



## 4<sup>th</sup> Quarter ~ 2011

While 2011 wasn't exactly a year of fabulous investment returns, we all realize how it could have been so much worse and are grateful we've been spared the devastating losses so many are facing.

Normally, this is the time of year when we do a little review of the past twelve months. It's a traditional time to pause and reflect upon what we've learned before carrying on with the possibilities of a brand new year. Anyone in favor of just skipping the look-back exercise? The highlights of 2011 seem like a list of low lights. The U.S. credit rating was down graded, Congress punted to the super committee, the super committee dropped the ball, the occupiers couldn't forge a message, the markets reacted crazily to every crazed headline, the looming election uncertainty got old with seasons to go, but hey, at least Europe didn't implode...yet. Let's just call it one for the books and hit the lights.

Through it all the market moved in short, buckle-your-seat-belt spurts. For many investors the ride was just too darned unpredictable. An unprecedented \$120 billion fled the equity mutual funds throughout the year. Yet for all the drama, the S&P was really on a road to nowhere, ending the year almost precisely where it started. Sadly, that exercise in frustration turns out to be the good news story. Smaller U.S. stocks ended the year down roughly 8% but the real bad news was in foreign markets. Emerging markets took a giant step backwards and Europe's too much debt, too little leadership combination proved disastrous for investors. Knowing that the average international market dropped 15%; the worst was down over 60%, helps to put our flat line in perspective.

Although there were a few tempting moments, the upward market spurts never developed into viable trends. Corporations are sitting on unprecedented cash positions, the election will eventually be decided, and good economic news is glinting around the next corner. In other words, there is reason to see better days for making money ahead. So while we usher in a new year, we thank you for your patience, and appreciate your trust.

We'd like to encourage you to add a bit of financial planning "housekeeping" to your New Year's Resolutions. One year we encouraged a paperwork fire drill around your estate planning documents. Another year it was all about getting the insurance side of your life in order. We've suggested family conversations about money both up and down the generations and shared guidelines for how long various records have to be kept.

All of these are still good suggestions; feel free to pop one of them to the top of your list of things-to-do if some attention is overdue. There is, however, a new task to consider now that we conduct so much of our lives on line. We're calling it password management. Not only do we have to be concerned about keeping confidential information out of the hands of unscrupulous hackers, we have to be equally concerned about getting our passwords into the hands of those who may need them in the event we're unable to communicate. I'll leave the security suggestions to the security experts, but many of us could stand to be a little proactive on the other issue. We're starting to hear stories through the financial planning grapevine of families unable to access funds when the adult in charge of finances became ill and no one knew the password to the financial accounts. You can imagine how troublesome this can be if that person had opted out of paper statements on all their accounts and no one can log onto the computer. Let's just say the level of frustration and the amount of delay can be enormous and very costly. Avoiding the problem is decidedly low tech. If you haven't already compiled one, make a list of all your passwords. Keep it in your fire safe along with your other important documents. Update it annually and make sure a hard copy is accessible to the person named in your power of attorney. Can't remember who that is? Time to review that document as well!

Be sure to give us a call with any questions or comments that arise as you get yourselves sorted. We love hear from you.

Wishing you and yours the very best in 2012, and a Happy New Year!