NEWS

Contact:
Clyde Wyatt, Managing Partner
Phone: 214-217-5800
Email: cwyatt@navigationfinancial.com

Clyde W. Wyatt, III

Obama and McCain vs. Investment Portfolios

Financial Pro Examines How Election Years Affect Investment Portfolios

DALLAS, TX (October 15, 2008) – It's an election year and while there's plenty of speculation how the electoral votes will add up in the red states and blue states, many investors are wondering how the transition in the White House will impact their portfolios. According to independent financial professional Clyde Wyatt, there's ample analysis that gives investors clues about how the market will react as they and their friends, family and colleagues head to the polls.

"Most investors are shocked to discover that in the last 20 election years, excluding 2008, there have been only two years where the S&P 500 Index had a negative return," says Wyatt. "Those occurrences were in the 1940 election when Roosevelt faced Willkie and the S&P lost 9.8% and, more recently, in the 1988 contest between Bush and Dukakis when the S&P lost 9.1%."

Wyatt points to further research from Marshall D. Nickles, who writes for Pepperdine University's Graziadio Business Report. "In Nickles' report, he found that the market reacts to a new president taking office by taking an initial post-inaugural slide which is followed by strong performance," says Wyatt. In addition, Nickles found that in election cycles from 1941 through 2000 the stock

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market lows have occurred surprisingly close to mid-year congressional elections, or approximately two years before presidential elections. As such, Nickles found that investing on October 1st of the second year of a presidential term and selling on December 31st of year four netted the best portfolio returns.

"What is clear is that investors have an appetite for this kind of analysis and that their need to identify patterns and cycles will persist," says Wyatt. "In fact, experts in the field of behavioral finance identify this harmful tendency as 'oversimplification.' That is, our desire to control our world leads us to identify patterns in purely random events. This false sense of reality can lead us to believe we know which way the market is going.

According to Wyatt, the bottom line is that as interesting as the presidential cycle is to reflect on, it is not relevant to your investment decision making. "Should you make decisions based on election year market cycles? No. Should you make adjustments in your investment plan based on who wins the presidential election? Absolutely not. After all, like all theories, the presidential cycle has inconsistencies. For example, although we still have a few months for the market to pull ahead, the presidential cycle marks 2008 as an up year."

Wyatt believes that instead of spending time looking back at historical patterns investors should look ahead and attempt to project how the candidates' stand on various issues might impact the economy. "There are clues that can help investors determine whether a candidate's policies would affect the financial markets positively or negatively," Wyatt says. Wyatt believes that low taxes favor investment and less government regulation is generally a positive for financial markets because it increases merger and acquisition activity. On the negative side, high budget deficits can crowd out private sector spending and protectionist policies generally erode the benefits of trade and can curb investment in the U.S. Of course, what may be more difficult to predict than the market's reaction to the election is whether the presidential candidates will adhere to their campaign promises and which policy proposals would be adopted by Congress.

"The election cycle should have little to do with your investment strategy," says Wyatt. "However, if an investor has specific concerns, they should consult with a financial professional. Apart from that, investors should just sit tight, stay informed, enjoy the election analysis, and watch history unfold in the fall."

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Managing Director, Clyde Wyatt, specializes in working with clients to provide estate planning, tax-advantaged investment strategies and financial planning solutions that meet immediate needs and move them closer to their long-term goals. Always wanting to learn more, Wyatt has obtained his Chartered Life Underwriter status, and the coveted Certified Funds Specialist designation.

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