Buck Financial Advisors, LLC

"Helping you Determine your Financial Future"

What a Difference a Year Makes!

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The extreme market volatility of the last quarter may be a harbinger of a better time in 2009. Historically a spike in market volatility is a sign of a market bottom. We have had a rough market all year, but the last quarter has exhibited extreme volatility. Now is the time of year people make resolutions, some even keep them; some of my thoughts for 2009.

First evaluate your goals; undoubtedly no one has made great progress this year. Equity prices are down 35-40%, even bonds have broke even at best, and high yield bonds have lost 22.7%. Do you need to make revisions to your plan to reach your goals, or maybe a revision to some of your goals is necessary. There is much media attention to the reduction in consumer spending. That is bad for the economy in the short term, but Americans had developed a life style they can not afford. From 1947-1987 consumer spending was 62% of Gross Domestic Product (GDP). Starting in 1987 it has risen steadily to 71% of GDP. Currently Household Debt is 134%, about double the 1983 rate. It is time we learn to live within their means.

Those of you who know me know that I firmly believe you should live within your means, and maintain a pool of accessible funds you can use to cover emergencies. An old rule of thumb is to keep 6 months of liquid assets that can be turned to cash without a great loss of value. With unemployment at 6.1% and expected to rise in 2009, now it is more important than ever to have a strong liquid position.

Most employees are too heavily invested in their own company's stock. Hewitt Associates in a September study of 401K plans found that employees held 26% of the assets in company stock. When Bear Sterns collapsed in March, one third of its stock was owned by its employees. You are leveraging yourself by having your investments and job liked together. Diversification is important in all market conditions and phases of our lives. Do not put all your financial capital in the same basket as your human capital (job). When companies are announcing layoffs, it is not the time be selling their stock.

Don't take more risk than you need or can stand. "Unlikely" is not the same as impossible. Even a diversified portfolio can be down by more than two standard deviations 2.5% of the time. An S&P500 index fund has a standard deviation of about 15%, therefore decline of 30% below its average return can happened 2.5% of the time. Keep your investments diversified and your risk level where you need it to be.

Develop a plan for your finances; spending, saving, and investing. Write it down and evaluate it in relation with your goals. Then, follow it; don't change it based on the short term swings of the market. Change it as your needs change.

Buck Financial Advisors provides independent, commission-free financial advice for people from all walks of life. When you or someone you know needs help, Buck Financial Advisors is there. See www.buckfinancial.com for more information.

Charles Buck CFP®

I still believe the capitalist system is the best on the planet.

Did you know!

15% of mature boomers do not anticipate ever being financially able to retire.

Another 14% are not sure when they will be financially able to retire.

12% of younger baby boomers say they don't ever think they will be financially able to retire.

69% believe they can withdraw 10% or more each year without depleting their portfolio, while 49% believe they can retire on less than 50% of their pre-retirement income.

60% underestimate the chances of living beyond a given life expectancy.

41 Trillion dollars, amount of unfunded dollars government needs to pay Social Security and Medicare promises.

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