Destination Financial Freedom

Getting you there

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Current Implications

The past few months have been a rocky ride for investors. Concerns about the hostilities in the Middle East, oil prices at all-time highs, increased uprisings in Iraq, terrorist bombings in India and a more than depressing second quarter stock market have caused nerves to flare. For some, strategies are being questioned and the basic investment fundamental of buying low and selling high is being disregarded. When the market is falling it is difficult for investors to sit tight. With all these tenuous events occurring, the widespread question has become should you be acting on it? Before you do here are a few things to think about:

Time Frame

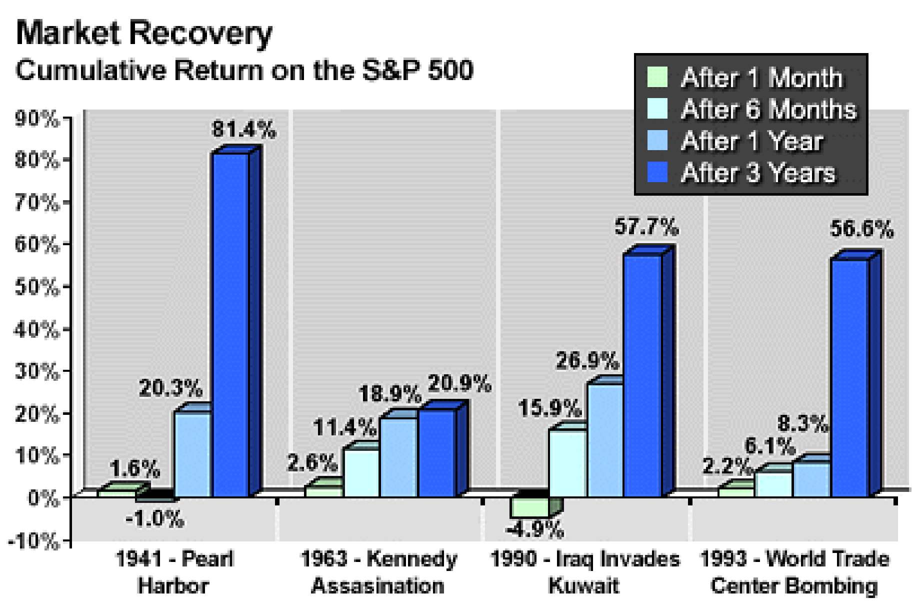
If investments will be needed within the next year, they should *always* be in a short-term vehicle like cash, CD, or treasury bill. This safer approach is necessary because it is more difficult to recoup any losses incurred over a short one-year period. On the other hand, if your investments are earmarked for at least 5 years or more, it is probably that current short-term volatility caused by world events will be recovered by the time you need the money five or more years later. For example, today the S&P 500 index has almost fully recovered from the 2000-2003 bear market. The 'Market Recovery' chart to the right shows how four major historical events played out in the months following the initial shock (measured by the S&P 500 index). After one year of each event the index recovered its original setback (source: Ibbotson Associates). Understandably news can be nerve wrecking. The major risk of acting, making significant strategy adjustments on behalf of your emotions, is selling during a low point in the market.

Retirees can not handle market slumps as well as non-retirees. The simple act of pulling money out of their investments rather than contributing to them creates an atmosphere where volatility can become destructive. For employees a down market provides a great buying opportunity – everything is on sale! Those who take advantage of the sale will be greatly rewarded during the market recovery.

Strategy & Diversification

Upholding your long-term strategy and remaining diversified through a decline is essential. No one can ever be certain what the market will do. Investors who were not diversified in 2000, who were most likely heavy in technology, had much greater losses to recoup. When the market is on the rise, it becomes easier for investors to flock to the few highest returning investments and ignore diversification. By chasing high flyers investors become less diversified where a market downturn could send their portfolios crashing at a much faster rate.

Investors can quickly become unglued during unstable times and forget their strategy along with important investment fundamentals. Your investment approach may require adjustments triggered from _life changes_ from time to time, but you should not be initiated by current political or world events.



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Thought Swap

What matters most

Couples Financially Divided

It looks as though couples today are not on the same page when it comes to their finances. The following statistics are from a recent survey by Money magazine and The PNC Financial Service Group.

- 68% of women claim they share financial decision-making responsibilities, but only 48% of men agree.
- Only 45% of husbands think their wives care about saving for retirement, but 68% of wives say they care.
- 83% of women feel it's important that both partners contribute to household finances, but only 65% of men agree.
- 84% of husbands and wives admit that money is a source of tension in their marriage.

"Sigh…y'know, it's funny… I used to think of retirement as a thing of the future… but now I can see it's becoming a thing of the past."
Cartoon character as he and his wife sit at the kitchen table staring at headlines about failing Social Security, pension funds, and other dismal retirement news. **-**Cartoonist Jeff Parker, *Florida Today*

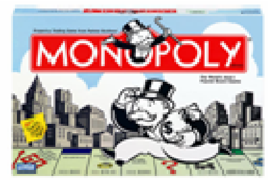
Failing Grade

According to the August 2006 issue of *Money Magazine*, high school students who have taken a personal-finance course were less likely to make smart choices with money than peers who have had no formal training.

	Pays credit card in full	Has adequate savings & investments
Took course	54%	44%
Didn't take course	60%	55%

A Lesson From Monopoly

Remember playing Monopoly as a kid? The only thing you could count on was that $200 you collected when you passed "Go". The rest – fortune or failure – depended on the roll of the dice. We're not in any way advocating gambling here; in fact, we believe that gambling, whether in state lotteries or upscale casinos, is the biggest fool's game ever perpetrated on the population. But Monopoly is a game that has a lot to teach us about money and life. *(source: Too Young to Retire by Marika and Howard Stone)*



1) Money itself has no value. It is a utility, like electricity or water. How we use it determines its value to us. Money is a medium of exchange: We use it to acquire goods or services for whatever someone has determined they are worth.
2) Money you don't spend accumulates.
3) When you have money in reserve, you can act on opportunities that come your way.
4) Never overextend yourself.
5) Don't play with money that isn't yours.
6) Win or lose, it's the people you play with that make the game interesting.
7) Have fun or find another game.

"Money is a terrible master but an excellent servant" – PT Barnum

Take a Guess:

1) Which one of the five weekdays has consistently proved to be the worst trading day?

2) On average, how many months before one-third of the newly retired return to work according to Putnam Investments?

3) What percentage of investors believe that the real estate bubble has finally popped, according to a recent survey conducted by TD Ameritrade?

Answers: 1.) Monday 2.) 18 months 3.) 64 percent

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