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Advocates for financial peace of mind

Commentary – February 6, 2008

It seems prudent to again address the current turmoil in the financial markets and the impact on your investment holdings.

When you open your current statement, it will be very obvious that January was a painful month for most of us. FFAs' average managed portfolio dropped about 5% in January; while this is a better return than the stock market in January, we are well aware that you can't spend relative returns. Further, discussing performance in percentage terms provides no relief when we see the actual dollar declines that result from these drops.

While intellectually most of us understand the concept of buy and hold, emotionally many of us struggle with this concept. When turmoil surrounds the financial markets, and more importantly, our investment dollars, the advice of "do nothing" leaves an empty feeling. Yet, that is exactly our advice and will continue to be our advice.

Our portfolios are designed to meet the long-term goals of our clients, not to try to time economic or market events. These portfolios are constructed to withstand severe market events, such as we are seeing on a near-daily basis. Our core investment philosophy of combining multiple asset class investments with a buy and hold process, while not exciting, works. Sometimes boring can be good!

Further, our extensive research of our mutual fund holdings provides an additional layer of protection. It is our practice to only work with mutual fund managers that meet strict criteria, including an emphasis on risk management. This process proved invaluable in 2007 as we witnessed investment after investment implode due to the subprime mess. Fortunately, none of our investments got caught in this debacle. This was not due to luck; it was due to the fact that research and experience do have their place, certainly in current times.

We will let those smarter than us debate economics and politics; frankly, we find the recession debate nonsensical. If we are in a recession, or headed towards one, does that mean the world is ending? Does it mean capitalism does not work? Or, more realistically, could it just be part of the natural order of things, the natural ebb and flow of the business cycle?

We read daily about investors wringing their hands and frozen as to what to do. While we expect a certain amount of hand wringing, we do not expect any of our clients to be frozen. We are all invested in high-quality, best-in-breed investment vehicles with very low expenses. While our stock holdings may be temporarily dropping, our bond holdings and money markets are making money. In the future, as is always the case, the tide will turn and bonds will drop and stocks will rise. Patience rewards.

As always, we encourage you to reach out to us with any specific concerns regarding your investments. Thank you for your continued trust and confidence.

Best Regards,

Berthann & Craig