



ELHOFF FINANCIAL COUNSELING

A compilation of random thoughts, reflections and observations from symposiums, webinars, conference calls and publications follow for your perusal. The contents of which may be forward looking and may or may not come true and while much of the information is believed to be from reliable sources, we make no representation as to its completeness or accuracy.

Stock Values - As of last Friday (9/09/11), the total market capitalization of the S&P 500 was \$10.54 trillion. As of 9/30/01 (i.e. nearly 10 years ago), the total market capitalization of the S&P 500 was \$9.44 trillion. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market. (Source: S&P).

Three Vs. Nine - In the last 20 years (1991-2010), the S&P 500 stock index has gained more on a total return basis during the 4th quarter (i.e., October-November-December) than it has during the other 3 quarters combined. The final 3 months of the year have gained +150.9% (total return) vs. a gain of +129.2% for the first 9 months of the year over the last 2 decades (Source: BTN Research).

Winner by Month - The best monthly performance on a total return basis for the S&P 500 over the last decade (2001-2010) has occurred in April, October or November in 9 of the 10 Years. The only year that 1 of these 3 months did not lead the way was in calendar year 2010 when September was the best month. With still 4 months to go in 2011, February's +3.4% gain is the frontrunner month YTD (Source: BTN Research).

Market Volatility and Your Emotions - When dealing with a volatile market, sometimes the most difficult challenge is to manage your emotions. If you decide you need to re-examine your game plan, it should be done with as much care as you put into developing that plan in the first place. Your financial professional may be able to help you decide if any of the following may be appropriate for you.

Knowing what you own and why you own it - When the market goes off the tracks, knowing why you originally made a specific investment can help you evaluate whether those reasons still hold, regardless of what the overall market is doing. Understanding how a specific holding fits into your overall portfolio can also help you consider whether a lower price might actually represent a buying opportunity. If you're not really sure what role a security plays in your portfolio, it's never too late to find out. That knowledge can be important, especially if you're considering replacing your current holding with another investment.

Have a game plan - Setting predetermined guidelines that recognize the potential for turbulent times can help prevent emotion from dictating your decisions. For example, you might take a core-and-satellite approach, combining the use of buy-and-hold principles for the bulk of your portfolio with tactical investing based on a shorter-term market outlook. If you're an active investor, a trading discipline can help you stick to a long-term strategy. For example, you might determine in advance that you will take profits when a security or index rises by a certain percentage, and buy when it has fallen by a set percentage. You also can use diversification to try to offset the risks of certain holdings with those of others. Diversification may not guarantee a profit or protect against the possibility of loss, but it can help you understand and balance your risk in the future.

Remembering that everything is relative - Asset allocation generally is responsible for most of the variance in portfolio returns. If you've got a well-diversified portfolio, it could be useful to compare its performance to relevant benchmarks. If your investments are at least matching those benchmarks, that realization might help you feel better about your long-term strategy. Just because a particular index may have dropped doesn't necessarily mean your entire portfolio is down by the same amount. Even when everything seems to be struggling, some asset classes may be struggling less than others.

Telling yourself that this too shall pass - The stock market is historically cyclical. Though past performance is not guarantee of future results, there have been a half-dozen previous bear markets—declines of 20% or more—since the early 1970's,* and though it may have taken a while, the market eventually bounced back every time. Even if you wish you had sold at what turned out to be a market peak, or regret having sat out a buying opportunity, you may well get another chance at some point. Neither the ups nor the downs are likely to last forever, even though at the time they may feel as though they will. Even in the midst of the Great Depression, there were short-term rallies and trading opportunities. And in some cases, people built fortunes over time by investing

Change Streak - The S&P

500 had 4 consecutive trading days in August (i.e., 8/08/11 to 8/11/11) when the index's closing value was either up or down at least 2% from the previous day's close. In the last 50 years, the longest streak of "trading days with at least a 2% change" was 7 straight trading days during the month of October 1987 (Source: BTN Research).

Low Yield - The yield on the

10-year Treasury note finished last week (Friday 9/09/11) at 1.92%. The yield on the 10-year note has finished a calendar year below 3% only 1 time in the last 50 years (Source: BTN Research).

Folks Coming and Going -

There were 4.01 million births in the USA in 2010 or 10,978 per day. There were 2.45 million deaths in the USA in 2010 or 6,718 per day (Source: National Center for Health Statistics).

Work or Lack Thereof -

There were 14.0 million unemployed Americans as of 8/31/11, not counting an additional 8.8 million individuals that are working part-time only because they have been unable to find full-time employment. The number of Americans that fall into this part-time worker category has more than doubled in the last 5 years, increasing from 4.2 million on 8/31/06 to current level of 8.8 million (Source: DOL)

Safety Net - Unemployment benefits paid to out-of-work Americans has increased 5 times in the last 4 years, rising from \$31 billion in 2006 to \$159 billion in 2010 (Source: DOL).

Carefully just when things seemed bleakest. Even if you feel you need to make changes in your portfolio, they don't necessarily need to happen all at once. Don't hesitate to get expert help. *SOURCE: Stock Trader's Almanac 2011

Remembering your road map - If you feel you need to make changes in your portfolio, there are ways to do so short of a total makeover. You could test the waters by redirecting a small percentage of one asset class into another. You could put any new money into a type of investment you feel is well-positioned for the future. You could set a stop-loss order to prevent your investment in a security from falling below a certain level, or have an informal threshold below which you will not allow a given investment to fall before selling. Though all investing involves risk, including the possible loss of principal, and there can be no guarantee that any strategy will be successful, there are many possible ways to pursue your investment goals. Getting expert help can assist you in determining which if any might be useful to you.

I would summarize with three words...plan, process and discipline... that is what we at EFC try to adhere to.

September is Life Insurance Awareness Month - I have listed on a sheet of paper twenty five (25) different kinds of life insurance policies. No wonder there is reluctance by consumers to discuss the complications of life insurance coverage. That I understand and appreciate, but in a recent article in our August issue of Investment News, it was pointed out that Financial advisors are loath to talk to clients about insurance coverage. Wow, so what is a consumer to do?

As a licensed life insurance agent and a license life and health insurance counselor, I am very comfortable talking to clients about life insurance.

Some interesting facts from LIMRA ...

- 41% of U.S. adults have no life insurance
- Men ages 35-54 have large declines in individual life ownership
- Since 2004 husbands having any life insurance has declined across income level- low, middle, and affluent.
- Women of all ages average smaller amounts of individual life coverage than men of similar age
- More U.S. adults rely on employer-sponsored life insurance.

My frustration with the 25 different kinds of life insurance, is the industry is not always servicing the consumer and in many cases I feel only makes it more difficult to properly understand various policies and correctly chose the type best suited for their needs, often to the advantage of the insurance company.

It is my firms objective to always utilize policies in the best interest of our clients and not the insurance company. Should you have questions or concerns, please let us help.

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* by appointment only