BUCK FINANCIAL ADVISORS, LLC

"Helping you Determine your Financial Future"

HOW TO TAKE CARE OF YOURSELF DURING TURBULENT TIMES!

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This has been another challenging year. Fortunately, the financial markets are reflecting the expected end to the recession during 2010. Both the VIX index and TED spread, two indicators watched by economists and investors to gauge the health of the financial markets, have improved considerably compared to this time last year. This is good news, but some caution is still prudent, as many aspects of our complex economy are as yet unresolved.

The rebound this year feels so much better than the losses we were watching at this time last year. However, whether the market is moving up or down our feelings need to be checked by strategy. It's just human nature, without a plan emotions can subtly control our financial behavior, often with less than successful results. The financial "news" programs may be making things worse with lots of shouting and dire predictions. Turn the channel and find something relaxing and entertaining.

A few quick thoughts to keep in mind:

1. When markets are falling, investors either want to sell or look for the next great investment strategy or product. Wall Street is geared to design something to fill that demand; such products usually involve increased complexity, expenses and risks. Stay away from them.

2. Fixed dollars (such as money markets, FDIC insured CDs or high quality short-term bonds and Treasury paper) are part of a "balanced" investment strategy. When markets are rising, no one wants to invest in these "cash" assets. However, this resource gives you the staying power needed to allow your equities to run its cycles, i.e. recover from the current situation. A recovery may take a few years, data shows that it takes on average 3-5 years to recover from a bear market. Fixed dollars should focus on preservation of principal and not assume additional risks by striving for higher income rates. Trim back on equities and replenish your fixed dollars, as needed, in "up" markets.

3. Stick with your plan. Market timing is hard to do. The market can move in big up and down swings on a daily basis. Once you are on the sidelines, there is an inertia that makes it hard to move back in; you can miss most of an advance while waiting to be sure it's the right time to invest.

4. Diversify among styles, capitalizations and sectors. Diversification is not dead; in the current sell off, everything was down except for treasury bonds. Everyone ran to them for cover, but if interest rates move up, which they will at some time, treasury bonds value will decrease.

5. Update your financial situation at least annually. If it has been over a year since your last update, now is the time to reflect on your goals, and review your most recent action plan to determine if it is still in synch with them. Make sure the implementation of prior recommendations is on track. Review investment performance and, if necessary, reallocate. The markets are up approximately 20% since the start of 2009, if you rebalanced your portfolio then, you are probably to heavily weighted to stocks. Rebalance back to your desired allocation between stocks and bonds.

Our goal is to provide you with objective analysis and recommendations over the long-term for your personal financial and investment needs. It is a privilege to serve you. Thank you for your business, your confidence and referrals! I wish you a Happy and Prosperous New Year.

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.

Ask the CFP®

Charles Buck CFP®

Q. How do I raise my kids to have good money habits?

A. As with most family values, instilling good money habits in your children is no simple task. It takes practice, responsibility, and patience. Here are some basic ways that you can teach your kids good money-management skills:

1. Let them know how much things cost.
2. Give them an allowance.
3. Ask them to pay half.
4. Open a bank account.
5. Identify "needs versus wants".
6. Create a budget.
7. Give them responsibility and let them make mistakes.

A key element of teaching your children good financial habits to be a role model. This question is the subject of a book, "Prodigal Sons and Material Girls" by Nathan Dungan. Nathan is the president of Share-Save-Spend™ an organization that helps people of all ages develop and maintain healthy financial habits. www.sharesavespend.com.

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