



KEVIN KENNEDY

Alameda's Wealth Management Specialist



Did You Know...?

News you can use for your financial well-being

August 2008

The Top Five Questions You Want Answered

I'm going to play mind reader in this column, and answer questions you may not have even asked me yet. With times being pretty uncertain, I'd bet you've at least thought about these topics over the summer months. I hope this helps settle your mind so you can enjoy your Labor Day weekend!

-- Kevin

Q. I'm afraid to look at my statements. Are we losing all of our money?

A. Watching the news, you might think the stock market is down a lot. The truth is the decline has been quite small by historical standards. In 2007 the S&P500 gained 5%+. Through 8/28/2008, the S&P500 is down about 10%. Most importantly, balanced portfolios (60% stocks/40% bonds) have gained on average 7.5% per year over the past five years through 7/31/08, and aggressive portfolios (100% stocks) are up over 9% annually during that same timeframe. Definitely not the disaster you may have anticipated!

Q. I saw a story about how a big bank (Indy Mac Bank) failed and people lined up outside to get their money back. Is the money I have in the bank safe?

A. Frankly, I've seen very few situations where anyone should have more than \$100,000 in a bank account, but as long as you're below \$100,000 your deposits are fully insured by the FDIC. If you want more details on how FDIC insurance works, please contact me, or check out the FDIC website, www.fdic.gov. Let me add that FDIC insurance is like life insurance—it's comforting to have, but you really don't want to use it! If you're worried about the safety of your bank, get a new bank.

Q. I keep hearing about foreclosures and how my home is losing value. When will the housing market get better?

A. Less than 5% of homes in the US are in foreclosure. Depending on which statistics you believe, home prices nationwide have declined between 12-20%. Two important things to keep in mind: first, these declines come after an unprecedented increase in home values in the early part of this decade. Second, changes to your home's value only matter if the equity you have in your home is being/will be used to support you in retirement. Prices seem to be stabilizing, many believe the market is bottoming now and 2009 will be a year of stabilization in prices and foreclosures. Recent data on home sales have been encouraging, and a large percentage of the unsustainable loans made in 2006-7 have already gone bad, so while we're not totally out of the woods yet, there are reasons to think the worst is behind us.

The Top Five Questions You Want Answered (cont.)

Q. All of the bad news in the press and on TV has me depressed and worried. Should I be concerned about my family's financial security?

A. Economic slowdowns, recessions, declining stock or real estate markets, these things are not new. One thing that is still true today, and is a constant that is often ignored, is how important it is to live within your means. Tough times have the biggest impact on those who are leveraged the most: families who spend more than they earn, carry too much debt, and don't have sufficient savings to weather tough times. If you're making progress toward your goals by saving money regularly ("pay yourself first" rule), living within your means, and not taking on more than your finances can handle, there isn't a reason to worry. If, however, you are not as financially disciplined as you should be, contact me. I can help you develop a budget, assess your weak spots, and shore up your financial house.

Q. It seems like things are changing very quickly in the world these days. Should we be making changes to our investments?

A. If there is one thing I'm sure of in my 20 years of investing, it's that investment markets are constantly changing. Even in the best of times, there are always issues for investors to worry about. Today it's housing and inflation, a few years back it was terrorism, before that it was the dot-com bust. Making emotional, reactionary changes to your investment strategy during these changing cycles can be devastating to your financial success. For evidence, one needs only to look at the last bear market in stocks, where investors bought record amounts of stock in early 2000 (the market top) and then sold record amounts of stock in October 2002 when the market had declined 40% (the bottom). Then, the new investment scheme was to buy houses, a sure road to riches. We now see how that is working out. My expertise helps you develop an investment strategy that will carry you through good times and bad, and stick to it. In fact, try to take advantage of bad times by accelerating your savings—as the old adage says, "Buy low and sell high".

Quote of the month:

"Politics is not the art of the possible. It consists in choosing between the disastrous and the unpalatable." John Kenneth Galbraith *US (Canadian-born) administrator & economist (1908 - 2006)*

Did You Know...? is produced by Kevin Kennedy, LLC, a Registered Investment Advisory firm in Alameda, California. Kevin Kennedy, LLC specializes in providing independent life and wealth management for individuals and families. More information, including a Form ADV-II, is available upon request or by visiting our website, www.KevenKennedyLLC.com.

All information presented in this publication is derived from sources believed to be reliable, but accuracy cannot be guaranteed. Investments in stocks, bonds, and mutual funds involve risk, including loss of principal—market value will fluctuate. Prior performance is no guarantee of future performance.