May 2012

JOHANSON
FINANCIAL ADVISORS

What should we worry about next?

Yesterday, the Dow Jones hit its highest point since 2007. Corporate balance sheets, profits, dividend yields all look extremely attractive right now. Yes, we still have a lot of worries out there, but I thought it might be useful to review a few healthy financial ingredients that are Key to your personal success going forward. Rather than discussing economic and political trends, I would like to delve deeper into how to live with less worries and more peace and harmony with your money.

My wonderful wife, Jennifer says I need to learn to relax a little more. She thinks I worry too much, that I am a little uptight, and that I don't take time to "smell the roses". I think she is right. I actually learned it from my Mother. Raising 6 kids she always tried to stretch a dollar on a moderate family income. She worried about us doing what was right and staying out of trouble. She worried constantly.

Perhaps this worry causes me to study the financial markets incessantly; always searching for the "Financial Holy Grail". Outside of work, I spend hours a day reading, studying, and listening to the brightest minds. I listen to the bulls, the bears, the economists, and the futurists. I suppose I have done this since I got into this business in 1984. Through all of the hours of research and analysis, I have learned a few fundamental truths to garnering financial success:

1. **Predicting short-term stock market performance is impractical if not impossible.** Financial markets are neither rational nor efficient. Over long-term cycles, stock prices follow corporate earnings. Having said that, what moves the markets day to day is generally event-driven surprises that we do not see or expect. Sometimes, watching the CNBC talking-heads making forecasts can be more theatrics than value. Never make the mistake of impulse decision making that run against your long-term interests.

2. **Our own human nature, frailties, and emotions can be our worst enemies when it comes to our investment success.** It is human nature to feel fear when stock prices are going down. This fear leads people to always sell at the wrong time. Statistics show we are our own worst enemy, whether it is the desire to sell when prices are going down or to buy at market peaks. Financial success is obtained little-by-little, by dollar cost averaging, and saving and buying continuously over extended periods of time. Patience can be your best friend during volatile and emotional times.

3. **Financial success generally comes from living prudently.** Individuals should live within their means. The worst place in the world to live is just beyond your means. If you are still working, and in the accumulation phase of life, you should invest, save, pay off debt, and build your net worth. If you are retired and living off of a fixed monthly income, make sure you are preserving capital for the long retirement years. Calculate your income first and live within that parameter.

To help guide you through these critical guideposts to success, as a financial advisory firm, our focus is to help you:

- Understand your personal goals, objectives, and financial priorities.
- Diversify your portfolio according to your needs and attitudes towards return and risk.
- Invest in low cost, institutional, tax-efficient investment vehicles with a best-practices selection process.
- Periodically rebalance your portfolio to keep your target asset allocation intact.
- Review and analyze your progress to see if any adjustments are necessary.

We look forward to reviewing all of the above issues with you in the next few months. In the meantime, a song in 1988 by musician, Bobby McFerrin, says it all, “Don’t Worry Be Happy”. Please give us a call if we can do anything at all for you.