



## **Morrison Investments, Inc. (Member FINRA, SIPC)**

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### **Volatility Rattles Investments Far and Wide**

*as of April 10th, 2008 (Dow closed at 12,527, S&P 500 at 1,354)*

After almost 5 years of significant investment earnings, the markets are taking a breather and giving back a portion of those significant gains. While longer-term investors have benefited from 5 years of value surge, newer investors have felt the brunt of the recent market downturn. We've experienced this before. Since last Fall, the S&P 500 stock market index dropped nearly 17%, with 9.5% of that coming in the first 3 months of 2008.

While volatility can be anxiety laden and stressful, there is a certain cleansing of excesses and market adjustments that can be healthy for longer-term investors, which is our approach to investing. An expectation of continuing quarterly market increases is not the real world for investors. A steady stock market climb is not the stock market we know and we must be careful we do not become complacent which clouds our understanding of how the markets work. The market reacts with extreme sensitivity to worldwide news that potentially has nothing to do with the immediate day-to-day business operations of many of the companies owned by stock funds, yet their stock price can be affected by the overall stock market price movement.

We cannot predict the rougher times as only God knows when these times will come upon us. John Kenneth Galbraith, known as America's most famous economist said, "There are two kinds of forecasters. Those who don't know and those who don't know that they don't know." And because we do not know the timing of the downturns, investors should be sufficiently diversified in anticipation of these times.

Personal emotions can run very high during times like this when nothing seems to be going right. There are significant worldwide issues like the Iraq war, oil prices, value of the US dollar, worldwide political crisis's, government bailout of a major stock brokerage firm, government bailout of both mortgage borrowers and lenders, (fill in your own personal concern \_\_\_\_\_), etc. All of these issues affect the values of our stocks, bonds, real estate, CD's, money market rates, and other investment vehicles. Meanwhile, as the worldwide safe haven response to risk, the price of gold has soared.

While extra market volatility could continue for some time, our encouragement is for investors to **"control what you can"**. Maximize your tax savings by maxing out your retirement plan accounts, limit your risk by investing in a globally diversified portfolio of mutual funds, limit your exposure to aggressive growth orientated or small cap stock funds, keep your investment costs down, invest only in funds that have a long-term seasoned investment management team, don't emotionally give in to daily stock market news that is orientated to short-term stock traders, and take the long view.

As a firm we have spent very little time responding to individual concerns. We believe most of our investors *"get it."* They know times like these are expected. No-one in our office thinks lightly of the anxiety this type of market turmoil can cause and we very much want to be winners in the business of making money for investors over time, as we apply the same

principles to our personal investing. We have an objective of giving you the confidence to see it through these rough times without giving up. Our objective is to guide you by assessing your tolerance for risk (volatility) and providing you with an investment allocation that balances the risks of the markets with making a reasonable long-term rate of return. We have no reason to believe this time things will be significantly different than in the past.

If for any reason you are uncertain about what is going on and the impact upon our long-term plan for your investments and you want a fresh assessment of the funds you are invested in relative to your tolerance to stick with the plan, do not hesitate to contact us for that review. You should also pull out the Investment Commentary write-up we mailed to you late January which gave our assessment of each of the mutual funds you hold through our office. Our fund assessments have not changed since then.

Prepared April 10, 2008 by: Thomas A. Morrison, CPA, CFP®, Principal

### Other Thoughts

**Mortgage Crisis** – Did you know? More than a third of homeowners have no mortgage debt at all; of those with mortgages, 95% were and are paying on time. Even now, more than four out of five of those with adjustable-rate subprime mortgages are current. This is not the stuff of which massive insolvencies in the banking system are made. (Nick Murray, *Financial Advisor*, January 2008)

**Financial Independence Basics** – Want an interesting and entertaining book to give others to encourage them to save and become financially independent? While there are many complicated and tedious books on the subject, there is a collection of parables set in ancient Babylon that has withstood the test of time (all written prior to 1926) which is George Clason's *The Richest Man in Babylon*. His stories are funny and full of truth about the basics to obtaining financial independence.

### Spring Cleaning

If you haven't signed up for electronic statement delivery, then you have an overload of investment statements. We know, as we are personally invested in the same mutual fund groups you are invested in. As investment statements are received throughout the year, I personally stack the statements in a single pile and at a minimum of once a year, I sort through the statements to determine which to keep and which to shred.

Fortunately, the major fund groups our investors are invested in (American, First Eagle, and Franklin Templeton Funds), there is a year-end investment statement that covers the period January 1<sup>st</sup> to December 31<sup>st</sup>. From our perspective, this is the statement to keep and all other confirmations and quarterly statements from the same fund family can be shredded. If you don't have a shredder, forward or drop off your excess at our office as we have a shredding service that comes by once a year and shreds all of our firm's excess investment statements and other confidential paperwork. Brokerage statements like the monthly TD Ameritrade statements should all be retained.

I have established a file folder for each fund family (not for each fund), two-hole punched the top of each statement, and put it on the top of the prior year statements already stored in a prong fastener. The end result is there is a small stack of statements that provide the lifetime history of my holdings per fund family.

Please let us know how we can be of further assistance. *And thank you for your referrals!*