Five Seasons Financial Planning

Guiding You to a Brighter Financial Future

Seasonal Musings

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Musings In This Issue

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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 a recent New York Times article revisiting stock market performance during the Great Depression and stories highlighting the difference the fiduciary standard makes to your financial future. As usual, if there are financial planning or investment topics you'd like us to cover in future issues, please drop us a line.

Bouncing Back from Bear Markets

1929 Re-revisited

It wasn't until 1954 that the Dow Jones index was able to regain its previous all-time highs from 1929. For this reason, the Crash of '29 is often cited by those with an economic incentive to trash equities as an asset class and to engender fear (annuity salespeople, inverse ETF sponsors, goldbugs, bear fund managers, the media, etc.) as an indication of just how long it can take an investor to recoup bear market losses.

In an informative recent **article in the New York Times**, well-known financial writer Mark Hulbert takes another look at what it was like to be invested in stocks during the Crash. He concludes it wasn't nearly as painful financially as commonly portrayed. The arguments he uses to support this claim are instructive for the current environment.

In many ways, the Dow Jones Industrial Average is a flawed indicator of "stock market" performance. Because the Dow is constructed differently from most market indices, it's performance can be misleading. In the 2000-2 bear market it dramatically understated the depth of the market's slide.

This year, the Dow is masking some fairly constructive performance under the surface, especially considering the start we had. With the Dow down 5% so far this year, the S&P 500 is not far from unchanged, the NASDAQ Composite has risen about 7%, and the NASDAQ 100 boasts a very healthy 12% return.

The article concludes that it only took an investor 4 1/2 years after the 1932 lows to recoup all his losses incurred in the Crash of '29 when inflation and dividends are included in the analysis. But keep in mind this hypothetical investor was assumed in the article to be 100% in equities the whole time. Any investor back then with a "diversified" portfolio from the outset that included some exposure to bonds would have experienced an even shorter time in the red.

Moral of the story: Time heals all wounds (and sometimes even more quickly than you think).

More Praise for Utah's 529 Plan

Morningstar has once again chosen the Utah Educational Savings Plan, our state's 529 plan, as one of the best 5 in the country. Morningstar bases its rankings on a plan's investment choices, diversification, and fees. We, as Utah residents, also receive state tax deductions for contributions to this plan. For more info, visit www.uesp.org.

Are Our Leaders Looking Out for Your Best Interests?

Congress Reviews the Fiduciary Standard

The fiduciary standard of care with which we at Five Seasons, as registered investment advisers (RIAs), must treat our clients has been receiving a lot of attention in Congress lately. As a refresher, RIAs have a **legal** obligation to place client interests above and beyond their own, a "fiduciary duty"; whereas insurance salesmen and broker/dealer reps have a lesser obligation to just ensure that the recommended product is "suitable" for a client's circumstances.

As a real-life example also related to the previous story, I have had clients and prospective clients come to me with broker accounts who have been "sold" out-of- state 529 plans as a means for college savings. Is an out-of-state 529 plan "suitable" for saving for college? Sure. Is it in the client's best interest when the UESP is one of the best plans in the country and when clients would receive a tax deduction to boot? Not in my opinion. In my humble, non-legal opinion an out- of-state 529 plan for a Utah resident should not pass the fiduciary standard of care.

What the broker of course fails to mention is that the Utah 529 plan doesn't make itself available through brokers, and so they won't get paid for recommending it. So a by-product of a client settling for less than the fiduciary standard of care is that they don't benefit from the open architecture that an RIA can offer. These clients must settle for whatever products happen to be made available on their broker's or insurance company's platform. And there are many other examples of mediocre "suitability" found in the sales of mutual funds, annuities, cash value life insurance, and retirement plans. But I digress.

In this new era of financial scandal and heightened regulatory scrutiny, some regulators are beginning to see the light (while some still flounder around in the dark). Click **here** for a recent Jason Zweig WSJ article on the issue and recent developments. Call me a cynic, but I don't see Congress imposing an undiluted fiduciary standard on Wall St. So in the mean time, you buyers should beware.

"Surely it should be clear to clients whether they are relying on a trained investment professional, paid solely through fully disclosed fees, or a sales rep who sells the products and services of the company he represents, whether life insurance, annuities, mutual funds or anything else,"

----- John Bogle, in testimony before Congress

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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