

March 2007 *MoneyMinute* – Is it Over? Time to Get Out? Or Buy Now?

By Rich Chambers, CFP®

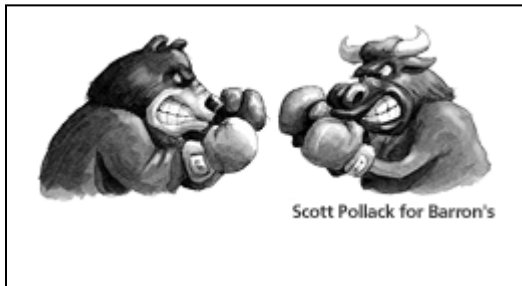
Who is right? What should we do now?

"The Dow industrials fell 120.24 to 12114.10, ending their worst week since 2003. Major indexes are about 5% below recent highs. The payrolls report Friday could end the malaise." The Wall Street Journal 3-3-07

"The bull run isn't over. And after last week's selloff, some of the world's biggest stocks carry the cheapest values." Barron's 3-5-07

"On Monday, Mr. Greenspan, the former Federal Reserve chairman, said that "it is possible we can get a recession in the latter months of 2007." His musings, to a group of executives in Hong Kong, were followed over the next 48 hours by a break in the frothy Chinese market and poor numbers on United States home sales and durable-goods orders. Together, the events contributed to a swift downdraft in the United States stock market, and led to renewed concerns about the health of the long-running economic expansion." The New York Times 3-4-07

"My view is that – taking in the new data into account – there is really no material change in our expectations about the US economy. We are looking for moderate growth going forward and there's a reasonable possibility that we'll see some strengthening of the economy" Ben Bernanke's testimony before Congress 2-28-07



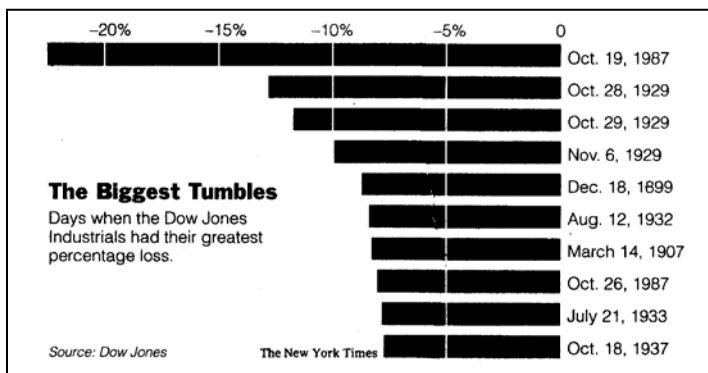
Is the market going up or going down? Maybe you already know what we are going to say: We don't know. We don't think it's possible to predict short-term (less than about 5 years) stock market movements.

Let's review some important lessons we have learned from down markets and up markets.



The Market Goes Down – We should all expect a down year anytime now after 4 years of exceptional market returns. The recent drop of 3.3% in one day is a small event. A big irritation is that the news media makes the recent fall (about -416 points in the DJIA) sound like a disaster – comparing it to October 1987 when the DJIA was down about 500 points in one day – but back then that was -24%; ouch!

Let's look at some market history to get a better perspective:



Down market lessons:

- ◆ When the news media yells "disaster" it probably isn't.
- ◆ Mostly ignore the financial media.
- ◆ Corrections of -10% are normal and expected.

- ◆ Down markets are the best time for rebalancing and tax-loss harvesting. When the market is down, it's a better time to buy.
- ◆ If you are spending your savings, use a conservative portfolio somewhere around 50% stocks and 50% bonds to protect you from severe downturns.



The Market Goes Up – We all feel good when it goes up. However this is the wrong reaction for savers. If you are saving money you should be happier when the market is down. If you are spending your savings then you should be happier when the market goes up.

Up market lessons:

- ◆ The market goes up more than it goes down.
- ◆ The market goes up more slowly than it goes down.
- ◆ Dollar-cost averaging usually works against you since the market mostly goes up. Use it for peace of mind, not because you think it may increase your returns.
- ◆ Diversified holdings have always recovered after

a down market. Undiversified holdings may never recover or may take longer than you can wait to recover, e.g., the NASDAQ Composite is still down 53% from its peak in 2000.

We don't know which way the market will go in the short term but **we're confident that patient investors holding globally diversified holdings will be rewarded.**

Now that worrying about the direction of the market is off the table, what should you worry about? The biggest risk to your investments is getting bad financial advice. A free guide available from the Paladin Registry can be very useful in helping you find an objective advisor who will work toward your best interests.

https://www.paladinregistry.com/upl/Selecting_High_Quality_Financial_Advisors.pdf

Note: Our last MoneyMinute, *The Poetry of Money: Reader Challenge*, garnered a timely response from reader/haiku poet Gordon Rollman:

*The market dropped -
I slept peacefully assured.
Well-diversified!*

Investor's Capital Management, LLC provides financial planning and manages investment assets so that clients can relax and stop worrying about it. Many of our clients are self-directed investors, and we enjoy helping them become more successful by following our professionally designed and monitored portfolios. **Our professional services are cost-efficient, and it's rare when a client doesn't make or save more than it costs.** As independent financial planners, we have a **fiduciary responsibility** to our

clients to always put their best interests first. This may seem obvious to you, but in fact it is all too rare in the financial services area.

We are fee-only financial planners. A client's fee is the only payment we receive so that we work solely in their best interests. We do not take product commissions, nor do we gain from any portfolio activity. **No sales pressure - ever!**

The articles page on our website covers planning issues from real estate to long-term care, from investment risk to college funding, and more. See the rest at: <http://www.feelsonly.com/Articles.html>.

OUR MISSION:

Giving clients the clarity and confidence they need to make consistently sound choices. If we may be of assistance in any way during the weeks and months ahead, please call or email. Check out our financial planning services: <http://www.feelsonly.com>.

For others who may benefit from the monthly MoneyMinute, please forward. To sign up for your own copy: <http://www.feelsonly.com/moneyminute.html>.

Rich Chambers, CFP®
Julie Schatz, CFP®
Jennifer Cray, CFP®
Investor's Capital Management, LLC, Menlo Park
Providing Unbiased Guidance to Financial Success
Member of NAPFA and the Garrett Planning Network
650-323-4706 info@feelsonly.com <http://www.feelsonly.com>

If you don't wish to see the MoneyMinute in the future, just reply to this message with "unsubscribe" in the subject.

Legal Disclaimer: Investor's Capital Management, LLC <http://www.feelsonly.com>, and the *MoneyMinute* email does not render or offer to render personalized investment advice or financial planning advice through this free service. This service is limited to the dissemination of general information only. For specific financial advice you must enter into a formal relationship with a financial adviser.

Caution: All e-mail sent to or from this address will be received or otherwise recorded by ICM and is subject to archival, monitoring or review by, and/or disclosure to, someone other than the recipient.