

January 2008

Financial Planning Newsletter

UGLY!

Let's hope this is as bad as it ever gets.

But before we get into the details, here are a few cautions in reading this quarter's investment report. As done every year, mutual funds are required to pay out their dividends and capital gains into cash. That explains a part of the losses you see for the mutual funds – a portion has been simply transferred into your cash account. To see how we did, please look at the overall change for the quarter.

In the past three months the average mutual funds lost 12.1%, while international funds went down 16.3%. By comparison the Dow Jones average, representing large U.S. companies, fell 9.4%. Money held in cash, bonds or bear funds did better but this has been a simply awful quarter. Value funds, midcap and international funds were especially hard hit. These are funds that had shown better performance earlier in 2007. By pure happenstance the beginning of this quarter on October 31st was a momentary high point for the markets. The net result is that we have given back in this quarter all earlier gains of 2007, plus a little.

As I mentioned in an e-mail to several of you in January, the big question is what to do next. Although 2008 is shaping up to be a bleak year, the advisory services I read call for a continuation of equity investments with a reduction in aggressiveness. Until our markets steady I am recommending leaving more funds in cash and bonds and reducing the investments in the more aggressive equity funds.

These are troubling times when we get a major reversal. I invite you to call me anytime to review your investments and to insure that they meet your investment criteria. All we can hope and expect is for brighter news to emerge as this year progresses!

~ Roger D. Werner, CPA

