

THE WEALTH ADVISOR

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Make Your 2009 IRA Contribution Today

Are you considering skipping your 2009 IRA contribution because of the down market? Consider this: Investing in an IRA every year takes advantage of dollar-cost-averaging over the long term. Skipping a contribution may be a costly strategy and could have a significant impact on your future retirement.

How much could you lose in the long run?

Let's look at a hypothetical example: Your plan was to invest \$5,000 each year in a well-diversified portfolio that earns 7 percent.* This year, you are concerned about the turbulent market, and decide to skip your IRA contribution.

The table below shows how much you could potentially lose in your retirement nest egg by skipping just two years, or just five years, rather than staying the course over 30 years.

	Investing Annually for 30 Years*	Skipping 2 Years*	Skipping 5 Years*
Potential Value of Your IRA	\$505,365	\$431,733	\$338,382
Potential Difference in Value		(\$73,632)	(\$166,983)

It's not too early to make your 2009 contribution. We are available to help you.

** This example is for illustrative purposes only and does not represent the performance of any security. Assumptions: (1) annual \$5,000 IRA contributions made on January 1 of each year and continuing for 30 years, 28 years, or 25 years. (2) Annual rate of return of 7%, compounded annually. (3) No taxes on any earnings within the IRA. The ending values do not reflect taxes, fees, or inflation; otherwise, amounts would be lower. Earnings and pretax (deductible) contributions from a Traditional IRA are subject to taxes when withdrawn. Earnings distributed from Roth IRAs are income tax-free, provided certain requirements are met. IRA distributions before age 59½ may also be subject to a 10% penalty. Systematic investing does not ensure a profit and does not protect against loss in a declining market.*

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.

Contact Us

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Recency Bias

Time and time again it has been preached to investors, like you, to “buy low and sell high.” So why do many investors often end up doing the opposite? Unfortunately, people fall victim to “recency bias.”

This occurs when an individual thinks that what has happened in the recent past will continue to occur in the future.

In other words, recency bias is another way of saying that people expect the future to be a predictable version of the recent past. While this sentiment is not 100 percent accurate, it may be one of the reasons you feel hesitant to continue investing in the market.

During times of market uncertainty, when emotions are high, fear that the poor returns will continue indefinitely can prevail over sound investment advice. Your emotions and recency bias are compounded by constant media noise which can make it difficult to think clearly.

It is important to remember that market crises are not a phenomenon, nor are market recoveries. The markets long-term performance has been resilient. Even during down market cycles, it is important to stay patient and maintain a well-diversified portfolio. During challenging times, many investors inadvertently deviate from their original investment strategy and search for a perceived safer investment. This action can lead to missed opportunity when there is a market recovery.

Balancing facts against media opinion can help you make clear and thoughtful decisions.

¹ Munder®. “Time Not Timing.” *Challenging & Volatile Markets: Historical Perspective*. <www.munder.com/challengingmarkets.pdf>. ² Munder®. “The Market Goes Up More Than It Goes Down.” *Challenging & Volatile Markets: Historical Perspective*. <www.munder.com/challengingmarkets.pdf>.

³ Wagner, Hans. “Financial Wisdom From Three Wise Men.” *Investopedia.com*. 26 May 2009. <<http://www.investopedia.com/printable.asp?a=/articles/06/threewisemen.asp>>.



From January 1, 1926, through December 31, 2007, the S&P 500 Index has only had two negative 10-year rolling periods and zero negative 15-year rolling periods.¹ The evidence shows that the longer you remain invested, the greater the possibility of generating positive returns and reaching investment goals.

The biggest mistake you can make is to sell your investments after the markets have significantly dropped and then buy back into the markets after it has rebounded. You will be much better served by keeping focused on your long-term investment plan and not allowing yourself to be persuaded by daily market fluctuations.

While there are many reasons that may keep you from investing, there is one good reason to continue. Historically, the market goes up more than it goes down. Since 1926, there have been a total of 59 years of positive stock market performance versus 24 years of negative performance.² Through wars, terrorist attacks, failing corporations and a plethora of other major events, the stock market has rebounded every time. This is why it is crucial to remain disciplined and stick with your investment strategy.

When the market experiences down years, it is important to focus on the big picture. While we are experiencing tough market conditions, there will be a light at the end of the tunnel.

We are here to help you through these tough times by discussing your investments and helping you stay on track to meet your financial goals. Warren Buffet once said, “The most important quality for an investor is temperament, not intellect.”³ That is why it is imperative to have a clear vision of your long-term financial plan and not be influenced by recent market swings.

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

Are Your Financial Promises Risk-Adjusted?

According to Merriam-Webster's dictionary, risk is defined as "exposure to the chance of injury or loss." Risk affects every aspect of our everyday lives in both positive and negative ways. However, without risk, there are no potential rewards.

Many investors utilize risk protection strategies to protect themselves from the negative aspects of risk, e.g., diversifying

comfortable with. Your risk tolerance level should remain the same in both up and down markets.

During times of market volatility, such as the one we are experiencing now, it is always more of a challenge to stick with a diversified investment portfolio. Our faith in the world economy is being questioned as is our faith in the markets.

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an investment portfolio to avoid the risk of being invested in only one specific area of the market. Although diversification does not ensure a profit or protect against a loss in a declining market, a diversified portfolio allows investors to take advantage of the potential returns across multiple areas of the market – the reward.

Another example of risk protection is purchasing homeowners insurance. Most homeowners wouldn't even contemplate going without insurance and leaving their home unprotected from damage or burglary. When it comes to investing, mitigating risk should similarly be an important consideration. While you cannot "insure" your investments, there are ways to mitigate risk and potential solutions available to help protect your assets.

An important risk strategy is to diversify your investment portfolio across different asset classes to help minimize volatility. Diversification and asset allocation should be determined first and foremost through a risk assessment questionnaire and reviewed on a regular basis with your wealth management advisor to capture any changes to the level of risk you are

However, these are the times when it is most important to stick to the strategies you have in place to mitigate the risks you are exposed to. If you move away from the appropriate asset allocation strategies, how will you

know when it is the exact right time to move back into the market? No one can accurately guess exactly what day the economy will rebound. Rely on your wealth management advisor to guide you through these tough times and help maintain an appropriately diversified portfolio based on your risk tolerance.

You may find that the conversation about risk is also one about tradeoffs. If you do not take the necessary risks, you may not achieve the necessary returns to grow your portfolio and meet the goals you have for retirement. Another risk associated with an investment portfolio is withdrawals. Withdrawals may take place during the accumulation or retirement phase of your life.

We can help you to employ strategies that allow for liquidity, if needed, during the accumulation stage or help provide a stream of income during retirement. Both of these strategies help mitigate risk that may occur when you remove money from your portfolio.

There are many forms of risk that need to be reviewed when considering your over-

all investment strategy. It is important to monitor how your risk aptitude changes as your life changes in order to ensure your family's assets are protected as well as to help ensure you are able to earn the money to fund those assets.

There are many solutions that should be implemented in a well-thought-out holistic wealth management plan to protect your family and allow you to keep the promises that you have made to them. Call us today to develop a wealth management plan that meets the specific needs of you and your family, or to review your current plan.

Did You Know...

Joseph Patrick Kennedy was the first head of the SEC in 1934.

In 1912 the Wall Street Journal had only 7,000 subscribers. It was then edited by Clarence Barron. (source Fidelity's World).

The UPC bar Code was first introduced in 1973.

Source:

<http://www.financeprofessor.com/trivia>

Education Planning

How well have you been planning for your children's education? College tuition costs increase every year, while the savings and investment programs you have in place to fund your children's education are in a constant state of flux. Changes to your current lifestyle can also affect the amount of money you are contributing to education savings.

As your financial goals and needs change, your strategies must change to meet those goals and needs. Education planning impacts other aspects of your wealth management, such as tax planning, investment planning, and estate planning. Because your children's education — as well as your current and future lifestyles — depend on the wealth you build up now, it is important to regularly review your specific goals, and actively plan for education costs.

If you'd like to make sure your education plan is on solid footing, a financial check-up may be in order. A check-up can help you understand key questions such as:

- What dreams for college education do you have for your children/grandchildren?
- How much will a four-year college education cost when your children/grandchildren are ready?
- What savings and investment programs do you currently have in place to provide for those future dollars?
- Which rate of inflation have you factored into your savings and investment plan?
- Has your family made funding for higher education a part of the estate planning process?

By conducting a review of your current financial plan, we can help you make sure you have an education plan suited to your family's needs. We can help make sure that the dreams you have for your children's education come true, and, if necessary, recommend a course of action to help your strategy keep pace with today's realities. Call us to schedule your financial review today.