

Rip Van Winkle Investing

October 16, 2008

Perhaps Rip Van Winkle had it right after all. Go to sleep for 20 years, awake and continue on. As we continue to be witness and victim to the great financial deleveraging of 2008, wouldn't we perhaps all be healthier investors if we closed our eyes and opened them in 2028?

Following the daily moves of the stock market has become the new rubbernecking. Most of us would admit to a morbid curiosity when we pass an auto accident; why should it be any different with the market crash of 2008?

For those readers who are old enough, can you remember the days of the old corporate retirement plans? Once a year, we would receive a one-page statement that told us the value of our retirement account. We would express gratitude or frustration, file the paper away, and get on with our life.

Fast forward to today where our account values are available 24/7 and statements come faster than we would like. It never made a great deal of sense to us at FFA that investments that are intended for the long-term should be valued and presented on such a frequent basis.

We have often used the phrase, author unknown, that states, "if you want to reduce the volatility in your portfolio, stop checking the values so frequently." Each of us who invested money in stocks was aware of the risks involved. So why it is so profound when what can happen, does happen?

Folks, the doom and gloom that is permeating this country must be contained and it must start with each of us. Yes, our portfolios are down. No, we don't believe for a second that they will remain down long term. Yes, the market is going haywire with 700 point days seemingly becoming the norm. No, the market is not going to zero. And yes, the media is feeding this frenzy, perhaps now more than ever before. And no, the media is not going to change.

So it is up to us to not allow the negativity to consume us. It is up to us to forge ahead, as all great Americans have done in the past and will continue to do so. It is up to us to refocus on what is most important.

For us at FFA, what is most important is our health, each other, our families, our clients, our friends, and those who are less fortunate than us. Yes, seeing the values of our personal portfolios plummet surely hurts. Yes, seeing the values of our clients' portfolios drop seemingly daily is deeply painful. Seeing Craig's son's college fund shrivel in a matter of weeks is gut wrenching. But guess what, Harry will go to college because he wants to go and we will find a way.

For the younger readers of this commentary, there has never been a better time to lay the foundation for future wealth. The prices of our favorite investments have dropped to bargain sale prices. Adding money to the market via a 401k plan on a consistent basis is the most effective financial move you can make, even if everyone else is telling you differently.

For the other readers of this commentary, we have the advantage of age and hopefully wisdom. We have weathered multiple economic storms before and have always come out better on the other end. For these readers, perhaps time is not the friend it is of the younger readers; we compensate by using wisdom and knowledge to our advantage.

The wisdom and knowledge of the ages tells us the following: that this too shall pass; that during difficult days, we refocus on what is truly most important to us; that there are so many others around the world who are so much worse off than us; and that it always gets darkest right before the dawn.

We urge all to step back from the constant barrage of horrific news, turn the dial or page, and concentrate once again on that which you can control. During these difficult days, we are seeing households reigning in their spending, reprioritizing future goals, reallocating their portfolios, reducing debt, and using this crisis to teach their children about finances. Each of these actions is part of Financial Planning 101 and should continue to be practiced on a daily basis by each of us.

Let's take this moment for what it is: a chance to get our financial houses in order, a chance to refocus on that which is truly most important to us, a chance to count the blessings we have in our lives, and a once-in-a-lifetime historic event that will be written about long past our time.

We remain available to each of you and ask that you reach out to us with any and all questions. This is not a time to remain silent. As always, thank you for your trust and confidence.

Best Regards,

Berthann & Craig