of long-term investing will return.

You have probably spoken with your coworkers, friends and family, and those conversations may have you feeling like you have had enough and just want out. You may just want certainty about what you have in exchange for abandoning the understanding of the investment principles that create long term, real wealth. The solutions that seem right for your friends and family may not, and probably are not, best for you. That is why it is important, now more than ever, for you to *keep the faith* and *rely on the facts*.

The facts are that we have experienced harsh economic and financial events over the past year, the likes of which we haven't seen for decades. But looking at our nation's financial history you would see that we have always recovered, even from worse times, and the prosperity created afterwards was far greater than the prosperity leading up to the crisis.

While the eventual outcome and timing of a recovery in today's markets is uncertain, history can provide an important perspective to help us get through this emotionally trying time. Since 1950, there have been nine bear markets. Based on the average of those nine bear markets, the typical decline lasted around 14 months and the typical recovery (from trough to peak) took 26 months.

While past performance is no guarantee of future results, in the 12 months following bear market troughs, we have previously seen above-average market performance, with one-year stock returns averaging nearly 46 percent.[1] What does all of this mean? Since equities tend to rally before the end of the recession, a market rebound could be in the not-so distant future.

Given these facts, the most difficult part is waiting and allowing the economy to work out its problems. The market turmoil and economic crisis is incredibly frightening for everyone, even the most seasoned and disciplined investors. But do not let your emotions make your investment decisions. We must lock up our emotions and allow our minds to rule our behavior. Those investors that do so will be in a better position to reap the benefits of a market recovery.

[1] *Fidelity's Market Analysis, Research, and Education (MARE) group. "Bear Necessities: Down Markets Often Breed Opportunity." Fidelity Investor's Publications. 23 October 2008. Fidelity Investments. 18 February 2009. <http://publications.fidelity.com/investorsWeekly/application/loadArticle?pagename=IW081023bearmarkets>.*

Did You Know...

In 1618, 3000 tons of spices sold in India for 91,041 British Pounds, could be sold at the Eastern End of the Mediterranean for 789,168 Pounds! A nearly 800% return!

In 1968 Wall Street frequently shut down on Wednesday afternoon in order to allow itself time to catch up on the paper work associated with a jump in volume.

The NYSE closed at 2pm the week following the crash of 1987 in order to catch up.

Source: http://www.financeprofessor.com/trivia

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Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, MD 21117
www.prosperityconsult.com

Investment Planning

As your financial goals and needs change, your investment strategy may need to change to meet those goals and needs. Remember that your investments affect other elements of your financial plan such as estate planning, education planning, and retirement planning.

Because your current and future lifestyle depends on the wealth you plan for today, it is important to ask yourself the following questions:

- What specific financial goals are you targeting for your investment portfolio? What is your time frame for each goal?
- Which asset allocation model are you currently utilizing?
- When was the last time you reviewed your asset mix?
- What rate of return on your portfolio do you require to meet each of your goals?
- How do you adjust your portfolio when your investments drop 5 percent, 10 percent, or 20 percent due to market volatility?
- What percentage of your portfolio do you commit to small company stocks, international stocks, and real estate?
- How many individual stock positions do you have that are greater than 5 percent of your total portfolio?

By examining your investment needs and your current holdings, we can help make sure you are on the right track to meet your goals. We can analyze your holdings and help you chart a course of action.

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