

# HWM ViewPoint



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## The Investment Solution to Catastrophic Events

The first quarter of 2011 showed continued strength in world equity markets. Yet two critical events, the tragic tsunami / earthquake in **Japan**, as well as social unrest in the **Middle East**, may have caused some investors to question the sustainability of the bull market.

*How can we prepare and brace events that may be inevitable and/or unpredictable?*

While asset allocation and diversification in an investment portfolio are no guarantee against loss of principal, its importance cannot be understated. Consider this; while inevitable conflict in the **Middle East** captures front page headlines, the reality is that the economies of impacted areas represents about 1% of a globally diversified portfolio.

Similarly, the natural disaster in **Japan** is a quintessential example of an unpredictable event. No investor can really prepare for something that may or may not happen. Scientists have been predicting a massive California earthquake since the great San Francisco quake of 1906. Thankfully, we still wait.

For clients asset allocated in a 60-40 stock-to-bond ratio, Japanese stocks would comprise less than 3% of holdings. This can impact a portfolio, but not in a major way.

In our opinion, since no one can reliably predict the future, our current approach to global diversification is the best we know of to deliver capitalist rates of return, while attempting to help minimize the risks therein.

The insightful chart below, courtesy of *Symmetry Partners*, provides a historic look at stock market performance, as measured by the Dow Jones Industrial Average, after catastrophic events. The message is to:

**Develop an asset allocation ratio** based on your goals, time frames and propensity to risk.

**Globally diversify** by using all available categories of stocks and bonds.

**Rebalance annually** to maintain the desired allocation mix.

**Exercise patience** in the presence or absence of chaos.

At Henry Wealth Management, our goal is to provide ongoing help during both calm times and chaotic ones.

SYMMETRY

## The Stock Market's Reaction to Catastrophic Events

Date	Event	Prior Day Close	First Trading Session Response			Subsequent Market Behavior		
			Close	Change	Percent Change	One Month	Six Months	One Year
Sept 11, 2001	World Trade Center towers destroyed	9,605.50	8,920.70	-684.80	-7.13%	4.75%	10.47%	-10.66%
Jan 16, 1991	US launches bombing attack on Iraq	2,508.91	2,623.51	114.60	4.57%	11.77%	14.97%	24.45%
Aug 2, 1990	Iraq invades Kuwait	2,899.26	2,864.60	-34.66	-1.20%	-8.77%	-3.22%	4.95%
Mar 30, 1981	Pres. Reagan shot by John Hinckley	994.78	992.16	-2.62	-0.26%	0.56%	-14.33%	-16.90%
Aug 9, 1974	Pres. Nixon resigns	784.89	777.30	-7.59	-0.97%	-14.71%	-8.87%	5.98%
Nov 22, 1963	Pres. Kennedy assassinated	732.65	711.49	-21.16	-2.89%	6.57%	15.37%	24.99%
Oct 22, 1962	Cuban missile crisis	568.60	558.06	-10.54	-1.85%	15.55%	27.41%	33.89%
Sept 24, 1955	Pres. Eisenhower heart attack	487.45	455.56	-31.89	-6.54%	0.04%	12.48%	5.72%
June 25, 1950	North Korea invades South Korea	224.35	213.91	-10.44	-4.65%	-4.45%	7.36%	15.13%
Dec 7, 1941	Japan attacks Pearl Harbor, Hawaii	116.60	112.52	-4.08	-3.50%	-0.86%	-6.19%	2.88%

As Measured by the Dow Jones Industrial Average

## Financial Woes of Super Athletes

Consider the plight of five, well-known, former star athletes. If these highly-paid professionals were given a “do-over”, would they opt for the same aggressive investment and planning strategies that landed many of them in the financial turmoil that they now face, or would they choose a much more conservative and diversified approach?

During their playing days, this stellar group went for the knock-out punch, the long-bomb, the extra base, the three-point shot and the strike-out pitch. Yet wouldn't they have been better off to leave the risk-taking to their sport, where they had more control over the outcome? Opting for financial prudence and time-tested strategies with regards to their financial planning and investment management would most likely be their game plan, given another chance.

At Henry Wealth Management, we realize that you do not desire a **do-over!** Thus, we endeavor to exercise good sense and caution from the start.



### Evander Holyfield

The former heavyweight champion, who reportedly made more than \$250 million in his boxing career, made headlines in 2008 and 2009 when his \$10 million Atlanta-area home was on the brink of foreclosure. Holyfield also allegedly failed to pay child support and landscaping fees.



### Mark Brunell

The journeyman NFL quarterback who spent the 2010 season as a member of the New York Jets, filed for bankruptcy in June after he racked up debt for loans to real estate and other ventures that went bust. In his 2010 filing, Brunell listed \$24.7 million in liabilities versus \$5.5 million in assets.



### Lenny Dykstra

The former major league outfielder rose to prominence beyond the diamond as a financial analyst after his playing days ended in 1998. That included regular media slots doling out financial advice and even founding a niche luxury magazine for pro athletes in 2008 named The Players Club. But Dykstra's luck tumbled soon afterwards, when he filed for bankruptcy in 2009 with more than \$10 million in debts and assets worth less than \$50,000.



### Scottie Pippen

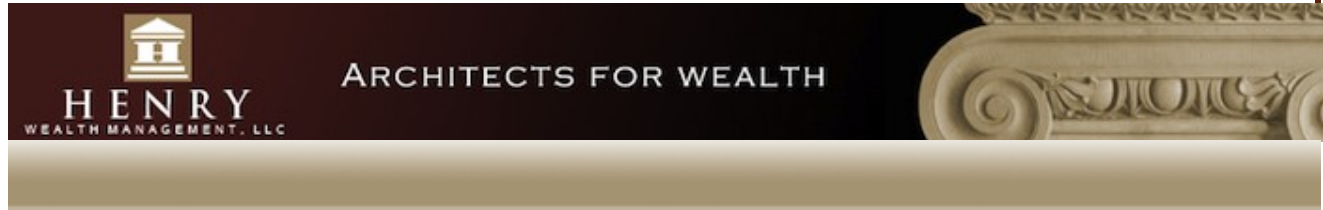
The former Chicago Bulls star has reportedly lost \$120 million in earnings over the years. In January 2008, Pippen made a comeback to basketball at age 42 to offset some of his losses, by touring Scandinavia. He played for one of Finland's top teams, Torpan Pojat.



### Sandy Koufax

In February 2009, the Hall of Fame southpaw was among the athletes listed as an investor in Bernard Madoff's Ponzi Scheme.

Source: *Financial Planning Daily*, 3-30-11



We are pleased to inform you that **Henry Wealth Management, LLC** has become a licensee for an exclusive program designed to educate business owners.

**businessKillers®** is not a typical lecture! It is a unique program featuring six, short video vignettes that are professionally produced and very compelling! The vignettes serve to alert business owners to the very real consequences of *under-planning* and *under-protecting* in areas such as succession, retirement and estate planning. Alternatively, the presence of sound planning will be confirmed.

*Avoiding the Six Mistakes that can Destroy Your Business and Your Future* will be presented by:

**Phil Henry**, program emcee, Financial Planner and Founder, **Henry Wealth Management, LLC**  
**Dave Bluemling**, expert panelist, CPA and Partner, **Malin Bergquist & Co., LLP**  
**Tom Butz**, expert panelist, Attorney and Partner, **Smith Butz, LLC**

Your required investment? Just a little more than one hour of your time. Upcoming presentations include:

**Tuesday, April 26, 2011- Southpointe Golf Club**

7:15 am continental breakfast, 7:45 to 8:45 program  
 360 Southpointe Boulevard  
 Canonsburg, PA 15317-8537

**Thursday, April 28, 2011- Pittsburgh Marriott North**

7:15 am continental breakfast, 7:45 to 8:45 program  
 100 Cranberry Woods Drive  
 Cranberry Township, PA 16066

Please accept our personal invitation and consider joining us. Bring along a guest, too. Reserve your place today by calling 412-838-0200 or simply reply to [Service@HenryWealth.com](mailto:Service@HenryWealth.com)

P.S. Here is a link to a very brief **businessKillers®** program video, as explained by Phil Henry, the program emcee. <http://www.HenryWealth.com/section9.cfm>



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Architects for Wealth

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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.

Past performance is no guarantee of future results. Investors cannot invest directly in an index.

Asset allocation and/or diversification are no guarantee against loss of principal. Rebalancing assets can have tax consequences. If you sell assets in a taxable account you may have to pay tax on any gain resulting from the sale. Please consult your tax advisor.