



Morrison Investments, Inc. (Member FINRA, SIPC)

620 W. Roosevelt Road Suite C2, Wheaton, Illinois 60187

(630) 752-1155, fax (630) 752-1198,

Email: Morrison@MFSAdvisor.com

Website: www.mfsadvisor.com

A year after the Meltdown

on October 6th, 2009 the Dow Jones Industrial Average closed at 9,731, S&P 500 at 1055

2008 was memorable as the stock market lost 30-40% throughout the year, but particularly painful was this time last Fall when the stock market lost ~25% of its value. And in spite of a significant market rebound in 2009 (stock market is currently up 12-25%), the stock market indexes are still off in excess of 30% from their peak during the Fall of 2007.

Theories abound regarding where the market is headed, maybe you've heard some of them, but we should always be cautious when investing as we never know what worldwide issue could cause another meltdown. Our position is that the market excesses leading up to the end of 2007 have been significantly reduced. We believe wise investing (not speculating) with solid funds over time will continue to produce excellent investment returns with reasonable market risk and will also perform significantly better than alternative investments (fixed annuities, CD's, money markets, US Government Securities, etc.). But we also do not anticipate the stock market to go back to its previous high for a number of years as that is not necessary to obtain on-going good market returns.

Six months ago, in early March, there was much talk by the media of a return to a Great Depression-like economy. The nightmarish scenarios caused stocks to hit their lowest levels in years. Although no one knew it at the time, that turned out to be the bottom (on March 9th the DJIA hit a low of 6,547, but is now up 49% from that low). A major lesson from this period is that the markets are un-predictable. Here's something to ponder -- In the classic book "The Intelligent Investor," the great money manager Benjamin Graham wrote that "the investor with a portfolio of sound stocks (i.e., sound stock mutual funds) should expect their prices to fluctuate and should neither be concerned by sizable declines nor become excited by sizable advances."

Investing is easy when everyone's portfolio increases, but we need to be prepared for the difficult times. Investors need to determine how much emotional control they have to withstand market downturns, or maybe even determine if they are an investor. Besides providing objective financial, estate, and tax advice, our goal is to help you through the investment minefield by helping you make sense of the available investment alternatives and helping you focus on what can be controlled – having sufficient cash reserves, reducing debt, controlling taxes, making sure your portfolio is truly diversified and your assets are sufficiently allocated, and encouraging a longer term perspective. In spite of all of the worldwide difficulties, we have a lot of hope and we believe the investments we recommend will help you achieve your goals.

But don't be fooled. "While the current recovery might ultimately be sustainable, it is unlikely to be a smooth ride, creating market tremors along the way" (WSJ 9/30/09). The Vanguard Group issued a note to its investors this week cautioning investors that substantial third-quarter returns don't mean it is time to go all-in to certain areas of the market. It added, "Maintaining a balanced, well-diversified portfolio is a sensible way to prepare for the uncertainties and volatility that accompany investing in the stock and bond markets." This is sound advice for all times.

"October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February." ~Mark Twain

Things to Consider

Fulfilling Frugality – Recently we came across an activity list put together by financial advisors David Yeske and Elissa Buie, along with their clients who added to the list, a “manifesto” called “Live Big” that explains how to live on a frugal budget. “Live Big is not about the size of your wallet; it’s about the size of your life. In these crazy economic times, it can sometimes be difficult to remember the areas in our life where we can Live Big without spending (much, if any) money.” We encourage you to review the list of 85 activities which includes meaningful suggestions for how to spend your time, like walk a dog – even if you have to borrow one, watch a thunderstorm, volunteer, donate blood, continue to make your charitable contributions, write a letter to a soldier, exercise, etc.

The list can be found at our website www.mfsadvisor.com, under the Research tab and then under the Personal Newsletter section. This also gives you an excuse to become familiar with our website. ☺

Mortgage Refinance – If you have a mortgage and know you’ll be staying in the home for several years, now is the time to refinance. Contact us if you would like a referral to a mortgage broker.

Money Market Interest Rates – Neither the American Funds or the Franklin Templeton Funds money market funds are paying interest. Many times a short-term bond fund can be an excellent alternative or moving your cash reserves to a bank can sometimes make sense.

Roth IRA Issues:

- **Make your 2009 Roth contribution** – if you qualify -- sooner rather than later. If you don’t have the cash and you have non-IRA assets, money can usually be moved from your non-IRA to your Roth IRA investments.
- **Roth Conversions** – In 2010 everyone qualifies to convert all or part of their Traditional IRA to a Roth IRA and the taxes on the conversion can be deferred until 2011 and 2012. Earnings within a Roth IRA are 100% tax-free and there aren’t required minimum distributions. This is best suited for those who do not need to withdraw money from their IRA during retirement.

Tax-Free Distributions from your IRA to a Charity has been extended through 2009. You must be 70 ½+ to qualify for this benefit.

2009 IRA Required Minimum Distribution (RMD) – For 2009 only, RMD’s were eliminated. If you took a distribution and now wish you would not have taken the distribution, you have until December 31st to undo the distribution.

“A government which robs Peter to pay Paul can always count on the support of Paul.”

George Bernard Shaw

Summary

Over the past year we’ve assisted many investors in toning down their allocation to stock and/or providing alternative lower risk investments. If this is something you believe needs to be addressed, or if you would like to discuss your investments in more detail, please do not hesitate to contact us.

Thank you for your on-going trust and support.

Prepared October 7th, 2009 by: Thomas A. Morrison, CPA, CFP®, Principal