



RFC FINANCIAL PLANNERS

Organize. Simplify. Plan.



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Planning Points

Our free RFC quarterly newsletter

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OUR THOUGHTS:

Due to the recent stock market volatility, we thought it would be helpful to touch on some key investment principles.

First of all, we've had four + straight years of positive returns in the market. Corrections that we've recently experienced are healthy for the financial markets and are part of the normal economic cycle. Sometimes our memories can be short-term. The Dow Jones Industrial Average had three consecutive years of negative returns from 2000-2002, with a 40% drop from the highest point of the year in 2000 to the lowest point in October 2002. A lot of people were horrified at the time. However, see what happened starting in 2003? From the low of the year in 2002, the Dow Jones Industrial Average has not only gained back all of those losses, but is up over 87% since then. (Source: FT Interactive Data) At the end of the day though, it's not so important what the market does, it's more about being on track for your financial planning goals and achieving your desired personal rate of return. Be prepared to experience time frames in which you have negative investment returns, but remember to focus on your "overall" rate of return over time.

We're sure you have heard the saying, "Buy Low and Sell High". Sometimes, the best times to buy are when it feels most uncomfortable, so you have to discipline yourself and adhere to an investment strategy. For those individuals who are still saving for retirement and other long-term goals, this is an excellent time to add to your investments! On that note, making regular automatic contributions to your investments helps you stay disciplined in not trying to time your account additions and lowers the overall price you're paying for your investments (This is an example of Dollar Cost Averaging).

Most importantly, volatility is one of the reasons we diversify our clients' investments and use personalized asset allocation strategies..to lower their risk exposure, while investing to help achieve good long-term returns. Keep in mind that because our clients are diversified among many different asset classes, only a portion of their investments are actually exposed to the same volatility as the Dow Jones or S&P 500 (Or the

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general stock market). Therefore, when you see the Dow Jones Industrial Average is down 2% or 260 points in one day, it does not necessarily mean that our clients' investments will be down 2%, and the same holds true for if any one market index is up. Our clients' investment portfolios are a combination of many different types of investments and financial market instruments, from large U.S. companies to smaller International companies, along with the possibility of precious metals, commercial real estate and many other investment focuses.

It's impossible to time the market. The largest portion of your investment returns are derived from asset allocation. Stay unemotional, stay disciplined and seize opportunities like this to "Buy Low"!

As always, please do not hesitate to call us at 734-272-4224 if you have any questions or concerns, or if you wish to discuss your investment allocation strategy.

Disclaimer: It is not possible to invest directly in an index. Asset Allocation, diversification and dollar cost averaging do not guarantee against loss; they are methods used to help manage risk.

BY THE NUMBERS:

REMEMBER NOVEMBER - The 6-month period from **November 1st to April 30th** has produced a positive total return for the S&P 500 stock index in **12 of the last 13 years** (i.e., 1994-2006). 7 of the 13 half-year periods generated at least an 8% total return (source: BTN Research).

WHAT WILL THEY DO? - The **median prediction** made the week of August 20, 2007 by 37 economists forecasts that the US Federal Reserve will **cut interest rates twice** before the end of 2007. Each of the 2 rate cuts is projected to be $\frac{1}{4}$ of 1%. The Fed has 3 more scheduled meetings this year (source: USA Today).

2 OUT OF 50 - Just 2 states (California and Florida) accounted for 32% of all the **home foreclosure filings** in the nation during the month of July 2007 (source: RealtyTrac).

2 YEARS AGO - Hurricane **Katrina** struck the southern coast of the USA 2 years ago this Wednesday (8/29/05). Katrina had winds of 175 mph, caused more than 1,300 deaths and inflicted at least **\$80 billion in damages**, the **costliest storm ever** in US history. Now 24 months later, 4 of the 7 general hospitals in New Orleans have not reopened and 40% of the city's residents have relocated to other towns following the hurricane's destruction (source: National Oceanic & Atmospheric Administration, Fortune).

NOW OR LATER? - An Individual may begin **receiving a retirement check** from Social Security at age 62. For every year that individual delays collecting from Social Security, his/her **monthly check increases** by 7-8% (source: Social Security, Center for Retirement Research).

Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

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