

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

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Dear Scott,

Welcome to the August edition of my monthly financial newsletter. This has been a tough month in the stock market and state of the economy is weighing heavily on investors' minds. Only time will tell if we have been able to put in a bottom. In this edition, we will get some perspective on bear markets and for investors who are 5-10 years from retirement, we will look at annuity guaranteed withdrawal benefits as one solution to deal with an uncertain market.

The Return of the Bear Market

Now that we're here, it may pay to hold on to stocks.

The definition of a bear market is a 20% decline in the stock market. Looking at the S&P 500 Index, we entered bear territory on July 7, as the index fell to levels 20% below the highs of last October. Since 1956, there have been 9 such "bear markets" in the S&P 500.



The good news is that in 7 of the past 9 bear markets, the index was able to change direction and move higher within 12 months after a 20% decline. In fact, the average change in the 12 months following a 20% drop was a positive 16.5% gain. Here are the dates of the declines and the performance in the following 12 months:

<u>Date of 20% decline</u>	<u>S&P 500 performance in the following 12 months</u>
10/21/1957	31.0%
5/28/1962	26.1%
8/29/1966	24.6%
1/20/1970	11.8%
11/27/1973	-26.9%
2/22/1982	30.4%
10/19/1987	23.2%
10/11/1990	29.1%



The best compliment you can give me is the referral of a friend or family member!

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THIS MONTH, SCOTT IS...

In August, we will be coordinating client mid-year review meetings. Now that we have completed the bulk of our transfers to our new Broker/Dealer, we can sit down with you to review your account and overall financial goals. Although

3/12/2001	-1.2%
7/7/2008	???

While we do not know what will happen over the next 12 months, hopefully, we can gain some solace and perspective knowing that in the past, it paid to hold on following a 20% decline. Also, it's worth noting that bear markets are a normal part of the economic cycle and have occurred every 4-5 years on average. The lack of a 20% decline from 1990 to 2001 was an unprecedented event in the history of the stock market.

Past performance is no guarantee of future results. Source: Standard & Poor's Equity Research.

the market is down, we remain committed to our long-term investment strategies, while looking for today's best opportunities.



Opt out of credit card offers

Do you receive credit card offers in the mail every day? Junk mail credit card offers are a waste of paper, postage, and your time. They are bad for the environment, and even worse, they create a potential source of identity theft if someone goes through your garbage. (You should shred any offers you receive.) You can choose to opt out of receiving credit card offers by going to the optoutprescreen.com website.

Annuity Guaranteed Benefits

Annuities typically offer a death benefit and may have optional benefits guaranteeing lifetime income or withdrawal benefits. This is one of the key reasons to buy an annuity for retirement: to guarantee you cannot outlive your money. No matter what the stock market does, no matter



how long you live, an annuity can provide you with a guaranteed income for life. Because annuities are insurance contracts, this guarantee depends on the claims paying ability of the insurance company, so make sure to carefully evaluate the credit worthiness of the sponsor before investing in an annuity.

In addition to withdrawal benefits, many variable annuities today offer a benefit rider to guarantee that during accumulation your initial contract value will increase by at least 5% a year regardless of the actual performance of the stock market. This may be unnecessary for someone who is 30 years from retirement, but for an investor who is 5 or 10 years from retirement, this can allow you to invest in the stock market for growth (aiming for higher returns), with a guaranteed minimum return of 5%. Of course, this benefit

does have an expense and there are restrictions on your ability to access the money. Typically, you can't just cash out the contract and walk away with the 5% guarantee. You are usually required to stay in the annuity and take withdrawals or to annuitize the contract.

A variable annuity is more expensive than owning the same mutual funds outright, and you pay extra for the options or guarantees you choose. I feel that one of the best uses of today's annuities is to fill in the gap that has been left by the disappearance of pension plans.

An investor today can use an annuity to "buy" a pension. A guaranteed minimum withdrawal benefit can provide monthly income for you (and possibly your spouse) for the rest of your lives and ensure you do not outlive your nest egg regardless of the performance of the stock market.

A variable annuity is a long-term financial vehicle designed for retirement purposes. In essence, a variable annuity is a contractual agreement in which payment(s) is/are made to an insurance company, which agrees to pay out an income or lump sum amount at a later date. There are contract limitations, fees, and charges associated with variable annuities, which include but are not limited to, mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits. Early withdrawals may be subject to surrender charges, and taxed as ordinary income and, in addition, if taken prior to age 59 1/2, an additional 10% federal income tax penalty may apply. Withdrawals reduce annuity contract benefits and values. Investments in variable annuities will fluctuate and values upon redemption may be less than the original amount invested. Variable annuities are not guaranteed by FDIC or any other government agency and are not deposits or other obligations of, or guaranteed or endorsed by, and bank or savings association.

Every path has its puddle.

ENGLISH PROVERB

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

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