<Back Print

Five Seasons Financial Planning

Guiding You to a Brighter Financial Future

Seasonal Musings

December 2008

Musings In This Issue

Join our list

Join our mailing list!

Hi Paul,

Welcome to another issue of "Seasonal Musings", the online newsletter from Five Seasons Financial Planning LLC (FSFP). In this issue, we'll be discussing the relationship between economic activity and stock market returns, and a couple of timely tips. As usual, if there are financial planning or investment topics you'd like us to cover in future issues, please drop us a line.

Not so Fast, My Friend!

Don't Let the Current State of the Economy Fool You

Well, it's official. According to the National Bureau of Economic Research, the US economy has been in recession for a year. Third quarter economic activity contracted, and the fourth quarter is expected to be even worse. The unemployment rate is at a 14-year high and rising quickly. Hundreds of thousands of jobs are being lost every month, and home prices continue to fall. What a terrible time to be investing, right? As ESPN's Lee Corso would say: "Not so fast, my friend!"

The relationship between economic conditions and stock market returns is an extremely tenuous one. According to a Barron's article over the weekend, during the 11 weakest quarters in terms of real GDP growth since the second world war, stocks have risen on average 5.5%.

Let's look at this relationship from another angle with a pop quiz. Since 1926, when do you think the best 5- year period in terms of US stock market returns occurred?
(a) The Roaring 20's,
(b) The Conglomeration Boom of the 60's,
(c) The Tech Bubble of the late 90's, or
(d) The Great Depression.

The answer is (d): in the 5-year period beginning May 1932, US stocks returned 367%. This during a decade marked by persistent deflation and unemployment rates north of 20%. Lest you think this was a fluke, the second best 5-year period for our stock market (267%) began in July 1982 while the inflation rate was in the mid-teens and the prime rate about 20%. (A thank you to Fidelity's research team for some of the data).

Our stock market has weathered all kinds of economic conditions, from rampant inflation to years of deflation, from crippling unemployment to more- than-full employment, and from sky-high interest rates to negative interest rates. Not to mention a presidential assassination, an impeachment, terrorist attacks, the Cold War, World Wars, and the Missile Crisis. All seemed or must have seemed unprecedented and unimaginable at the time.

This economic crisis is different, but then so were all the others in their time. It will take time for fiscal and monetary policy to trickle down to the real economy, and for financial assets to be transferred from weak hands to strong. But it will happen, and if you wait until it does happen to be invested, in all likelihood you will have missed the lion's share of the next bull market.

Reach Out and Touch Someone...
Your Mortgage Broker

Interest rates on Treasuries have fallen to record low levels. And while mortgage rates have only grudgingly followed them downward so far, it's probably worth rekindling that relationship with your friendly neighborhood mortgage broker. Or at least starting to think about what rate would make sense for you to refi your mortgage and/or consolidate debt. Those of you with conforming (rather than Jumbo) loans will likely be closer to cashing in on these opportunities to reduce interest expense and consolidate your household finances.

Much Ado About Nothing
Taking RMDs in This Environment

There's been a lot of fuss in the press recently about retirees irate that they must withdraw outsized RMDs (required minimum distributions) from depressed IRAs and retirement plans. Frankly, this seems much ado about nothing.

Presumably those complaining don't need the RMD withdrawals to fund living expenses. In that case, there's no reason these retirees can't reinvest the distribution right back in the same holdings in a taxable account. Or even better, they could take an in- kind distribution from their retirement account(s) to their taxable account and save themselves commissions.

Yes, these retirees will still realize taxable income in either case, but will probably be glad they did at current tax rates rather than at future ones. The political attention this issue has garnered seems like another fine example of our leadership rearranging the deck chairs on the Titanic.

Five Seasons Financial Planning LLC is a Fee-Only investment advisory firm registered with the state of Utah. Five Seasons offers comprehensive wealth management, as well as investment counseling and financial planning services. To view past issues of "Seasonal Musings", click **here**.

One of the benefits of working with a Fee-Only investment advisory firm is full disclosure. To receive a copy of our Form ADV, which details a variety of information about Five Seasons, or our Privacy Policy, please use the contact information below.

Best wishes,

Paul N. Winter, MBA, CFA, CFP®
President, Five Seasons Financial Planning LLC

Email: **pwinter@fiveseasonsfp.com**
Phone: 801-272-0902
Fax: 801-439-0000
Web: **http://www.fiveseasonsfinancialplanning.com/**

Forward this Newsletter

Five Seasons Financial Planning LLC | 4505 Wasatch Blvd., Suite 290E | SLC | UT | 84124