**BUCK FINANCIAL ADVISORS, LLC**

*"Helping you Determine your Financial Future"*

# The Financial World is a Mess!

Vol.3 Issue 11 Nov 2008

The stock market closed out an ugly month in October. The S&P 500 lost 16.9 percent; the worst month since 1987. I remember that, and also remember 1973-74. At that time I was a lot younger and had a lot less to lose. In 1987 I froze and didn't do anything, but in 1973, I sold out, and left the markets. The biggest loss from that move was the time my money could have been working for me. The S&P 500 Index closed Friday at 968.75, up from 63.64 at the bottom in 1974, an annualized gain of 8.3%, even after falling 39% since October 2007.

What have I learned from this? Know in what you believe. I believe the capitalist system is the best in the world, even though it is prone to cycles. The business cycle with its rise and fall in the markets has been a fact of life since before this country was founded. No other economic system has ever eliminated them. Unfortunately we are in the downdraft of one of those cycles right now, but I have faith that if we hold true to our principles, we shall recover once again.

Nervous? Yes! It is scary to see such a large drop in investment value; especially at my age. But, I have developed a set of investment disciplines that give me courage when these times come. Last month's quote, "Be fearful when others are greedy, and greedy when others are fearful", was by Warren Buffett. During October you will have to agree that fear was the most abundant commodity in the market. Warren Buffett must have agreed, because not only did he say that "now is a good time to buy stocks", but he has purchased 10 billion dollars worth.

We can not avoid these markets, so now is the time to take advantage of them. First, a reality check: Is your allocation right for you? If you have not been able to sleep because of these markets, then maybe you should check your allocation and make the necessary changes. If your allocation is correct, then now is a good time to make sure the sell off in stocks has not reduced your percentage too low. Start rebalancing; if you started the year with a 60%/40% allocation to stocks and bonds, you are probably close to a 50%/50% allocation now. Maybe you should consider moving 5% into stocks from bonds, and making another move at the end of the year.

Instead of stopping your retirement plan contributions, a better move would be to change the allocation so you are putting all of your contributions in stock. Let me be honest about one point; I do not know the path of the markets. By the time you are reading this they could be lower or higher, but I am convinced that twenty, thirty, forty years from now, October 2008, will be just another bump in the road to reaching your goals.

A couple weeks ago, I read an article in the Pioneer Press in which it said, if you had been 55 before the crash of 1929 and had a portfolio of 60% stock and 40% bonds, you would have recouped your portfolio by age 65. Furthermore, a 35 year old would have seen their portfolio grow 951% by age 65.

Investments are only part of having a financial plan, but without a plan it is easy to lose your bearing in the financial storm we have today.

***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 am buying American Stocks."
Warren Buffet
October 17,2008

## ASK A CFP® PROFESSIONAL!

**Q:** What's my best move in the current financial crisis?

The first move you should make anytime is have an Emergency Fund. Everyone should have 3-6 months of living expenses that are liquid. Liquid means you can convert them to cash quickly without loss of value. I often recommend to clients a high interest online savings account. These pay higher interest than a typical savings account or money market; plus they are insured by the FDIC up to $250,000.

If you are retired, then you should have enough fixed income to be able to live for five years without being forced to sell stocks if the markets are down. Take your annual living expense, minus your pension, social security, and annuities. The difference times five is the amount I recommend. Keep 1-2 years in cash, 1-2 years in short term bonds or CDs, and the balance of five years living expense in intermediate term bonds or CDs.

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