THE **SGROI** FINANCIAL

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Surviving the Crisis

by Jennifer Jurek, CFP

At times like this, you can't let short term fear determine your long term investment plan. Here are some steps to take to help get you through the current crisis:

Talk with your advisor – Make sure you are properly invested to match your risk tolerance and time frame. If your goals have not changed, you need to stay the course. However, you should only be in the market if you have at least a 5 year time horizon.

Diversify, diversify – You need to be fully diversified as no one knows where the best place to be invested in will be when the market turns around. Some of the most beaten down areas may bounce back the strongest.

Don't time the market – It is nearly impossible for individual investors to properly time the market. Investors typically feel comfortable about getting back in after the market starts to recover and then you have missed the gains.

Set up an emergency account – Make sure you have enough in an emergency savings, checking or money market account. As it becomes harder to get approved for loans, and rates and fees are increasing on credit cards, it is more important then ever to live within your means and have a 6 month emergency account.

Invest – If you have a long term outlook and it's suitable, invest in the market – Great companies are trading at very cheap prices. You will look back and wish you did. Do NOT stop investing in your retirement plans.

Be patient – We have experienced recessions and bear markets before. History has shown us that long term investing will pay off (*Note: past performance may not be indicative of future results*).

FRONT ROW - Jeff Hahn, John Clouden, Joe Sgroi, Jennifer Jurek
BACK ROW - Patrick Sgroi, Shawn McLaughlin, Brian Clouden

Dow Jones Industrial Average

The Dow Jones Industrial Average (also called the DJIA, Dow 30, INDP, or informally the Dow Jones or The Dow) is one of several stock market indices. It was created in 1896. The Dow was compiled as an index to gauge the performance of the industrial sector in the American stock market. It is the second-oldest U.S. market index, after the Dow Jones Transportation Average.

The average consists of 30 of the largest and most widely held public companies in the United States. The "industrial" portion of the name is largely historical – many of the 30 modern components have little to do with traditional heavy industry.

It originally represented the average of just twelve stocks from important American industries. Of those original twelve, only General Electric remains part of the index. Other notable stocks that are currently on the index include: 3M, American Express, Bank of America, Coca-Cola, ExxonMobil, General Motors (second longest tenure – 1925), IBM, Kraft Foods (the most recent addition – September of 2008), Home Depot, Johnson & Johnson, McDonald's, Microsoft, Wal-Mart and Walt Disney.

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A Personal Message from Joe

Hello Everybody,

Happy Holidays! Thank you for all the good wishes and the great cards. They really have meant a lot. I'm doing much better and can't wait to get the okay from Betsy to go back to work.

The market has really been nothing like I have ever seen before. My staff has been awesome and has gone above and beyond to service all of you. I apologize if we haven't gotten back to you quick enough, but the calls and e-mails have been incredible.

I really don't know where the market is going for sure, but I am relatively certain that the results of the election are not being received well by the market in general. However we have done better under Democratic regimes than Republican, so hopefully after the incoming administration gets their confidential briefings, the market will turn around.

I do know that the Dow in the 7500 – 9000 range is likely a great buying opportunity, so follow Jennifer Jurek's advice from the first page and "stay the course" if appropriate and if you are in for the long run – 5 years or more. I couldn't have said it better myself.

Most of you are long term investors and you know what I always say – the most important test that there is as far as being in the market is what I call the "SLEEP TEST". Generally if you can sleep well you should be in the market – if you can't sleep we have tremendous alternatives and can handle that as well. Just be sure to let your financial planner know this as it is very important data. If you haven't scheduled in to see your planner in the last 12 months, please do so.

Looking forward to 2009 as a Happy and Prosperous New Year!

One Way to Diversify

By Jeffrey Hahn

It is estimated that almost half the world's assets are invested in real estate, which is nearly twice the amount that's invested in the stock market.

A Real Estate Investment Trust (REIT) is a pool of investor's money which is invested in a diverse portfolio of investment properties. Patterned after mutual funds, a REIT provides professional management, diversification and greater liquidity. It also provides an opportunity to invest in buildings and land that we could usually not afford as individual investors.

For example, some REITs invest in suburban office properties, leased to large, highly credit worthy corporations, like GE, IBM, Bell South and others. Their leases are for long periods of time which provide a steady income stream that is structured to increase over the life of those leases. A typical REIT currently pays a dividend of about seven percent or more.

If you have an interest in further diversifying your long term investment portfolio, a REIT may be worth looking into.

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"Just as a cautious businessman avoids investing all his capital in one concern, so wisdom would probably admonish us also not to anticipate all our happiness from one quarter alone." – *Sigmund Freud*

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Should You Pay Down Your Mortgage Debt or Save Money?

Here are some simple rules to follow when deciding whether or not to pay down debt or save and invest your money. If your debt is a higher rate, then you would typically pay it down first. However, if the debt is a lower rate, there are other things that you should look at. Here are some recommendations:

If paying down your mortgage:

Generally, it is better to invest your money than to pay down your mortgage. Here are the reasons why:

- Mortgage interest is tax deductible. Part of the money you pay for your mortgage can be deducted. This, in effect, lowers the interest rate that you are actually paying. For example, an 6% mortgage after taxes, assuming a tax rate of 40%, is really the equivalent of 3.6%. Mortgage interest is deductible against your income, investments are taxed separately, and do not reduce your income taxes.
- You can't easily get back money that you use to pay down your mortgage. Unless you take out a second mortgage or home equity loan, the extra money you pay on your mortgage is not accessible if you get into a bind and need money.
- You should be able to earn more money by investing in the stock market. Average long-term diversified stock market returns are in the 7–10% range, depending on the risk level. Average mortgage rates are generally lower, especially when you factor in the tax advantages of mortgages (*past performance may not be indicative of future results*).

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"If past history was all there was to the game, the richest people would be librarians." – Warren Buffet

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- By investing in a money market account instead of paying down the mortgage, you will have a safety fund that you can fall back on in case you lose your job or need money for an emergency.
- If you are near the end of your mortgage and are not paying much interest, in most cases it does not make sense to pay down your mortgage faster.

If paying down non-mortgage debt:

Generally, we recommend paying off your debt first, especially if it's a much higher interest rate than you could earn investing your money.

Since non-mortgage debt is not tax deductible, this is an easier calculation than paying down your mortgage. If the interest rate on your debt is close to the interest you could earn investing your money, we recommend that you pay down your debt.

Make sure you contribute as much as possible into your retirement plan – 401(k), 403(b), 457(b), Individual Retirement Account (IRA), etc... and always take advantage of any employer match (typically available in a 401(k)), it is free money! Retirement accounts are generally protected from creditors and it is never too early (or too late if you haven't started yet) to start investing in them.

Have Realistic Expectations

Nothing you do is going to change your financial situation overnight, but each time you make a sound financial decision, it will make a small difference. And every financial decision you make will impact your life over an extended period of time. It is important to keep an open mind about your personal finances and to stick to your financial goals. Similar to a successful weight loss program, you must change the way you view your financial decisions, just as you would change your eating decisions. You must find a plan that works for you and stick to it.

Good financial advice and sound decision-making will work, but it will take a long time and you have to remain committed to finding financial freedom for yourself. One of the goals of financial planning is to plan for retirement, or better yet, early retirement. Try to keep realistic goals and expectations and you will have a much easier and less frustrating time managing your finances.

Older Means Wiser and Prepared.

By the time you're in your mid to late 50s, your kids have probably (hopefully) left the nest and are supporting themselves. You're probably at the highest income level of your career, and can really focus now on building your retirement assets.

Take Stock of Where You Are – To take stock of how you've done so far on planning for your retirement, first prepare a realistic estimate of what your expenses are likely to be during retirement.

For an accurate estimate, think about the lifestyle you plan to have during retirement. Will you travel? Have a vacation home? Take up an expensive hobby? How much will it cost? Do a projected budget, keeping in mind that some costs (such as health insurance) are likely to increase, and some costs (such as your mortgage and costs associated with working) are likely to decrease or go away altogether.

Determine If You'll Meet Your Goal or Fall Short – Once you have a handle on your expected expenses, try and determine approximately how much your assets will be worth at retirement (your financial planner should be able to help you with this).

Next, estimate how long your retirement assets are likely to last, considering your projected expenses and income (don't forget Social Security), the size of your nest egg, the long-term return you expect to earn on your assets, and your life expectancy.

With the above information in hand, you should have a pretty good idea of whether you can expect to meet your goal or fall short. If possible, increase your retirement contributions to the maximum allowable limits.

Other Issues to Consider Now – Your 50s is also a good time to evaluate the asset allocation of your portfolio. Are you being too conservative by putting a large portion of your assets in fixed income investments? Are you taking more risk than you're comfortable with by investing too heavily in stocks or mutual funds? Typically, the better you have saved over your working career, the less risk you need to take in your "golden years".

At this time in your life you should also consider a review of your estate plan, including a will, a durable power of attorney giving the person you designate the power to make financial decisions on your behalf if you become unable to do so yourself. A living will outlines your wishes regarding lifesaving treatments in the case of serious illness or injury. You would be wise to consult an attorney in developing these legal documents.

As You Enter Your 60s – Continue to fine-tune your projections and your asset allocations. Obtain an estimate of your Social Security benefits from the Social Security Administration based on your expected retirement date. Benefits are reduced if you take early retirement. Research your Medicare options and be sure to enroll by the time you reach age 65. If you retire before the age of 65, be sure you have medical insurance to cover you until you're eligible for Medicare.

Now is the time to start thinking about how you'll take your retirement assets. Will you consolidate all of your investments for ease of record-keeping? Because the order in which you withdraw your funds (whether you withdraw interest, dividends, or capital gains first) can have a significant impact on taxes, it may be wise to consult a tax advisor before making this decision.

If you've planned wisely, you should be able to live comfortably through your golden years. You've earned it.

2009 Contribution Limits

Notables	2008	2009
401(k) / 403(b) / 457(b) Deferral Limit	$15,500	$16,500
Age 50 catch-up	$5,000	$5,500
Simple IRA	$10,500	$11,500
Simple IRA age catch-up	$2,500	$2,500
415© overall Limit	$46,000	$49,000

403(b) Corner

We have a new 403(b) custodian that allows us to use almost every mutual fund on the planet. The investment platform, called 403B ASP, allows for advisor funds (funds that have a letter, such as, A, B, or C after the fund name) and it also opens the door to a completely new universe: the no-load fund families (such as Vanguard, Fidelity and T. Rowe Price). The new platform will enhance our investment selection and open the door to nearly 12,000 mutual funds. We have been in contact with many of our 403(b) clients about the new custodian. If you have any questions please call and speak to your advisor.

Happy Holidays!

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