



# RESOLUTE PASSAGES

RESOLUTE FINANCIAL Fee-only Wealth Management  
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## Beyond the Numbers

When it comes to inflation, every country and every currency can be different. It has been a long time since Americans have seen persistent inflation, where the public expects that prices will be higher in the future. China, the world's second biggest economy and a key trading partner with the US, is in the early stages of an inflationary cycle. In the paragraphs below, we have provided some notes from an AP article by Joe McDonald.

"China's public is struggling with a surge in food prices that has defied government efforts to combat inflation with interest rate hikes, price controls and a campaign to boost vegetable and grain output. The government reported inflation accelerated in January, rising to 4.9 percent from December's 4.6 percent. That was driven by a 10.3 percent jump in food costs amid tight supplies and strong demand. Economists expect more sharp price rises in coming months because China faces a problem it cannot quickly fix: Demand is outstripping food supplies, while high global commodity prices mean it can't fill the gap cheaply with imports.

*"Since the second half of last year, we have been busily changing the price tags to mark the prices up," a Beijing storekeeper said. "It seems that the more control we had from the government, the higher prices rise."*

Inflation could also spill over into higher Chinese export prices. That might raise costs for Western consumers but also could help countries such as Vietnam and India compete with China as suppliers of clothing, furniture and other low-cost goods. Spiraling prices have made the grocery store a scary place for Chu Yun, a 27-year-old office clerk. "Prices for everything are going up and it seems it will never stop," Chu said as she hunted bargains in a supermarket. "I have no confidence prices can be brought under control this year. I think they will keep going up."

We have seen this before, and will be providing guidance to you.

*Bob, Tom, and Chuck*

## Charting the Course

An unusual book has just been published regarding investment strategies. It's the life's lessons of one man, Gordon Murray, who spent 25 years on Wall Street. As he approached retirement, he sought the advice of a fee-only financial advisor. The advisor described his investment philosophy, and introduced Gordon to Dimensional Fund Advisors (DFA).

Then something very interesting happened: Gordon took a position as a consultant at DFA. As he states in his Personal Note:

*"For decades, we have watched much of the traditional financial services industry (which includes money managers, the mainstream financial media, as well as Wall Street brokers) take advantage of innocent, hard-working investors' lack of financial expertise and their behavioral tendencies."*

*"Deep down inside I knew there was a better way to invest...But I did not realize that an individual investor could get these kind of returns, not in theory but in practice, in an actual investment portfolio."*

Gordon spent the next several years working for DFA, and educating advisors. He had developed a great relationship with his own advisor, when unexpectedly, Gordon was diagnosed with a brain tumor. It was June of 2010, and Gordon was told he had six months to live. The advisor encouraged him to write a book as part of his legacy.

The book is "The Investment Answer" all of 88 pages. Gordon passed away in the end of January, but leaves us with a best-seller.

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**We put your interests first.®**



## Noteworthy



There is a new address for our Newburyport office! We are now located at **102 State Street, Suite G**. This is somewhat of a homecoming, as Resolute Financial was located at 104 State Street back in 2003-2005. We are the second building on the right, up from the Newburyport Library. Directions are available on our Contact Us webpage. Please note that State Street is one-way, going uphill from the river. We have ample parking behind our building.

More news: We want to welcome **George Paquin, CFP** to our practice. We have known George for many years through our association with NAPFA. We welcome George, his clients, and his business associates! You will be hearing much more in the near future.

**NAPFA** held its Northeast conference in Boston, with both **Bob and Chuck** serving as speakers. Bob is a leader in the NAPFA University series, teaching a high level course in the uses of life insurance for estate planning. Chuck is a speaker on compliance issues in our industry, which includes an auditing process of investment management.

**Tom** attended a day-long seminar presented by Fidelity Investments. The seminar was led by the Bond investment team at Fidelity. Presenters included the fund managers from Fidelity Floating Rate Fund.

**The Morningstar Client Portals** have been very versatile. For example, clients have securely uploaded mortgage documents, and we have posted various research reports. No technology is perfect, but it can enhance the communications. Let us know how you like it!



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## Investor's Blackboard

It remains as true today as it was 20 years ago: US investors choose to invest a higher percentage in US companies versus foreign companies. Many financial advisors are also timid about investing in International Equities. Is this justified?

One of the main reasons for limiting your investments in foreign countries is due to human behavior, and something known as "Home Bias". Home bias leads you to stick with something you know well, from first hand experience. This human behavior extends worldwide.

Home bias was tested in the UK, where it was found that British investors owned twice as much domestically versus foreign countries. Note that the US market is approximately 45% of world total, the UK is 9%.

Investing in foreign countries offers significant opportunities for long term investors. Advisors are aware of that, but we continue to see portfolios that miss out on the opportunity, although we acknowledge it is not for everyone.

One reason that investment professionals may underweight international funds is that in some asset classes there are few, if any, fund choices. For instance, if you do an internet search for Emerging Market Value funds, you will see that there is only DFA. Even more impressive, the DFA Emerging Market Value Fund was started in 1998, so it has a deep management team. We wish for their continued success.

## Passing Thoughts

The Center for Retirement Research at Boston College produces some important studies. Sometimes the findings confirm our intuition about human nature, and other times it's contradicted. A recent study asked the question "Do parents live-it-up when children fly the coop"? They found that when the kids move out, spending increases "by about 50%".