



# RESOLUTE PASSAGES

RESOLUTE FINANCIAL Fee-only Wealth Management

Newburyport 978-463-8771 Wakefield 781-246-8771 Chelmsford 978-250-4900

Robert T. Ryan JD, CFP®  
Thomas G. Dwyer EA, CFP®  
Charles M. Johnson MBA, CFP®  
George Paquin, MBA, CFP®

FALL 2011

## Timeless Message

We are avid readers of commentaries provided by fund managers. When we saw this from Tweedy Browne Company, we felt the message should be passed on to you, and here it is.

"What can investors do to try to intelligently keep their capital working for them in such a volatile macro environment? On the one hand, you could call it a day and retreat from markets and go to cash. But how will you know when to return?"

"We are sensitive to the fact that market volatility can be devastating for those who frequently need access to their capital. However, for those with more patient capital, markets such as these can afford investors with rare pricing opportunities, which over longer measurement periods, should prove to be quite advantageous. It is our job, as stewards of your hard earned savings, to try to remain objective so as to exploit these opportunities."

"We recently had the privilege to attend Walter Schloss' 95th birthday party. Walter, as many of you know, worked alongside Benjamin Graham in the 1950s and is a great friend of Warren Buffett. He became a legendary investor in his own right, running his own partnership for nearly fifty years."

"In an evening full of toasts and accolades for Walter, perhaps Sandy Gottesman, another great investor and Berkshire billionaire, said it best when he toasted Walter for the trait he felt he did not have, and the trait Sandy felt made Walter a great investor, his optimism."

"To a certain degree, value investors, while ever skeptical even in times of crisis, generally believe the world is not coming to an end. Warren Buffett tries to remind us of this frequently during times of stress."

It is important to remember that rewards for investors are achieved by taking risk. We look to manage the risk in your portfolio, and consider both bad news and optimistic news in long term investment plans. Have a wonderful holiday season!

*Bob, Tom, George and Chuck*



## Charting the Course

### Interest Rates

We are coming up on the 3 year anniversary since the Federal Funds rate was set at 0% - 0.25%. The Fed has stated that it expects to hold this interest rate until mid 2013, and perhaps longer. Contrast this to the history of Federal Reserve interest changes. Changes were made in every year going back to 1993!

Why is this important? The Federal funds rate is reflected in all short term rates, such as Money Market rates, and credit card borrowing rates. Going back 4 years to December 2007, the rate had been 4.25%.

The Fed keeps a close eye on inflation, and the funds rate is influenced by changes in inflation rates. With CPI numbers remaining low, the funds rate can be held at these historic lows. It has been helpful for borrowers, but frustrating for savers.

### The 15 year stock test

Owning stocks and equity funds has been a rough experience over the "lost decade" of the last 10 years. The lack of gains has made it difficult to maintain a long term focus.

Academic studies of the history of US stocks have been done, using rolling 15 year time periods (for example, 1994 to 2009, and 1927 to 1942 etc). The studies show there are no 15 year periods where the US market had a negative return. Historical data cannot predict the future, but history can provide some perspective.

[www.ResoluteFinancial.com](http://www.ResoluteFinancial.com)



Fee  Only

*We put your interests first.®*



## Noteworthy



\* **We have a new website!** The new website has been redesigned from the ground up to add content, and make it easier to use. Clients will have easy access to the Newsletters, Commentaries, and Client Login buttons. New visitors will be able to learn who we are, and about our core values.

\* **George Paquin** has relocated the Chelmsford office of Resolute Financial! Our new address is **2 Meeting House Road**, in a building that also includes medical and legal professionals. It is handicapped accessible. Our new office is two blocks off of Route 110, near the downtown center.

\* For the second year in a row, **Resolute Financial** has been named to the list of top financial advisory firms in the US. **Financial Advisor Magazine** assembles this list of the largest firms that are offering a full range of services.

\* **Bob Ryan** was invited to speak at the NAPFA conference on Investments, held in Brooklyn in October. Bob presented case studies on families that used insurance policies in their financial planning.

\* **Tom Dwyer** was invited to the Barron Funds annual event at the Lincoln Center in Manhattan. The event featured noted investment professionals and their insights into today's markets.

\* **Chuck Johnson and Bob Ryan** have recently done significant research of elder care housing that is available in our area. If you have questions about this and related elder care topics just contact one of us.

## Investor's Blackboard

Headlines coming from the European Union have overwhelmingly dominated the investment markets. How can that be, and why would that affect US markets? Here is a segment of James Glassman's article in the December *Kiplinger Magazine*:

"Europe is big. The European Union, which does not include such nations as Switzerland and Norway or such partly European ones as Russia and Turkey, has the largest gross domestic product in the world - a bit more than that of the US and one-and-a-half times that of China and Japan combined. Its population is nearly two-thirds larger than that of the US, and Europe is home to 12 of the 30 largest companies in the world (by revenue), the same as the US and four times as many as China."

There are unfortunate consequences from the crisis across the pond. The relentless stream of news has caused all investments to rise and fall together. That has been a primary reason why the returns on many investments have become highly correlated - in the near term. High correlations reduce the benefits of diversification.

In addition to very high correlations, the daily swings in the market averages are more extreme than is normal. This is caused by traders - not investors - but it impacts investors as it can create bad moments to do necessary portfolio rebalancing.

We expect volatility to continue at least until political issues are resolved. Maybe then we will see corporate earnings drive the market again.

### Passing Thoughts

This is the time of year when many people consider making donations to charity. There are many benefits, including tax deductions, but how do we know that our money is making a difference in the world?

Here are some excellent websites that offer reviews of charities: [GiveWell.org](http://GiveWell.org), [CharityNavigator.org](http://CharityNavigator.org), and [GuideStar.org](http://GuideStar.org).



102G State Street  
Newburyport, MA 01950-6639  
978-463-8771