HWM ViewPoint

HENRY

WEALTH MANAGEMENT, LLC

Architects for Wealth

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Inside this issue:

Stress Testing Personal Retirement Plans… to Reduce Stress

Ever hear the old adage, ***"people don't plan to fail, they just fail to plan"?*** Never was this saying more true than in the area of retirement planning. Yet many do not take the necessary steps to build a plan, a road map to success.

First, rather than thinking in terms of **"Retirement"** which denotes the end of something, at Henry Wealth Management, we prefer to co-label this achievement **"Financial Independence"**. To be financially independent means the beginning of something - the beginning of no longer needing to work!

Stress Testing Defined

While agreeing that the need for a plan is important, what are we to do when the roadmap turns southward, and I am not referring to a Floridian retirement destination! Based on recent declines in the stock market, many are wondering if their plans and goals will now hold up?

Enter the new buzz word for 2009, **"Stress Test"**. This term currently refers to a bank's ability to withstand a prolonged economic slump. Traditionally, a stress test referred to having your heart monitored during a period of exercise. Yet I have memories of a different usage, when friends of mine in college *(never me personally, of course)* at or around 2:00 am, began to stress over a test that was forthcoming later that morning, one for which they were ill prepared!

Along the lines of that collegiate definition, many have been stressing over what recent stock market declines have done to their retirement goals. The best way to determine its impact is to apply a to consider your retirement plans under normal assumptions and then to **Stress Test** them, using even more conservative assumptions! Many firms offer this valuable service to their clients; ours service is called the **HWM MoneyMap**.

Important Questions

Since the state of being financially independent will not take on the same meaning in two different households, we need to define what it means to you, through a consideration of the following questions:

What - gross income will I want / need? What return and inflation rates should we assume pre- and post-retirement?

When- would I like to be financially independent – what age?

Where- can I generate income? From fixed income sources (*social security, pensions, deferred comp.),* part-time income and/or asset withdrawals?

How- much do I plan on investing per year between now and my planned retirement date?

Once estimates are considered and applied, the **HWM MoneyMap** may be viewed and a success percentage applied. We then Stress Test under more conservative assumptions. Finally, plans need to be updated at least annually to gauge projected versus actual progress.

Stress Reduction

In closing, the need to plan for financial independence, with stress testing, as well as to continually monitor progress is critical for those in their pre-retirement years as well as for actual retirees. At Henry Wealth Management, it is our desire to assist clients not only with their invest-able assets but more importantly, with their financial road map, so we have a clear picture of where you are and what adjustments may be needed. Tools such as the **HWM MoneyMap** can actually serve to reduce stress, since knowing where you stand alleviates the unknown.

This Time It's Different?

According to Sir John Templeton, the billionaire mutual fund pioneer, the four most dangerous words in investing are *"This Time it's Different."*

As reported in our April 15th, 2009 HWM ViewPoint, we expounded on the need for another perspective on the current recession. While we closed the first quarter of 2009 with the normal doom and gloom headlines, a heightened sense of *"This Time it's Different"* also dominated the media. Headlines reported in various forms that we could be headed into another great depression. That coupled with another round of global economic and political instability made one more readily accept the notion that maybe this time it really was different!

But alas, as we and others pointed out, *(sometimes we are right!)* the "other" perspective was that **leading and lagging economic indicators** were starting to turn positive. Those facts coupled with dismal yields on savings accounts made us believe and report to you that the present contraction was about to give way to expansion, which typically first manifests itself with sharp stock market improvements.

What happened largely over the 2nd quarter? Stocks, as measured by the Dow Jones Industrial Average, actually bottomed out on March 9th at 6,547 and as of June 30th , closed at 8,447. This represents a gain in percentage terms of over **29%** in a little over three months! Refer to the Dow year-to-date chart below (source Yahoo.com):

In fact, of the 50 best percentage gain days in the last 50 years for the S & P 500, 21 of them have occurred since December of 2007... the official start of this current recession! (source Yahoo.com)

Has the Stock Market "Calmed Down" Yet?

A very common line of reasoning that is stated during market downturns is the following; **"I'm going to get out now and move my stocks to cash. I want to avoid further losses. When things *"calm down"* I will get back in."**

We elaborated on this topic in our November 7, 2008 **HWM Viewpoint**, making the case that the "Market Timer" has to be right twice, that is, he/she must know when to get out and also, when to get back in! While it may have been easy to jump ship at some point over the 15 month period from Oct. 2007 *(when Dow peaked at just over 14,000)* through March 2009, chances are that the *"Bail-Out of the Market"* plan still has the timer on the sideline, and the most recent 29% gain has been elusive.

When will economic and political events "calm down"? My guess is…never! Many great public companies will learn how to survive and thrive while new companies and even industries emerge. Those of us who allocate whatever portion of our equity portfolio to a diversified and long-term oriented program, I believe, will be in a position of strength.

Dalbar Study - Emotional Behavior

One of the most powerful arguments for the buy-and-hold strategy comes from the yearly **Dalbar Study**, which tracks individual vs. institutional returns over 20-year periods. **For the year ending in December 2007, the average large cap mutual fund returned 10.81% while individual investors only averaged a 4.48% return.** Dalbar attributes the individuals' lower performance to emotional - based attempts to time the market and not sticking with a long-term buy-and-hold strategy.

Passive Investing at the Core—Combined with Tactical and Alternative Investing

At Henry Wealth Management, the core of our investing philosophy is as follows:

Asset Allocation: Determine the percentage of exposure to the stock market based on a client's goals, time frames and propensity to risk.

Diversification: Spread equity exposure across a vast selection of stocks representing all conceivable categories.

Annual Rebalancing: Ensures that a desired allocation is maintained.

Passive-Style: We prefer the bulk of one's portfolio be managed in a format that has many similarities to indexing.

Yet we realize and have been performing due diligence on different styles that we are ready to introduce:

Active / Tactical Style: For our clients that have more that $750,000 of investable assets, we are introducing a new strategy that incorporates "sector and country rotation." What is that you ask?

The overall stock market may be viewed in segments, or **sectors.** There are 10 commonly referred to sectors: *Energy, Materials, Industrials, Consumer Staples, Health Care, Consumer Discretionary, Telecom Services, Utilities, Financials and Information Technology.* Sector rotation is a practice of tactically emphasizing some sectors of an equity portfolio over others. This is a dynamic process, so that over time, various sectors may "rotate" in and out of the portfolio.

This same type of rotation may also be applied to stocks of **foreign countries.** We believe that clients with assets above $750,000 may benefit from allocating a small portion of their portfolio to this type of active/ tactical style, and we will introduce this newer strategy for Henry Wealth Management it to clients as appropriate.

Alternative Investments: Again for larger clients, typically defined as more than $750,000 to invest, allocating a small portion of their portfolio to what are referred to **"alternatives"** may help to increase diversification. These include investments such as *precious metals, oil and gas, real estate investment trusts and commodities.* Alternative Investments are known as "non-correlated" assets. In other words, often times the returns of Alternatives DO NOT CORRELATE with the returns of equities, so when combining the two, ones portfolio may experience an overall smoother ride.

Variable Annuities: Finally diversifying one's portfolio into a Variable Annuity may be a helpful strategy. We dedicated an article to this subject in our HWM ViewPoint, February 17, 2009. For more information, please refer to the home page of our website, www.HenryWealth.com. At Henry Wealth Management, we are excited to integrate additional offerings that we believe can add value and additional diversification to your portfolio.

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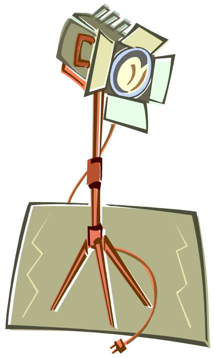

Spotlight On...

HWM Staff Addition

Henry Wealth Management is pleased to announce the hiring of **Liz Arnal** as our **Director of Client Services.** Her primary role will be to build and maintain strong relationships by working closely with our clients to ensure that all of their service needs are met accurately and timely. She will also manage our firm's account consolidation system, known as HWM PartnerView, which provides clients with round-the-clock account access.

Liz brings eight years of experience in the financial services industry to Henry Wealth Management. She most recently served as a client relationship manager for a nearby independent investment office, similar in size and stature as ours, where she also earned her Series 6 and Series 63 securities licenses.

Liz is a graduate of Robert Morris University with a Bachelor's Degree in Business Administration and Marketing. She resides in Imperial with her husband, Chris, and two young children. Her family attends Union Presbyterian Church in Robinson Township, where she also exercises her musical talents as a member of the choir. Liz also enjoys bowling in a Bridgeville-based league.

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