


## Paul Winter

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**To:** pwinter@fiveseasonsfp.com  
**Subject:** "Seasonal Musings" from Five Seasons Financial Planning LLC

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# Seasonal Musings

February 2008

**Musings In This Issue**

**"Time" to Revisit Investing Fundamentals In Case You Missed It Better Than the Economic Stimulus Plan**

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**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 importance of your time horizon to the risk profile of your investments and planning for a 2008 tax law change. As usual, if there are financial planning or investment topics you'd like us to cover in future issues, please drop us a line.

**"Time" to Revisit Investing Fundamentals Stock Market Returns Over Time**

Clients who've endured conversations with me about their recommended asset allocation know how much I stress the importance of their investment time horizon. During a recent discussion about investment ideas, my dad suggested "What's your time horizon?" be my epitaph. Maybe so, but considering in advance when you will need the money you're investing can keep you from making the worst kinds of financial mistakes. And keeping your investment horizon in mind during periods of market turbulence should help keep you on course for attaining your financial goals.

Historically, our stock market experiences a 10% decline on average about every year and a 20% drop

about every 3 1/2 years. The moral of this story? If you invest in the stock market for a couple of years before needing to tap your accounts for retirement expenses or any other financial obligation, you shouldn't be surprised if you lose money in the interim.

On the other hand, every one of our market declines has been followed by a recovery to new record highs in the years that followed (with the exception so far of the NASDAQ 2000-2002 plunge). Sometimes this journey back to new highs has been agonizingly long, but the Dow and the S&P 500 have always come through in time. The 2000-2002 drop was one of the nastiest bear markets in history, and it only took 5 years for these 2 indices to make new all-time highs.

In essence, the stock market becomes less risky with time. It's not unusual for stocks to decline in a given calendar year - it happens about every 4 years or so. But to my knowledge, they've never declined over a 10- year period.

This is why the discussion about your investment time horizon is so critical in determining your asset allocation. If your time horizon is long, you have the luxury of waiting to allow stocks to come back before you need your funds. But if you're going to need to withdraw from your investment accounts in a year or two, a market decline can be disastrous to your financial future.

"Time, time, time is on my side - yes it is" ---- Mick Jagger

#### **In Case You Missed It**

For those of you in the unfortunate position of depending on the value of your stock or real estate holdings to pay the bills, Lesley Mitchell wrote this [article](#) about the wealth effect in Sunday's Salt Lake Tribune. In it, I offer some simple suggestions for people finding themselves in this predicament and more importantly, to help readers avoid this situation in the future.

#### **Better Than the Economic Stimulus Plan This Year's Tax Planning Opportunity**

If you happen to fall in the lower two tax brackets this year, your long-term capital gains tax rate will fall to zero, thanks to a new tax law. For 2008, this will apply to joint filers with income below \$65,000 and for single

filers below \$32,500. This window of opportunity (the law expires after 2010) could allow you, with little or no tax consequences, to diversify out of a concentrated stock position, reset your tax basis, or rid yourself of that expensive mutual fund your broker foisted on you.

Keep in mind that you may be able to apply for this beneficial tax rate even if your current compensation exceeds \$65,000. There are a variety of ways to lower your taxable income. Aside from the standard deductions and exemptions, charitable contributions, large mortgage interest payments, contributing to retirement plans, and possibly delaying Social Security are all strategies that may enable you to take advantage of Uncle Sam's generosity.

Also, some of you may not think of yourselves as lower-income taxpayers. It's worth keeping this planning opportunity in mind if you are newly retired, are considering retiring soon, or even if you become unemployed this year.

**Happy Valentine's Day!**

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Five Seasons Financial Planning LLC is a Fee-Only financial planning and investment advisory firm registered with the state of Utah. Five Seasons offers financial planning services on an hourly basis, as well as discretionary investment management. 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,**

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