



From the desk

Maintaining perspective in volatile times

Share market fluctuations have dominated the news headlines in recent months and as usual, the newspapers, television and radio (media) are having a field day.

The job of the media is to sell news, and it does this by dramatising the current events and by writing and speaking in a way that encourages you to believe that no one has escaped the misery. Over the years I have cautioned our clients about paying too much attention to this hype. At times like these, opinions abound and quite frankly they are a dime a dozen.

Remember the media does not know YOUR personal circumstances. It does not know that you were advised NOT to put all your money in shares; it does not know that your fixed interest investments are actually doing very well right now; and it does not know that you have other sources of income to meet your living costs and lifestyle expenses.

What the media can't tell you

As your adviser we have many roles to play. At times like these it is our responsibility to do what the media can never do:-

1. Assist you to understand how the facts apply to you and what they mean for the longevity of your savings, your lifestyle, your standard of living and the achievement of your goals and dreams;
2. Remind you that you have in place an "all weather" plan designed to get you through;
3. Remind you that much of what you will hear is opinions - nobody knows the real answers, because tomorrow is not yet here;
4. Help you to filter out media hype (noise) and to assess things with a clear mind;
5. Help you to keep your eye on the big picture; and
6. Help you focus on the things that really matter - such as diversification and patient long term investing.

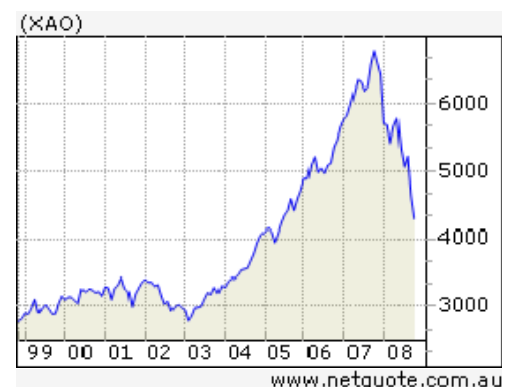
What we can tell you

For many of the recent review meetings we've held with our clients, the current market conditions have had little or no impact on the achievement of their goals and dreams. This

is partly due to the fact that we have always insisted upon diversification (not putting your eggs in the one basket) across the asset classes of cash, fixed interest, property and shares and we have always invested your money and never speculated with it.

Below is a graph of the Australian share market for the last 10 years which should help to put things into perspective. It shows that the market is still well above the levels reached during the terrorist attacks and market downturn of 2001 - 2003. It also shows the strength of the recovery which followed and identifies the fall which we are currently experiencing. Note that the Australian share market is still well above the 2003 low point.

10 Year Chart



Cont. over...

Our diversification policy ensures that our clients do not have all of their money invested in shares and therefore not all of their money is exposed to the falls seen in the above graph. It's times like these which confirm the importance of diversification.

With the headlines proclaiming 'doom and gloom' due to a volatile financial market, it can be difficult to stay focused. But it's not all bad. The change in market conditions acts as a reminder about the fundamentals of investing.

In crisis comes opportunity

"The market is an incredibly effective mechanism for transferring wealth from the impatient to the patient."

Warren Buffet

Ranked the world's richest person, Forbes Magazine 2008

At a time when all can seem lost and the market appears to be in disarray, it can take courage not to act on impulse. Taking into account a longer term outlook, it is often times such as these that, in retrospect provide the best opportunities.

Staying focused

We ask you to keep in mind the longer term timeframe of your financial plan. Has your risk profile, objectives and investment time horizon changed? If the answer is no, then there is probably no need to alter your financial strategy.

The value of good advice is particularly important during these volatile times, when a well constructed, diversified portfolio should ride out the fluctuations and achieve growth in the longer term.

To help you put the current market turmoil into perspective, I have enclosed an article 'Market volatility, frequently asked questions', of copy of which we previously emailed to you.

If you have any immediate concerns it is important to contact my office, so we can discuss your personal situation and goals.

On a lighter note...

We are now sending updates such as our newsletters via email. If you haven't already advised us your email address, please let us know. And don't forget to visit our website www.kiernan.com.au.

The festive season is rapidly approaching. We take this opportunity to wish you and your families a very safe and Merry Christmas.



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