Financial Principles, LLC

NEWS

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Investing and the Bear Market

Consortium of Financial Professionals Gives Advice on Ten Smart Moves to Make in a Bear Market

Fairfield, NJ (September 16, 2008) – When the Dow Industrials announced a 6.3 percent loss in June, its worst June performance since 1930, analysts declared that investors had officially entered Bear territory. A few months into this new reality and some of us are still wondering, What now? Mike Flower, an independent financial professional with Financial Principles in Fairfield, says that the oft-heard advice "stay the course" doesn't mean that investors should literally do nothing. Flower and nine fellow registered representatives affiliated with Securities America, Inc., one of the nation's largest independent broker/dealers, have developed 10 Smart Moves for Investors to Consider in a Bear Market.

1. Re-examine your goals. The volatile market has Patricia Hinds, Personal Wealth Manager for Granite Financial in St. Cloud, MN, spending time talking with her clients about their short-term, mid-term and long- term financial goals. "When we identify which assets are earmarked for each goal and examine the history and recovery period of bear markets, investors with a long-term horizon should find some reassurance," explains Hinds. Hinds also stresses that risk tolerance and asset allocation vary with age, income, life stage, marital status and other factors. "I'm re-emphasizing that portfolio changes should reflect changes in your life rather than changes in the market," says Hinds.

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2. Return to investing basics. Asset allocation was an important part of establishing an investment account and it is even more important when the market is down, says John Barton, the primary Wealth Advisor at CenterPointe Wealth Management in Wichita, KS**.** "Ensure that new contributions to the market are properly allocated and diversified according to your investment plan," he counsels.

3. Stay invested. According to Arthur Cooper, co-founder of Cooper McManus in Irvine, CA, while it's important to ensure proper risk levels, it's also important not to let a volatile market cloud pursuing investment goals. "This market underscores the wisdom of dollar cost averaging – investing a particular amount of money on a monthly basis, regardless of share prices," Cooper explains. "Today's circumstances are exactly why you make routine investments because contributions buy more in a down market."

4. View cash as an asset class. The volatile market has David Kaiser**,** founder of Pinnacor Financial Group in Denver, CO, stressing that money invested in cash or cash equivalents such as money market funds or short-term certificates of deposit earns interest and is subject to very little principle risk. "In bear markets, hasty or poorly researched investments into stocks that *appear* cheap have been a frequent pitfall to many investors over the years," Kaiser says. "Investors will be rewarded for patiently waiting for the down-trend to reverse into a new bull market; they still have plenty of time to invest before the next bull market cycle begins."

5. Consider the alternatives. Look beyond stocks, bonds and cash when building your investment portfolio says Rusty Cagle**,** President of ASE Wealth Advisors in Greenville, SC. According to Cagle many well-run pension funds have an allocation of 15% to 22% in alternative investments such as real estate, venture capital, timber, oil and gas and other commodities that can often stabilize market volatility and enhance portfolio returns. He says individual investors should educate themselves on non-traditional assets classes and their effect on investment portfolio risk and return. However, Cagle cautions, "Alternative investments can be like cayenne pepper – a little can enhance the meal, but large doses can be fatal."

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6. Get smart. Many do-it-yourself investors are coming to the realization that they may need professional help, says Jim Coleman, founder of Coleman Financial Advisory Group in Waterbury, CT. **"**When the water's knee deep, everyone is an Olympic swimmer, but today's waters are chest-high and that's a different story," he says. Coleman believes do-it-yourselfers need a financial advisor to help determine an appropriate asset allocation and to seek out investment opportunities. "It's a myth that anyone can reach his or her investing goals by index investing."

7. Transform losses into opportunity. The old investment adage says to "buy low and sell high," so take advantage of the sale on financials and real estate, says Brett Ellen, President & CEO of American Financial Network in Calabasas, CA. "Some investors also have a 'get out of jail free card' if they can take losses and re-balance their portfolio for tax planning purposes," Ellen says. "If you qualify to make a Roth conversion, the down market is the perfect opportunity to convert and save on taxes," says Ellen. "In addition, when planning an estate there may be opportunities for discounted gifting where you give more of currently lower valued stock to an heir to get it outside of your estate."

8. Manage your 401(k). Besides the home, most people's largest asset is their 401(k) account. If working with a financial advisor, schedule a meeting to discuss 401(k) investment options. "Your advisor can analyze your investment choices and build the proper allocation for your risk tolerance," says Jeff Carbone, Managing Partner of Cornerstone Financial Partners in Charlotte, NC. "Often times, in addition to post age 59 ½ withdrawals, employer plans allow in-service withdrawals or brokerage links that could give you access to more managers and/or professional money managers." Carbone says a down market may be a good time to increase contributions to a 401(k) account.

9. Turn off the TV. Remember that you are an investor and not a trader, says Mike Flower, partner at Financial Principles, LCC in Fairfield, NJ. "Because you have long-term horizons, what the talking heads discuss in the short term on TV will have little effect on your portfolio 20 years from now," he says. "With that in mind, if you invest systematically in your portfolio each month, increase your savings. A down market may be the best time to add to your accounts."

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10. Remain cool. "Market volatility is, by its nature, sharp, sudden and terrifying," says Don Patrick, Managing Director of Integrated Financial Group based in Atlanta, GA. "The wise investor knows this and remembers that markets can and do go down suddenly and significantly, but, in the long run, they've never stayed down." Patrick advises when the market is especially volatile, take a deep breath, try to keep a cool head and make investment decisions based on reason, not emotions.

About Financial Principles, LLC

Financial Principles understands the importance of planning – whether it's for retirement, saving for college or even charitable giving. Two senior partners, Bradley H. Bofford, CLU, ChFC, and Mike Flower, bring a combined 25+ years of financial services experience to their clientele. Both are recognized as qualifying life members of the prestigious Million Dollar Round Table, "The Premier Association for Financial Professionals®". As representatives of Securities America, Inc., Bofford and Flower are able to provide comprehensive services and advice in all areas of personal finance, such as estate planning, retirement planning and tax reduction strategies.

Bofford and Flower believe that a well-informed client is essential for success. They love taking clients from fear to confidence regarding finances, by placing a strong emphasis on educating people about how to prepare for and enjoy a comfortable retirement. Both advisors have contributed to articles in several leading trade publications including Investment News, Financial Advisor, and Research magazine as well as consumer outlets such as Business Week, Money and New Jersey Business magazine.

Visit www.financialprinciples.com to learn more about the advisors at Financial Principles.

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