

Financial[®]Ink

YOUR MONEY MANAGEMENT NEWSLETTER

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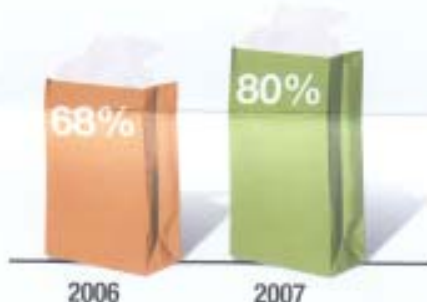
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SnapSHOTS



GRIPES GROWING

Percentage of American consumers who vowed never to buy from the same company after a bad experience.



Source: BusinessWeek, September 24, 2007

Up FRONT

The number of U.S. millionaires
grew by 50%

from mid 2003 to mid 2006.
(Net worth excludes primary residences.)

Source: Journal of Financial Planning, August 2007

Quick HITS

In 2005, there were nearly four times as many socially screened mutual funds in the marketplace as there were a decade earlier. *page 2*

Federal tax receipts increased by \$785 billion in the four years following the 2003 investment tax cuts, the largest four-year revenue increase in history.¹

Americans between the ages of 35 and 64 are six times more likely to become disabled than to die. *page 3*

Only about one-third of surveyed investors believe that their emotions play a role in their investment decisions.²

A hypothetical investor who missed the stock market's 12 best months during the 30 years ending in 2006 would have earned an average annual return that was more than 4% lower than an investor who did not miss any days. *page 4*

Sources:

- 1) The Wall Street Journal, October 9, 2007
- 2) InvestmentNews, June 4, 2007.



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Should Your Portfolio Have a **CONSCIENCE?**

Socially responsible investing has been around at least since the 1960s, but it seems to be getting more attention lately. Perhaps it's because there are more social issues affecting us, or because people are becoming more aware of such issues.

For example, in 2005 there were nearly four times as many socially screened mutual funds in the investment marketplace as there were a decade earlier.¹ Today, almost one out of every ten dollars under professional management has been allocated according to socially responsible criteria.²

If you believe it is important that your investments be directed toward favored causes, or away from organizations and/or practices you disapprove of, that's great. However, it is also important that you not allow this desire to outweigh the other factors that must be considered when making investment decisions.

DO YOU FEEL IT?

When choosing investments based on your beliefs about certain social issues, it's important not to let your feelings play an overriding role in decision making. Research suggests that emotion tends to have a detrimental effect on investment decisions.³

For example, let's assume that you are concerned about pollution and decide to consider mutual funds that invest in companies that develop cleaner products and services. This decision may make you feel good, but there are other factors to consider when deciding which fund to buy.

Does the fund invest in stocks or bonds? A mutual fund that does not fit into your asset allocation strategy could interrupt your progress toward financial goals.

Are the fund's investment objectives too risky (or too conservative) for someone with your time horizon and risk tolerance? Your comfort level with risk and the

number of years until you need the money you are investing should tell you more about whether the fund is appropriate than the companies the fund owns. The value of mutual funds will fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost.

This doesn't mean you should ignore your beliefs when selecting investments. However, investments that satisfy your conscience should also fit with your long-term goals and needs.

Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1-2) Social Investment Forum, 2007

3) Stanford Graduate School of Business, 2005

Trend Conscious

Socially screened mutual funds, which invest in companies that meet certain socially sensitive criteria and/or screen out companies that do not, have become popular since 1995.



Source: Social Investment Forum, 2006

If you become disabled without disability coverage, you could find yourself in a vicious cycle in which your income declines precisely when medical bills begin to accumulate.

Six Times **MORE LIKELY**

The specter of serious health problems causes as much or more anxiety among investors as the possibility of losing money on their investments, not saving enough to retire, and even losing a spouse through death or divorce, according to a 2007 survey.¹

This fear of serious health problems is not without basis. Americans between the ages of 35 and 64 are *six times more likely* to become disabled than to die. Despite this fact, Americans are more than *twice as likely* to own life insurance as they are to have disability income insurance.²

VICIOUS CYCLE

An individual disability income insurance policy pays a benefit if you suffer an illness or injury that prevents you from working. You can use the benefit to help pay your normal living expenses and any medical bills associated with your disability. Benefits can last for a set number of years or until you reach retirement age. If you own the policy and pay the premiums yourself, the benefits are usually not taxable.

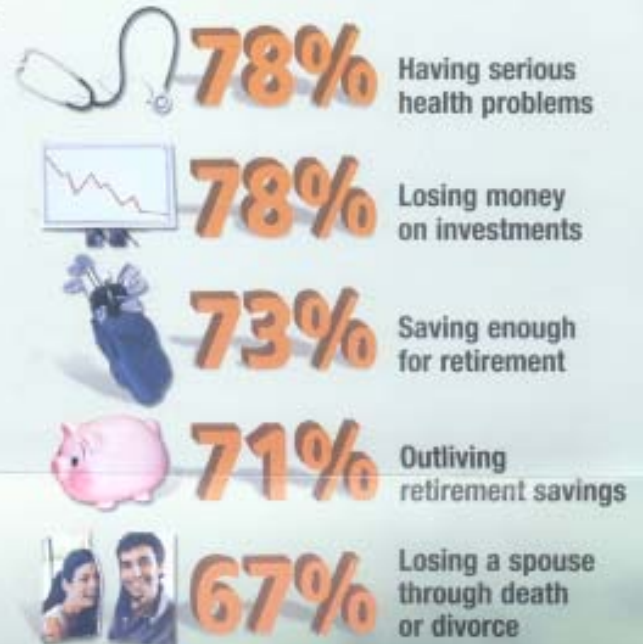
To understand the value of this type of insurance, consider what life would be like if you were to become disabled without disability coverage:

- You could find yourself in a vicious cycle in which your income declines precisely when medical bills begin to accumulate. In order to make ends meet, you could be forced to dip into your retirement savings or go into debt, or both. Each outcome could have serious long-term consequences.
- If you have to borrow money to make ends meet, it could take years to repay the debt. You may need to reduce the amount of your retirement contributions in order to help make the payments.
- If you dip into your retirement savings, it could delay your progress toward retirement goals. You could be forced to work past your planned retirement age, accept a lower standard of living in retirement, or both.

It may be uncomfortable to consider the possibility that you could become disabled. However, preparing for the possibility now could help you avoid some more serious discomfort later.

High Anxiety

Using a list of life events and challenges, investors were asked to rate whether each one made them "very," "somewhat," or "not at all" anxious. Here are the top five events that made investors at least "somewhat" anxious.



Source: FINRA Investor Education Survey, 2007.

1) Financial Industry Regulatory Authority (FINRA), 2007
2) *The Wall Street Journal*, June 24, 2007



The Worst of **TIMING**

If ever there was a year when even the most steadfast investors might have considered heading for safer ground, it was 2007.

A housing slowdown, liquidity troubles in the mortgage market, record oil prices, and a weakening dollar are just a few of the challenges that investors had to grapple with. There was more than one instance when a flight to Treasuries might have seemed the most appealing option.

However, as the accompanying chart indicates, trying to time the market can actually be more risky than staying put using a buy-and-hold strategy. Market timing is the process of trying to forecast the market's direction, pulling money out in anticipation of a downturn, and reinvesting when it looks as though prices will go higher. It sounds good on paper, but it's a fool's errand, fraught with risk and opportunity cost.

The chart simulates what could have happened to an investor who tried to time the market during a 30-year period and missed the best 12 months. As you can see, missing a mere 12 out of 360 months put quite a dent in this hypothetical investor's average annual return.

Fortunately, you don't need to time the market when your portfolio is properly structured for your risk tolerance, time horizon, and personal goals. If you are concerned about market volatility, it may be time to review your situation.

Opportunity Lost

Stock returns from 1977 to 2006



Source: Thomson Financial, 2007. Stocks are represented by the S&P 500 Composite Index (total return) for the period 12/31/1976 to 12/31/2006. The S&P 500 Composite is an unmanaged index that is generally considered representative of U.S. stocks. These hypothetical investment results are used for illustrative purposes only and are not meant to represent a specific product. Actual results will vary. The effect of investment fees and expenses is not considered. Past performance is no guarantee of future results.

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