



**Remember, it's going to be okay.**

I'm not promising investment returns by a certain date or telling you the date on which this gut-wrenching bear market is going to end. I cannot promise that things will be perfect. However, as I promised in our introductory meeting, we can control certain things, and I want to communicate to you what we do have power over. Your assets are diversified and allocated to best meet your long-term objectives according to your risk tolerance. We are rebalancing in order to force us to sell relatively high valued assets high and buy low valued ones. We continue to provide a historical, logical, meaningful framework to help you stay the course and not capitulate to your very powerful emotions.

There is one more thing we can control: our response to this mess.

We are too familiar with the things we can't control: the mortgage lenders' and banks' poor decision-making, job losses, bailouts and the media's obsessive coverage of it all. We tend to focus on these aspects because they present apparent threats to our long-term security. This causes anxiety and fear for all of us. However, we must refrain from overreacting.

By the way, we are in good company. No one saw this trauma coming. Not Yale University's chief investment officer David Swenson, not Ben Bernanke and the Federal Reserve, and not even Warren Buffett, who is down \$25 billion.<sup>1</sup> We could all obsess over what has happened and where it has left us. Or we can take the lead from the giant minds of investing, use history as our guide and focus only on where we go from here.

I have faith that the markets will recover as they have in the past. For instance, during the bear market of March 2000 to October 2002, we didn't know which day would begin the upturn in the markets. It began after day 929.<sup>2</sup> We didn't know if the markets would ever recover after Black Monday (October 19, 1987) when the Dow Jones Industrial Average sank 22 percent in one day, dropping 508 points to 1739. The Dow returned to its previous highs of 2,272 points about two years later.<sup>3</sup> These may be the type of statistics you're tired of seeing me repeat, but in each scenario, investors just like you thought the same thing you may be currently thinking: "I just don't see any way back." We didn't know where the jobs would come from to bounce back from 10.8 percent unemployment in 1982, and today, we

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<sup>1</sup>Anantharaman, Muralikumar. "Finch cuts top rating on Buffett's Berkshire." *Reuters*. 13 March 2009. <<http://www.reuters.com/article/businessNews/idUSTRE52C2K320090313>>.

<sup>2</sup>Bloomberg. Based on historic daily closing values for the S&P 500 Index. The S&P 500 is an unmanaged index which includes 500 widely traded stocks. It is not possible to directly invest in an index.

<sup>3</sup>Browning, E.S. "Exorcising Ghosts of Octobers Past." *The Wall Street Journal*. 15 October 2007. <[http://online.wsj.com/article/SB119239926667758592.html?mod=mks\\_main\\_news\\_hs\\_h](http://online.wsj.com/article/SB119239926667758592.html?mod=mks_main_news_hs_h)>.

<sup>4</sup>U.S. Department of Labor. "Employment Situation Summary." 6 March 2009. <<http://www.bls.gov/news.release/empisit.nr0.htm>>.

don't know where the jobs will come from to reduce the 8.1 percent unemployment rate.  
4 Compare these two percentages. Although both are startling, we have been here before and made it through.

In each of the above past instances, we did not stay stuck in that moment in time – unlike the daily reporting of doom and gloom would lead you to believe. Your overall success is more important to me than being right about any one economic indicator. Therefore, I refuse to give you advice on your long-term investment plan based on random, short-term market swings, however violent they may be.

There is still a lot that needs to work itself out in the valley of this market cycle. It has been six months since Lehman Brothers collapsed. It's scary when long standing institutions fail. We look to these establishments to provide the secure framework within which we live our lives. Their downfall forces us out of our comfortable way of thinking about the world. Suddenly and unexpectedly, we are face-to-face with uncertainty. And it continues to poke us in the chest with a stout finger each time we open our investment statements or watch the news. We all get tired of our faith in the markets and U.S. economy constantly being tested. It is exactly at this point of fatigue that we need faith the most.

Yes, old institutions have fallen. Things are not the same as they were. But the human fundamentals upon which our economy was built are still in place. Business owners still have the impulse and drive to build something from the ground up. Businesses are still made up of proud workers who care enough to stay longer than their 40 hour work week in order to get a job done right. Across our country's college classrooms and garage workshops, young people and adults alike mull over the "Next Big Idea." This is what built and will continue to build America, and it is why we can continue to have faith. Successful people believe the future can be better than the present and the past. This remains true. Do not give in to the temptation to change this belief in hard times.

As your financial advisor, I am urging you to keep your faith in our economy. I have faith that the markets will recover because they have in the past. I have faith that as a country we will get through this just as we have made it through other tough times. I have faith that, although it might be hard to see right now, prosperity is hidden just behind a thin fog layer. Even as you cringe over your current financial statements, it is important to your investment plan that you stay invested. You must remain invested in a diversified and allocated portfolio in order to make sure you own the right mix of investments that lead the charge up the hill. Remember, our nation's economists didn't call this a recession until a few months after you already knew it. Our data on the direction of markets all comes *after* it has happened. I don't want you to miss out on any of its numerous good days, which I strongly believe will come.

Good times don't last forever – but neither do bad ones. Remember, there have been more good times than bad ones. Seasoned investors know that we make all our money in bear markets; we just don't know it at the time.

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<sup>2</sup>Bloomberg. Based on historic daily closing values for the S&P 500 Index. The S&P 500 is an unmanaged index which includes 500 widely traded stocks. It is not possible to directly invest in an index.

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<sup>4</sup>U.S. Department of Labor. "Employment Situation Summary." 6 March 2009. <<http://www.bls.gov/news.release/empsit.nr0.htm>>.

I will continue to reach out to you during the coming months to discuss your investments, financial plan, or any concerns and question you may have. If you would like to schedule a time to talk, please call me at 508-678-4844

Sincerely,  
John A. Varao, CFP  
Financial Advisor

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