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Seasonal Musings

March 2009

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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, well, a veritable plethora of topics. As usual, if there are financial planning or investment topics you'd like us to cover in future issues, please drop us a line.

Don't Worry, How to Be Happy

Some Advice from Academia on Weathering the Storm

This recession and bear market have been particularly wrenching. Few asset classes have been spared, and the depressed state of the global economy has left few of us untouched. Clients, prospective clients, colleagues, friends, neighbors and family exhibit reactions ranging from anger and frustration to fear, despondency and resignation.



In times like this, with the media trumpeting every negative development, it's worth considering some outside perspective grounded in academic research on how you can better cope

emotionally in this environment. Please consider the following excerpts from an article summarizing his research entitled "How to be Happy During the Crisis" from Columbia Business School Professor Paul Ingram:

"...research has shown that people consistently underestimate their capacity to adjust to negative life and career events, and overestimate the impact those events will have on their happiness."

"People do differ substantially in their happiness, but these differences are more a function of the people themselves than of the economy...Differences in approaches to self-motivation are powerful in explaining happiness and can help explain different individual responses to the crisis."

"We have found that people who are disposed to comparisons are less happy. Of course, relative status matters for happiness, but people who think more about their position compared to others are less satisfied with their lives. In times of loss, it is also happiness-destroying to make comparisons to yourself in the past."

"And remember that the relationship between the economy and life satisfaction is muted and that our capacity to adjust to negative events is great. The biggest influence on the ultimate outcome - happiness - is not what happens to us but how we motivate ourselves."

Signs of Life in the Economy

One of the themes I've stressed in recent newsletters is that financial markets can generate above-average returns even during the worst economic environments. Now, there are scattered signs that our economy might be starting to regain its footing and that capital markets continue to thaw:

1. Government reports on retail sales in January and February have both held some positive surprises.
2. Indications are that both Citigroup and J.P. Morgan were profitable in the first 2 months of this year.
3. The price of copper, an important indicator of industrial activity, has shown signs of life in the first quarter.
4. Credit markets have performed well so far this year, with sectors as diverse as municipal bonds, junk bonds, and leveraged bank loans all chalking up positive returns.

A Second Opinion on the Importance of Rebalancing

With fixed-income markets performing well so far this year, diversification is once again proving its worth. Exposure to a variety of non-correlated asset classes is softening the blow dealt by the continuing slump in stock prices. Perhaps more importantly, having some exposure to asset classes that have performed relatively well during this bear market provides you with "dry powder" when it comes time to replenish your exposure to stocks in the portfolio rebalancing process.

Rather than continue to harp on the benefits of rebalancing your portfolio back to its target asset allocation, I thought you might benefit from a second opinion in the form of excerpts from a recent article by W. Scott Simon, a noted expert on fiduciary responsibilities and the Uniform Prudent Investor Act:

"Ordinarily, however, once a portfolio's target asset allocation is set, it shouldn't be changed--even during periods of significant volatility in financial markets. This belief is supported by the notion that the broad risk and return relationships among asset classes remain intact long term. Indeed, all investing would be chaos if these relationships didn't hold up over the long run."

"Theoretical and empirical research, as well as long-term data from financial markets, confirms that risk is minimized significantly and performance can be enhanced when a portfolio holds, for long periods of time, different asset classes with dissimilar price movements. This approach, which fulfills the fundamental underlying objective of modern portfolio theory, is also in accord with the standards of modern prudent fiduciary investing."

"It's fair to say that the highest standard [applied to financial advice] is that of fiduciary."

--- Luis Aguilar, SEC Commissioner

Catch the Bus...

For Free Financial Advice

On Friday April 3, the Money Bus will be stopping here in SLC as part of its coast-to-coast tour to promote financial literacy and to increase the national savings rate (www.yourmoneybus.com). Volunteer independent financial advisors from NAPFA, (www.napfa.org), myself included, will be on hand at the Main Library downtown from Noon until 5 p.m. to provide complimentary financial advice and to distribute educational literature.

I will be serving as the Site Coordinator for the stop here in Utah, so please feel free to pass the word to friends, family, neighbors, and co-workers. More info to follow in the coming weeks.

Five Seasons Financial Planning LLC is a Fee-Only investment advisory firm registered with the state of Utah. Five Seasons offers integrated 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,

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