



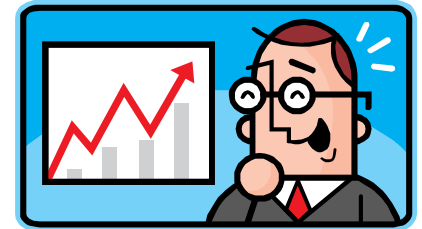
the Plan

Spring 2013

The Market Has Reached All-Time Highs. Now What? By James B. Twining, CFP

For quite a few years now, faith in the markets has been sorely tested. After severe bear markets, confidence in the market's ability to recover is often lacking. Now for the first time in many years, we have the opposite problem: The markets have recently hit all-time highs: Aren't we at a "top" now? Shouldn't we expect a drop in the market?

A recent analysis from DFA's research group explores that exact question. They pulled the daily closing S&P 500 index levels, (start date: 7/2/1962), and looked at what has occurred subsequent to each time the index level has reached a new all-time high.



The findings are summarized in the table below. After each new high, they looked ahead in the data at horizons of 1, 3, 6, and 12 months out and tabulated the percentage of the time that the index level was at or above the level it had reached when it had set the new high.

S&P 500 from 7/2/1962 and including previous monthly high set in 12/1961:

look ahead period (N)	# of new daily closing highs	# of cases where index is higher N months after new high	% of cases where index is higher (after new high)	total daily observations	observations range
1 month	718	426	59.3%	12753	7/2/1962-3/1/2013
3 months	718	457	63.6%	12712	7/2/1962-12/31/2012
6 months	718	510	71.0%	12651	7/2/1962-10/1/2012
12 months	718	521	72.6%	12524	7/2/1962-3/30/2012

One year after the market has set new all time highs, the market has been even higher 72.6% of the time. This is similar to the percentage of up years in any environment. So the question again - "Does hitting a new high tell me something about where the market will be at some point in the near future"? These numbers would indicate it doesn't.

The Difference That Financial Planning Makes

It is common for people to believe that financial advisors concern themselves with investments only. While that may be true of stock brokers and some other investment salesmen, Certified Financial Planners paint with broader strokes. A competent CFP® will build a comprehensive plan that addresses the following at a minimum:

- ✓ Cash and Debt Management
- ✓ Income Tax Strategies
- ✓ Goal Projections
- ✓ Portfolio Design
- ✓ Insurance Evaluation
- ✓ Estate Transition



What this means in laymen's terms is that financial planning clients have their act together:

- They have adequate cash and a plan to pay off debts
- They are taking advantage of various income tax strategies
- They have identified their goals and are on track to achieving them
- They have a well thought out, efficiently invested portfolio
- They have appropriate insurance coverage in place
- They have a well thought out and drafted estate plan

We don't do all of this ourselves, nor would we want to. It is advantageous to retain specialists who are well versed in each area of expertise. We work with various outside professionals including lenders, CPAs, insurance agents, and estate planning attorneys. Together we form a team that works in concert for your benefit.

The difference that financial planning makes is quite apparent to us when we meet with a prospective client for the first time. Typically, they have a situation that is a mess. They may have inadequate cash, or perhaps they have idle assets earning close to 0% in a bank account. They may have high interest rate debts that can and should be paid off with other investments. Typically they are not taking advantage of various income tax strategies, and they have not clearly defined their goals. Their investment portfolios often consist of a random, disjointed list of accounts with various firms, containing high risk, expensive or illiquid securities that were sold to them over the years. They are often over-insured in some areas, while lacking the type of insurance they really need. Their wills, trusts, powers of attorney and other estate documents are often out of date or missing altogether.

You as a Financial Plan client, on the other hand, truly have your financial act together. All of the above areas have been addressed and taken care of. If you feel that something has been missed in your particular situation, please call us and we will get to work to fill in the gaps in your financial plan.



on a Personal*note*

Jamie & Jeanne

I have always wanted to see the Northern Lights, so in March I got the idea that I would drag Jeanne up to Barrow Alaska for a few days. I was thinking we would do some dog sledding, visit an Eskimo Village, and walk out onto the frozen Arctic Ocean. One night we were on a website for a hotel in Barrow called the “Top of the World Hotel”, and there was a window that showed the current temperature in Barrow: Minus 30 degrees! Jeanne nixed that trip right there. Instead we took the direct flight from Bellingham to Honolulu and drove up to the north shore where we stayed in a VRBO house on the beach.

It turned out to be a good choice. The north shore of Oahu is home to the world’s most famous surf breaks: Sunset Beach, Waimea Bay, and the most extreme of all: Pipeline. Winter is the season for big surf, but this time we were lucky to catch a big swell in late March. We sat on the sand at Pipeline and watched the pros get tubed, and saw some spectacular wipe outs. No way was I going out in that!



So we had a great trip and Jeanne is happy. As one of our clients told me the other day: “My wife and I have been married for 61 years, and this is our secret to success: I make the big decisions and my wife makes the little decisions. So far we haven’t had any big decisions”



Dave & Bonnie

—I (Bonnie) have enjoyed immensely my work here in the office and especially putting your faces to names during annual review season.

It’s hard to believe but our kids are less than 30 days away from being out of school and completing grades 2, 4 & 6. I have been grieving a bit that they are growing up so fast & am so grateful to cherish each moment we can have with them. We are in full swing of baseball season and hence you will find us at a baseball field most weekday nights.



Kristin has successfully completed her babysitting course and is wanting to start up her business. She has had a few “gigs” so far and doing well. She has a goal in mind (she’s her daddy’s girl) and that is saving for a car! David & her have sat down and organized a plan and a saving strategy. If you know David at all that means an EXCEL spreadsheet was involved :) I used to tease him that if I needed something from him, I’d have to ask within an EXCEL spreadsheet for him to even understand my request. :) Kristin is excited for that day—not too far away I’m afraid.

In other news, we got another puppy. “Cappy” has fit in extremely well. You might think, “oh my” well that’s exactly what David said, but sadly, I have this feeling our oldest Lizzy (my first pet) might not be with us for much longer and Cappy was a rescue mission. Hence I am so happy that Cappy & Heidi (shown here) are super good friends. Now, if he could only do his business “outside!” Our poor carpets are needing a rest!

Devin and Stephanie

It’s not Hawaii or Arizona, but our family was able to sneak away for a long weekend in Lake Chelan. Our good friends Geoff and Andrea live in Montana, and we met up with them to celebrate their birthdays. The trip was months of planning and keeping secrets as Geoff wanted to surprise Andrea. Their kids are almost the same age as Stella and Graedon, so it was great to watch the kids play and build friendships. When I got back Dave asked me if I had a nice relaxing weekend? The answer was a resounding “NO,” but I had a really fun weekend.

1 Condo + 8 people (4 of which are under age 4) ≠ Relaxing Weekend

Trip highlights include: Golfing with Geoff for his birthday, Steph and Andrea getting massages for her birthday, playing in the pool, Graedon flying off the slide head first, Stella and Samantha’s “slumber party,” barbecuing steaks, wine and cheese tasting, playing cards after the kids went to bed, and a trip to the reptile zoo.



Nathan & Lisa

As Washingtonians are wont to do this time of year, I flew the rainy, grey coup for warmer climates. I spent a week down in Surprise, AZ, where everyone was commenting on the chilly weather, which at one point dropped to a “frigid” 75 degrees. I was able to golf 5 out of the 7 days I was there, and my ball didn’t plug in the fairway once. In fact, I actually got some roll after the ball landed, which is a foreign concept to me. We also took my daughter Finley to a zoo, where her favorite animal promptly changed from ‘birdie’ to “monkey.”



In addition to traveling for vacation, I spent the last two days in Santa Monica, CA at a Dimensional Fund Advisors (DFA) conference, hearing from some of the brightest minds in the fund management community including the “father of modern finance,” Eugene Fama.