

A Broader Perspective

Published by Perspective Financial Services, LLC



September 2008

Company News

- Bob Burger was recently quoted in an *Investment News* article on retirement funding trends.
- The www.MoneyAZ.com library has been updated. Go online to read more.
- Perspective Financial was listed by the *Phoenix Business Journal* among the top 25 independent investment advisory firms for the second year in a row.



Does History Repeat Itself?

By Mike McCann, CFP®, AIF®

Mark Twain once said, "History does not repeat itself. It rhymes." This unique observation can accurately be applied to the current state of the economy and financial markets.

Rising costs of food and fuel, dropping home prices, and banking industry woes have coalesced in 2008 to create what some investors and analysts have characterized as an unprecedented combination of dire events. While the current state of affairs may not be identical to any we have experienced in the past, it does have a familiar ring to it.

A study of stock market history by American Funds shows that market declines have varied widely in intensity, length and frequency in the past 100-plus years. Yet, it reveals, too, a noticeable pattern of sameness – of rhyme, if you will. It charts declines in the Dow Jones Industrial AverageSM from 1900 to December 2007.

Following is a summary of the findings:

- Routine declines of 5 percent or more occur, on average, about three times a year.
- Moderate declines of 10 percent or more typically occur once a year.
- Severe declines of 15 percent or more hit about once every two years and last an average of about seven months.
- Bear markets, which represent a

decline of 20 percent or more, typically only hit about once every three and a half years; they last an average of 11 months.

It is not possible to predict when a market decline will occur; and, when dealing with a decline, it's impossible to know at the onset if it will be a small short-term drop or a larger long-term correction. But a historical review of the markets does allow investors to predict one thing for certain: periodic market corrections will occur.

One key to successful investing is creating a long-term investment strategy that takes into account these inevitable market cycles. By applying modern portfolio theory and asset allocation – which balances risk and reward with your personal financial needs and objectives – investors have a higher likelihood of achieving their investing goals. It is also important to put that strategy in writing, to help ensure you stay on track; this is why every Perspective Financial client has an Investment Policy Statement (IPS).

History may not repeat itself, per se, but it does offer valuable lessons to those who take the time to study it. It can also offer comfort to those investors who understand the potential of a long-term investment strategy.



Fiduciary Responsibility: Subtle difference, big impact

By Patrick Eng

Financial advisors, financial consultants, registered representatives (brokers), investment advisory representatives and life insurance agents all have a fiduciary responsibility.

Yet, fiduciary status is based on the functions performed by that individual, not on the person's job title.

Many financial professionals have a legal fiduciary responsibility to the principal – such as a broker/dealer firm or insurance company – and not to the individual client. As independent, fee-only investment advisors, we have a legal fiduciary responsibility only to our clients.

As an investor, it is important to understand this legal separation of duty an advisor, consultant or agent has to his or her company versus his or her client.

Fiduciaries must disclose their conflicts of interest, if any. Fee-only advisors receive 100 percent of their compensation directly from their clients. Thus, they greatly reduce (if not eliminate) any conflict between their own interests and those of their clients that would be created by commissions or referral fees paid by other product or service providers.

A fiduciary's primary directive is to manage a prudent investment process; that prudence is demonstrated by the manner in which investment decisions are made for you, the individual client.

Quick Fact

Worldwide sales of mobile phones reached close to 305 million units in the second quarter of 2008; that's about a 12 percent increase over the second quarter of 2007, according to Gartner, Inc. In North America, sales totaled 44 million units, an approximately 7 percent increase from the same time last year.



Long-Term Economic Indicators

What are they and what can they tell us?

By Lupe Camargo, MBA

Take a look at the latest news, and no doubt you'll see many references to economic indicators such as Gross Domestic Product (GDP), Consumer Price Index (CPI) and employment statistics.

What do all these numbers tell us, and how are they used? Such numbers, when monitored over time, can provide an economic road map – a map that shows not only where we have been, but where we need to go.

"Much like a satellite in space can survey the weather across an entire continent, so can indicators such as GDP give an overall picture of the state of the economy," explained Nobel Laureate Paul Samuelson. "It enables the President, Congress and the Federal

Reserve to judge whether the economy is contracting or expanding, and whether the economy needs a boost or should be reined in a bit."

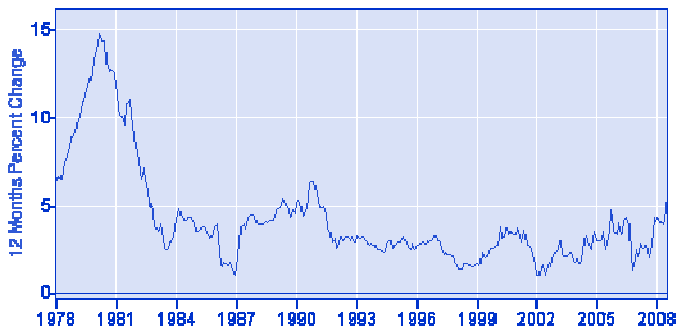
The CPI was started in 1919. It tracks the average change over time in the price paid by urban households for goods and services, and thus it is one of the most popular measures of inflation.

According to the U.S. Bureau of Economic Analysis (BEA), the Great Depression underlined the problems of incomplete data. It led to the development of nationally aggregated numbers like the GDP to help measure how much and how quickly the economy was shrinking and whether President Roosevelt's New Deal efforts were working.

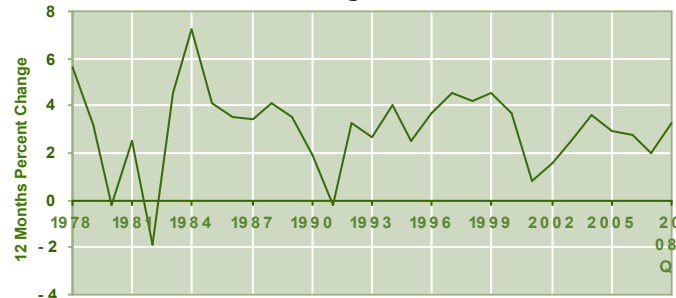
GDP represents the monetary value of all the goods and services produced by an economy including consumption, government purchases, investments and the trade balance.

The charts at the left with 30-year data from the BEA show the recurring short-term economic ups and downs that take place. They track the percent change from one 12-month period to the next.

Inflation Trends Based on CPI



Annual Percentage Growth of GDP



Letters of Instruction Benefit Heirs... and You

While most adults know they should have a will (though, regrettably, many don't have them), few realize they should also have a companion document known as a letter of instruction. This is a flexible, informal, cost-free personal document that is not legally binding but which can serve multiple purposes.

A letter of instruction can, among other things:

- Provide a list of the estate's assets, as well as the location and approximate value of those assets.
- List the names and phone numbers of your financial planner, accountant, brokers, insurance agents, attorney or other financial professionals.
- Tell the location of other essential documents and information, such as a safe-deposit box (and the key to it), tax or military records, birth certificate and credit card accounts.
- Spell out funeral arrangements. Your heirs are not legally bound to follow all your wishes, but at least you won't leave your loved ones to guess.

Many attorneys will help prepare this along with your other documents, and some will offer additional services to directly instruct your family members. Because letters of instruction are not legally binding, it's also easy to update them annually or when there are major changes such as a marriage, divorce or the purchase of valuable property. Keep a copy at home, with your executor or with an attorney, so your heirs will be able to locate it easily when necessary.

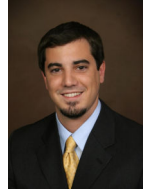


Your Perspective Financial Team

Mike McCann,
CFP®, AIF®
President,
Investment Advisor
Mike@MoneyAZ.com



Joe Clancy, CMFC®
Operations Manager,
Portfolio Administrator
Joe@MoneyAZ.com



Bob Burger,
CFP®, CDFATM
Investment Advisor
Bob@MoneyAZ.com



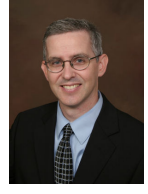
Lupe Camargo, MBA
Investment Advisor
Lupe@MoneyAZ.com



Patrick Eng
Investment Advisor
PEng@MoneyAZ.com



Mike Larriva, CFP®
Investment Advisor
MLarriva@MoneyAZ.com



Jim Mailliard, CFP®
Investment Advisor
Jim@MoneyAZ.com



John Sturtevant
Investment Advisor
Tucson Office
John@MoneyAZ.com



Phoenix Office

1440 E. Missouri Ave., Suite 250
Phoenix, AZ 85014

Phone: 602-281-Help (4357)
Fax: 602-626-8495

Tucson Office

7090 N. Oracle Road
P.O. Box 193
Tucson, AZ 85704-4383

Phone: 520-204-6798
Fax: 866-832-8267

www.MoneyAZ.com

Go online to read more in-depth articles on investing and financial planning topics.

