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MARKET COMMENTARY
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My colleagues have been urging me to write a commentary since early January. I guess it takes a full out snow day to finally get me on task. I am actually glad that I waited until today to write this article. As of now, the DOW[1] is trying to recover from its downside blowout of -326 points yesterday. When the market is at an all-time high, as it has been, it's difficult trying to make sense of what has just happened.

The DOW industrials, along with the S&P 500 indexes, both hit their recent highs on December 31st.
Since then, however, we may have seen some sanity return to the markets. I am not surprised that the Dow is down 7.3% for the year and the broader based S&P 500 is down 5.8% -- the market gained 30% last year, so we should expect this decline and consolidation.

During bull markets, 5% or so corrections are not uncommon. Since 1900, the S&P 500 has experienced a 5% or more correction an average of three times per year. A 10% correction has occurred roughly once per year, and a 15% correction, on average, every other year during bull markets. A 20% decline, generally recognized as a bear market, occurs on average once every 3 1/2 years.

FACT: Investors have short memories -- they tend to focus on the most recent past. Investment analyst Jeffrey Saut has stated that fully one-half of investors today have been involved in the market for only the past 15 years – a time when we have seen two extreme bear markets. Therefore, lacking a longer-term perspective, when the market hits an all-time high as it has, they will be expecting not a correction, but another full-blown bear market.

We are currently in a bull market that began in March of 2009. The controversy today is: What kind of bull market is it? Are we in the beginning stages of a long-term bull, or is this another of those short-lived rallies that will end with a 50% + decline as in 2001-02 and 2008-09? My vote is for the long-term bull market.

Having been in this business for 35+ years, I remember clearly what it is like to be stuck in bear-market mode. In the early 80s, the markets had been stagnant for 16 years, the economy was in rolling recessions, and there was high inflation. The dominant emotion at that time was fear, as we all waited for the next phase of the bear market. Few investors believed they could or would make money with a buy-and-hold strategy, but that was *exactly* the strategy to take during the long-term bull market beginning in 1982.

Operating with the same short-term focus, investors' expectations were different by the end of the 1982-1999 bull market. Recessions were short lived and shallow. Investor debt was not a problem, because markets only went up. If the market dropped 10%, you bought. By the year 2000 however, investors, remembering only the previous 15-20 years, were not ready for the bear market when it hit. Many of you remember the wide-spread emotional roller coaster of the next several years.

History repeats itself. I see a lot of similarities today to the situation in the early 80s. Investors have made little progress in their overall economic goals over the past 15 years. Economic conditions and problems are different, but investors, both individuals and professionals, are acting in the same way, with this same short-term, and therefore unrealistic, focus. Fear and uncertainty are the dominant emotions.

And, as in the early 80s, there has been an explosion of so-called alternative investments and strategies touting their various so-called benefits. Rarely a week goes by that I don't get called by two or three investment firms with a long/short strategy, an arbitrage fund, a managed-futures fund, or some other product or strategy that will "diversify away from the stock and bond markets" or that "is not correlated to the stock and bond markets". My skeptical mind begs the question: Is this really the time to be hopping into alternative strategies? No, as I tell my clients in our review meetings, the best and most successful strategy still remains in betting on the long-term growth of the world's economies and going along for the ride.

[1] *The Dow Jones Industrial Average(DJIA) is an index of 30 stocks traded in the US that represent a cross section of industries.*
[2] *The Standard & Poors 500 Index (S & P 500) is an unmanaged index of large company stocks considered to be representative of the US stock market.*
Investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in any way.

I still believe, as I always have, that the best and least risky investment strategy in the long run is to buy and hold good stocks of companies that make things or provide services that people all over the world need and use every day. Governments cannot provide those things for their citizens. Socialism and communism have been tried, failed, and abandoned. Private, investor-owned companies are the best providers of the world's needed goods and services. We can own shares of those companies and provide ourselves financial security in the process. If we don't want to or can't buy the companies directly, we can hire investment managers -- stock pickers -- to do the heavy lifting.

My comments above form what I believe to be the underlying philosophy for successful investing. However, each client's personal circumstances dictate the actual allocation we use in the portfolio, which is why we also use bonds and other fixed interest investments to achieve our goals. And if we've done our job right, updating and refining your investment strategy according to your specific goals and plans over the years, then you will hopefully be able to reap the rewards, seeing your years of planning come to fruition. As always, please call us if you have questions or concerns. Many times reviewing your financial situation or the plan we've developed together is all that is needed to help keep perspective in trying situations and times.

The statements above are the opinion of Kevin N. Tucker, CFP, as of February 4, 2013 and are subject to change at any time without notice. The above statements are not a recommendation of any investment product nor a solicitation to buy or sell any security. Past performance is not an indication of future results.

AND ON A RELATED NOTE….

More and more often lately, clients have approached us about some type of mail piece or ad they saw on TV about a "planning opportunity," usually directed toward retirement issues. I feel compelled to address your questions about these ads.

As I mentioned in my commentary above, market ups and downs affect people's emotions, and the main thrust of these ads seems to be pushing people's financial hot buttons – concerns about market activity, reduction or loss of retirement or Social Security benefits, aging issues, political issues, etc . The sales pitches offer little or no factual information and most claim to offer a simple and fool-proof solution, inducing you to call them and let them solve your financial worries.

These products often offer a guarantee of some kind, but what the client also gets is a very minimal return on their investment, and their money may be locked in and unavailable for many years. The real benefit is to the sales person who may receive a huge commission for selling it to you.

The individuals or companies who sponsor these ads represent themselves as retirement experts or financial advisors but they are usually just insurance agents, with no special training, licensing, or schooling. They are subject to little or no supervision by any regulatory agency, and usually the products they offer are insurance-based: fixed annuities, index annuities, long term care or life insurance policies. They may offer investment advisory services through a third party, but when you read the fine print, you may see something like this*: "XYZ company disavows any responsibility for insurance business."*

Joe and I are Certified Financial Planners (CFP©) with Series 7 licenses, allowing us to use stocks, bonds, mutual funds, annuities, insurance products, and other investment options in our clients' *personalized* financial plans and investment portfolios. We are supervised and regulated by FINRA (Financial Industry Regulatory Authority), and by the SEC (Securities and Exchange Commission). Our practices and procedures are audited annually by our broker/dealer Cambridge Investment Research, Inc., and we are subject to disciplinary action if we do not perform in an appropriate or legal manner with our clients.

So recall the blurb we use at the end of many of our commentaries: "Remember, we want you to come to us with your *"Here's what I'm thinking about"* questions, and not your *"Guess what I just did"* comments." We are more than happy to examine these solicitations that you receive, and we can help analyze them and explain the "fine print" and why they may or may not be a good choice for your specific investment picture.

The main thing to remember is that the next time you hear about something that seems too good to be true, it probably is! But ask us, and we'll help you understand why and offer better options and choices to help you reach your goals.