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HENRY WEALTH MANAGEMENT, LLC

Architects for Wealth

June 20, 2011

Stock Market Declines Revisited - Important Questions to Consider

Let's re-visit the stock market decline that took place from Q4 2007 though Q1 2009? Surely you recall that harsh period, which was marked by ever-decreasing stock prices and ever-increasing pessimism! Looking back, I'm surprised that "end-of-the-world" predictions didn't also crowd front-page headlines.

The Dow Jones Indus. Avg.[1] peaked at a lofty **14,164** on **10-9-07.** The ensuing 17 months saw the depth reached; **6,547** on **3-9-09.** The total decline was **53%! ***

No one could have predicted the sharp rally which then started. The Dow climbed, sharply at first and steadily thereafter, peaking over two years later on **4-29-11** at **12,810.** This represented an ascent from trough to peak of over **95%.**

Why a seeming return ultra-pessimism now? During six of the past seven weeks, stocks declined, closing at **12,004** as of **6-17-11.** This drop of 6.3% does not qualify as a *"correction" (defined as a 10% pullback)* but does serve, in my opinion, as an ugly reminder.

During downturns, it's natural to wonder if your portfolio is properly positioned. Some may think *"Should I decrease equity exposure and increase bonds, or even abandon both in favor of cash?"*

For each client, we have discussed the importance of a long-term focus and typically utilize an **Investor Profile Questionnaire (IPQ)** to help in properly positioning your portfolio. Regardless of your entry point into Henry Wealth Management, whether in a bull or bear market, it is our desire to allocate based on your goals, time-frames and propensity towards risk.

Let's consider this five-year period; **1-1-06 to 12-31-10;**

Bull: 1-06 to 9-07 **Bear:** 10-07 to 2-09 **Bull:** 3-09 to 12-10 *

In my opinion, active money managers had a great opportunity during this five year full market cycle to utilize their market savvy and timing prowess to embrace the upswings and deftly avoid the downturn. Please click onto the attached chart, courtesy of Symmetry Partners, LLC, to see that most active managers (green) failed to beat fully passive benchmarks (orange).

We firmly believe that TIME in the MARKET trumps Market Timing! As such, our philosophy is to build your investment foundation via a passive strategy and only then, in selected cases, weave in an active strategy as a compliment.

In closing, please consider these four questions:

1- Are there heightened global economic and governmental challenges at the present? **Absolutely.**

2- Have we already factored in those types of events when we decided on an asset allocation strategy for you? **We did.**

3– Should we revisit your asset allocation[2] from time to time? **Yes.** Here is a handy link to the aforementioned **IPQ** tool; http://www.henrywealth.com/files/34658/New-HWM%20Investor%20Profile%20Questionnaire%207-30-10-2-new_distributed.pdf

4- Will we tweak your allocations? **Yes, if we mutually decide.**

However, let me strongly state that any portfolio changes should be based on a re-assessment of your goals, thus, making any adjustments a **thoughtful action,** not an **emotional reaction!**

Feel free to complete and submit the **IPQ** and use this tool as our starting point for any portfolio change discussions. As always, feel free to call us, too.

* Source: Yahoo Finance [1] The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy. You cannot directly invest in the index. [2] Using asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions.

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