

# T H E A D V I S O R



Bill



Mark



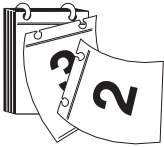
Joe

THE  
**ADVISORS**  **GROUP**  
Registered Investment Advisor  
HELPING YOU PLAN FOR WHAT YOU VALUE MOST  
Securities offered through LPL Financial  
Member FINRA/SIPC

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Issue 21

## YTD Performance 12/31/2008



Dow Jones Inds.	-31.93
NASDAQ	-40.54
S&P 500	-37.00
Russell 2000	-33.79



### Fixed Income Indices

Barclays Aggregate	+5.24
Barclays Govt Long	+22.69

### Int'l Stock Indices

MSCI EAFE	-43.06
MSCI Emerg. Mkts.	-53.18

## Market Perspectives

### An Overview of Investment Strategy by Shelby M.C. Davis; Advisor and Founder, Davis Advisors

Davis Advisors have been applying the same investment discipline of buying durable businesses at value prices for over 40 years. They have over 2 billion dollars of family, employee's and director's money in their own funds.

Here are a few nuggets that they shared with us in a recent review.

1. History provides a crucial insight regarding market crises: "They are inevitable, painful, and ultimately surmountable."
2. None to date has permanently derailed the market's ability to compound over the long term.
3. Don't attempt to time the market. The cost associated with timing can be dramatic. Over the past 20 calendar years for instance, Lipper estimates the average stock fund produced an average annual return of 11.6% while the average stock fund investor achieved an average annual return of only 4.5%. The difference is staying the course. For instance, if you missed the best ten days of the market over the last 15 years, your return would be 7.1% versus 10.5% for being invested every day. If you missed the best 30 days, your return would be 2.2%, the best 60 days (-3.2%) and the best 90 days (-7.4%).
4. Assess Risk: Davis advisors noted that individual investors almost always get the cash flow into and out of investments wrong. Emotion won't allow them to buy low

and sell high, they usually do the opposite. Davis cited a well known investor and what he's recently done. Warren Buffet of Berkshire Hathaway has just invested 20 billion dollars in Constellation Energy, Goldman Sachs and General Electric at very favorable terms. These stocks are certainly out of favor and individual shareholders are looking for the exits. This type of strategy has yielded a 21% average annual return for Berkshire Hathaway for the last 20 years through 2007.

The bottom line: Do not let your emotions dictate your long term investment strategy.

## Delayed 1099 Mailing

The Emergency Economic Stabilization Act of 2008 (the Bailout Bill) allows broker/dealers (LPL) extra time to issue 1099 forms to clients. The two week extension from January 31 to February 15 applies to forms 1099-B, 1099-DIV, 1099-INT, 1099-OID, and 1099-MISC.

For our clients whose taxes we will be preparing, we will be sending out organizers during the month of January. At your earliest convenience, please assemble all necessary tax documents and call us for an appointment.

## 2009 Required Minimum Distributions (RMD) Suspended

Recent legislation has suspended RMDs from IRA and employer-sponsored retirement plan accounts for the 2009 tax year. Suspending the mandatory withdrawal for 2009 allows investors to keep the money in their account, if they choose, and thereby realize continued tax deferral and the potential to grow their assets. In addition, if you are turning 70-1/2 in 2009, you do not have to take an RMD in 2009. Our immediate recommendation is to forgo your Required Minimum Distribution for 2009 where possible. If you have not already done so, please notify our office whether or not you would like to suspend your RMD.

## Madoff

Few stories in 2008 grabbed the attention of readers more than that of investor Bernard Madoff. In a simple ponzi scheme he was able to bilk sophisticated investors and institutions out of \$50 billion over an extended period of time. Had he not turned himself in to authorities his crimes would have perpetuated for who knows how long. This disturbing story begs one to ask the question, "How did this happen?" and, "What safeguards are there in place to protect me?"

Having a system of checks and balances is critical to safeguarding the interest of individuals. Our Founding Fathers had the foresight to put a system of checks and balances into the Constitution for that purpose. In the same way, different functions in the investment process can be separated to provide greater transparency and accountability. In the firm of Bernard Madoff, the entire investment process was under his complete control. He acted not only as the investment manager, but also the custodian of the assets and record keeper. Without someone watching over his shoulder or a system of checks and balances, Madoff was free to operate his ponzi scheme. Most firms, however, don't operate under the complete control of one individual or with the level of autonomy that Madoff enjoyed as former chairman of the NASDAQ stock market.

It should help banish your fears to know that firms like ours are scrutinized by more than one regulatory body and are subject to random audits as well as ongoing compliance requirements. LPL Financial, as our broker/dealer, has a comprehensive system of policies and procedures designed to help us comply with our regulatory requirements. They also act as the custodian of our client's assets which is why you make investment checks out to LPL Financial (or in some cases directly to the investment company). Moreover, LPL has outsourced the printing of investment statements (reporting) to a third party company. The reporting company is also subject to a separate set of regulatory and audit guidelines to further protect the integrity and accuracy of investor holdings.

As 2009 progresses we'll likely see more regulation and supervision of financial firms from the Feds. We think it's safe to say, however, that as long as there are dishonest people, there will unfortunately always be stories like Madoff's that grab the headlines.

## Disclosure Document Offering

Important disclosures regarding our business are provided in Form ADV Part II and associated Schedules, including Schedule F. This documentation provides information about our firm in general, the services we offer, the fees we charge, and other significant details. Our disclosure document is updated promptly when there are material changes in our

business or business practices, and periodically to capture routine changes. If you would like to receive our most recent disclosure document, please let us know.

## Newest Members to The Advisors Group

### Michele Bracken

Michele Bracken joined The Advisor's Group in September 2008. She and her husband Sean moved to Fort Wayne in 2005 after her husband accepted a job in Kendallville. After much disappointment with day-care, Michele took a break from the business world in order to spend more time raising her children. Now that Alex and Madelyn are in school she decided to go back to work part-time. She has many years of experience in office management, general accounting, and customer service. In addition, she earned a Bachelor's degree in Business Administration from Manchester College. Michele really enjoys working with people and is extremely organized and efficient.

Michele is dedicated to performing to her highest potential and seeks to honor God by utilizing all of her gifts and talents to the fullest. She strives to bring a positive, winning attitude into every business experience. Moreover, she is committed to maintaining the highest level of business and personal ethics. Most of her spare time is dedicated to her family, but she also enjoys shopping (a.k.a. "retail therapy") and cooking.

### Brad Steenport

Growing up in Fort Wayne never seemed dull to Brad, as he managed to keep active in extra-curricular and career-oriented activities. As our newest member of The Advisors Group, he brings with him a diverse background of skills and interests. In his first big challenge, Brad successfully earned the rank of Eagle Scout in Boy Scouts. During college, he worked as a manager at a local Pizza Hut, where he gained leadership skills. His Economics and Finance degree is now paying off as he is enjoying his passion of working in the finance industry. During college, Brad was granted admission to the Omicron Delta Epsilon honor society for Econ students through academic excellence. Brad's research interests in college included international economics and trade, central banks, and disaster economics. When not busy at work, Brad enjoys any games that test his analytical abilities, most sports, especially biking. His future goals include attaining a CFP and getting married (we hope to his long time girlfriend Karrie who is currently working on a master's degree from BSU). At The Advisors Group, Brad is responsible for financial plan preparation, review and implementation.