

2009 Fourth Quarter The Lost Decade and What Lies Ahead

According to the Wall Street Journal¹ the last ten years saw a compounded negative return for US equities (especially as measured by the S&P 500) for the first time since the decade surrounding the Great Depression. In fact, in a report from ASB, LLC securities,² the broad based index for the US stock market lost 0.95% per year. If you were invested in an unmanaged index (at no fee) for the whole decade, this means you would have lost \$911 for each \$10,000 you invested. What a way to invest for retirement!

Obviously this was anything but a typical decade. We started out with the dot com bust in 2000, followed by the tragedy of September 11, 2001, which occurred before the recession was over. We have been at war for eight years and counting, and we ended with the collapse of the housing and financial markets and a near worldwide global meltdown leading to a nearly two-year recession. According to the Bureau of Labor Statistics, November³ (as revised) was the first month in two years where there was some net job creation.

When the Dow first hit the 10,000-point mark in November of 1999, most people were very optimistic about the future of the markets and expected the market to continue its march upward. When we broke through the 10,000 mark in November of 2009, for the third time, there was cause for concern. Although the market has been over 10,000 twice since 1999, the correction from October of 2007 through March of 2009 has left many of us worried when the next shoe will drop. Let me tell you that it will go down again, we just don't know when, and it will go up, we just do not know how high. But up has been the trend since the markets have been followed.

CNBC just showed a Tata (Indian made) subcompact car selling for \$2,500 in India that gets 50 mpg in the city and about 70 mpg on the highway⁴. Now India and China are moving from bicycles to cars and that will have a global impact. There is no question the marketplace is evolving and the developing markets are where the real growth is coming from. China is developing as a world economic power and the US dollar is not as strong as it used to be.

What should we expect in 2010 and the years to come? Continued globalization, raising US interest rates and an unstable dollar could be on the horizon. It is likely we will start seeing jobs created as we exit this recession and the worldwide markets will reflect the improving global economy. Unfortunately, this means commodity prices will still be under pressure to rise. Let's not forget how much oil prices have risen since the summer. We need to continue to be globally sensitive, and diversify as much as is prudent away from conventional investments.

Along with our continuing need to evolve our investment strategy, we need to readdress your core needs. It is time to re-analyze your goals relative to the new normal of our global markets. Over the next two quarters, I hope we will be able to provide new analysis, update all of your investment goals, and re-evaluate your retirement plans. As a result we have added new software to help us accomplish these goals. The e-Money Advisor system will allow us to provide you with the state-of-the-art retirement and investment planning, along with a new and important feature; true account aggregation. For those of you who want to use this feature, you

1. WSJ 10/15/09

2. ASB LLC A decade in review 01/13/2010

3. BLS 01/08/2010

4. CNBC 01/13/2010

will be able to have all of your accounts updated daily, whether I manage them or not. You can view all your 401(k), 403(b) bank accounts, and even credit accounts all together in one super secure website customized to your specific needs. This data will automatically be updated to your financial plan.

In addition to the new tools we are using, we will begin this new decade by holding workshops in topics such as:

- What to Expect in 2010?
- The Roth IRA conversion- is it right for you?
- How to maximize your Social Security benefits.

You will be receiving a listing of all of the Workshops in the coming weeks.

Finally, may this new decade be successful as we travel together on a new course to achieve your goals.

Michael D. Kresh CFP®
President

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