

**The Enrichment Group**  
**QUARTERLY NEWSLETTER**  
**March 2008**

**FINANCIAL PLANNING HIGHLIGHT: ON KEEPING COOL...**

Imagine that you live in a place where hurricanes happen during the summer. Then imagine that you would get some reasonable warning when a hurricane is offshore. In advance of hurricane season, wouldn't you want to make sure that your home was well built and that you had adequate insurance and good shutters and possibly a generator? Then, when you got warning that there was a hurricane offshore, wouldn't you stock up with canned goods, bottled water, gasoline, batteries and extra cash? Wouldn't you put your shutters up and pick up your lawn furniture and prepare for the storm before it got there?

So, let's compare hurricanes to corrections in the stock market. Markets correct periodically. We all know that. We don't know exactly when a correction will occur, but it makes sense to make sure we have a well-constructed, well-diversified portfolio with enough cash and bonds to protect us when there is a correction. We do get some warning signs that the market is getting too high: five years of positive market performance; P/E ratios that are getting high; other technical and fundamental indicators. We can increase our hedge positions, decrease our aggressive equity positions and get more defensive. We never know exactly what the precipitating event will be: a technology bubble; the failure of Long Term Capital Management; a savings and loan crisis; a subprime mortgage crisis. We don't know exactly when or how it will happen, or how long it will last, but we do know there will be an event and the market will correct. So, we prepare in advance.

Now, let's go back to our hurricane analogy. Would it make sense to wait until the hurricane was almost over to run outside and put up the shutters or collect the lawn furniture? Could you buy insurance in the middle of a hurricane? Isn't the best course of action to just sit still and wait for the storm to pass, assess the damage and go forward?

Does it make sense to wait until the market correction has been in play for several months to decide that the risk is greater now than it was before the correction began? Should you get frightened and decide to sell at that point? Of course not! It's just that human beings are hardwired to believe that when the market goes down, it will continue to go down forever. This time will be the worst. The Great Depression will return. The average investor makes decisions based on these "gut" feelings. Behavioral scientists have proven time after time that those feelings are notoriously unreliable. In fact, one of the best indicators of the end of a bear market is the flight of individual investors from the market.

If you think about it rationally, do you think there is more risk in the market after it has corrected or before it has corrected? Do you think there is more risk today than there was last fall?

How can you keep cool and calm when your "gut" is in a flutter? Remember these things:

1. ***Mutual funds are not stocks.*** We choose managers who have the knowledge and experience to choose stocks which have sound fundamentals. When a problem like the subprime mortgage crisis occurs, they immediately review the stocks they own to see which

of their holdings could possibly be affected by the fallout from the credit crisis. If they foresee problems, they will sell those stocks. This means that you do not have to worry about selling positions; your managers will do that for you.

2. ***Diversification works.*** We have worked with you to establish an appropriate investment policy. Your portfolio is diversified by sector, by style, geographically. It includes bonds, stocks, cash, hedges, natural resources. Even during these past volatile months, some sectors have been doing well: bonds, cash, natural resources, hedges.
3. ***We are always on the lookout for signs of future corrections.*** We began to move to a much more defensive position early last year. At the same time, we began to increase our cash positions for those portfolios distributing cash. Between cash and fixed income, we have enough liquidity to make distributions for several years without selling equities.
4. ***Once a correction starts, the best course of action is to sit tight and wait for it to pass.*** The more often you watch your portfolio or check the markets, the more anxious you will be. You can't change a thing. You can only change the way you feel about it. Stay calm, take a walk, and turn off the TV. This will pass. We'll evaluate the damage, make necessary corrections and go on.

Have a good quarter.



Kathleen Day, CFP™, CFA, MBA

## A VERY SPECIAL INTRODUCTION



It is our pleasure to introduce **Bonnie Hughes, CFP®**. **Bonnie** will be merging her firm, *A & H Financial Planning & Education, Inc.* of Atlanta, Georgia, with *The Enrichment Group*, effective April 1, 2008. **Bonnie** has been a Certified Financial Planner™ practitioner since 1992 and has been working in financial services since 1981. She holds a BS in Family Economics & Management and a Masters in Financial Planning.

**Bonnie** joins us as a Senior Planner and a member of our management team. Often quoted in national publications such as *The Wall Street Journal*, *Money Magazine*, and *Fortune*, she has also had a white paper accepted by the National Endowment for Financial Education (NEFE).

She currently serves on the National Board of the Financial Planning Association (FPA) and has served as the Retirement Planning Speaker for Georgia's Secretary of State. She has staffed the *NBC Today Show Consumer Finance Hotline* for NAPFA (National Association of Personal Financial Advisors) and FPA and the *Kiplinger's Personal Finance Magazine Hotline* for NAPFA.

From April until August, **Bonnie** will be transitioning from Atlanta. After August, she will be in Miami full time. Please join us in welcoming her!

## SPECIAL CONGRATULATIONS!

*The Enrichment Group* is delighted to announce that **Jerad Waggy has PASSED the CFP® Certification Examination!** **Jared**, who sat for the comprehensive exam in November 2007, received the spectacular news in early January. Preparing for this rigorous test, while carrying a full load of responsibilities at *The Enrichment Group* and maintaining his involvement in church and community activities, was no easy task; but, **Jerad** certainly rose to the occasion! In the near future, after he completes his three-year, full-time relevant personal financial planning work experience requirement, **Jerad** will be awarded his **CERTIFIED FINANCIAL PLANNER™** credential. Can't wait to celebrate! *Way to go, Jerad!*



## SPECIAL UPDATE...

**Randy**, who has been receiving treatment at M. D. Anderson Cancer Center in Houston, is hard at work on his laptop from Texas and Miami. Dedicated planner that he is, **Randy** keeps up with clients and co-workers wherever his travels take him.

## A NEW FACE



*The Enrichment Group* welcomes its newest member, **Jose Perez**. **Jose** is learning the ropes in operations, and will eventually be responsible for all front office duties. **Jose**, who has a BA in criminology, is currently working on a degree in finance at Florida International University. He expects to complete his degree by the end of next year and will then focus his energies on financial planning and analysis.

In addition to working full-time at *The Enrichment Group*, Jose enjoys participating in various sporting activities. He also has an avid interest in politics and current events.

## DUE DILIGENCE AND CONTINUING EDUCATION



This quarter, *The Enrichment Group* planners and staff participated in the following webcasts, virtual learning sessions, conference calls, and onsite meetings, forums and conferences:

- 11/8/07 - Powershares ETF Conference.
- 11/8/07 - Pershing's "Fixed Income" seminar.
- 11/13/07 - Miami-Dade FPA Chapter Meeting - "Science Versus Art of Financial Planning – The Lost Art of Financial Planning," presented by Kenneth J. Zahn, CFP®.
- 11/15/07 - Webcast - "Active vs. Passive Investing: Putting the Debate into Perspective," featuring Bob Doll and Rob Arnott and hosted by Charles Schwab Institutional.
- 11/20/07 - Conference call - "Fiduciary Responsibilities of IAs," presented by CMAX.
- 11/29/2007 - Continuing education course - "Long Term Care Partnership Program," sponsored by FAIFA (Florida Association of Insurance and Financial Advisors).
- 12/6-7/07 - Westminster Forum.
- 12/7/07 - Podcast - "The Five Differences Between a Regular and an Inherited IRA," presented by Natalie Choate of Morningstar Advisor.
- 12/11/07 - Webcast - "Investment News," featuring Portfolio Manager Bruce Berkowitz, President of Fairholme Capital Management and Manager of the Fairholme Fund.
- 12/14/07 - Conference call - "The Role of the CCO," presented by CMAX.
- 12/15/07 - Webinar - "Books and Records," presented by FINRA.
- 1/15/08 - Teleconference - "Bank Loans in Today's Market," featuring Eaton Vance fund managers.
- 1/15/08 - Conference call - "ADV Filings," presented by CMAX.
- 1/17/08 - Conference call - "4<sup>th</sup> Quarter Funds Update," with Thornburg Portfolio Manager Bill Fries.
- 1/17/08 - Teleconference - "4<sup>th</sup> Quarter Funds Update," sponsored by American Funds.

- 1/22/08 - Conference call - “International Products,” featuring Andrew Barker, Senior Portfolio Manager at Julius Baer.
- 1/22/08 - Conference call featuring David Herro, Portfolio Manager of Oakmark International Fund.
- 1/23/08 - Office Visit - Dean Phillips of Sogen Funds.
- 1/24/08 - Conference call - “REITs Outlook for 2008.”
- 1/29/08 - Conference call - featuring Patrick Kuhner, Senior Global Product Specialist with Axa Rosenberg; Kathryn McDonald, Senior Product Strategist for Long/Short Strategies; and Lance Oman, Regional Director with Laudus Rosenberg Funds.
- 2/4/08 - Conference call - “AML Compliance Program,” presented by FINRA.
- 2/11/08 - Office Visit - Dwight Cornell and Vinod Pittampalli, Regional Managers of AllianceBernstein Investments.
- 2/19/08 - Office Visit - Evan R. Davis, Vice President, Sales Manager for Institutional Services at Legg Mason and Anthony V. Demarino, SVP-Managing Director, Eastern Division, of UMB Asset Management.
- 2/19/08 - Miami-Dade FPA Chapter’s Ethics Meeting: “Ethics – A 2008 Revised Perspective,” presented by Joel M. Weiner, JD, CFP®, CFDP®, ChFC, CLU, CFS, CSA of Professional Training Services, Inc., Palatine, IL.
- 2/28/08 - Teleconference - featuring “America’s IRA Expert” Ed Slott.
- 3/6/08 - Meeting - “U.S. Large Cap Core Plus Fund” and “130/30 Equity Strategies,” presented by Lee Spelman, Managing Director and head of JP Morgan’s U.S. Equity Client Portfolio Managers.
- 3/18/08 - Conference call - “Bank Loans,” sponsored by Eaton Vance.
- 3/18/08 - Miami-Dade FPA Chapter’s Ethics Meeting: “Investor Protection From the Perspective of an Investors’ Right Attorney,” presented by Christopher Vernon, Esq. of Vernon Healy in Naples, Florida.

## IN THE COMMUNITY

**Jerad** has been actively involved in the community since taking up permanent residence in Miami. In recent months he helped reorganize a homeless shelter warehouse through the *Community Partnership for the Homeless*, participated in a holiday candy cane giveaway for underprivileged children, and represented his church at its leadership conference in Texas.



On Sunday, December 9<sup>th</sup>, **Carol**, husband Jeff, and members of their Everglades Bicycle Club participated in the club’s annual “Toy Ride.” Club members donated over \$1,100 in cash, plus many toys. The club itself matched the cash donations 100%, so that over \$2,000 was donated to St. Stephen's Church Aids Ministry, which helps families in South Dade.

**Kathie** continues her work on the FPA Consumer Advisory Committee. The objective of the committee is to find ways to provide valuable, objective financial advice to all consumers, including those who cannot afford to engage a personal financial planner or planning firm. **Kathie**, along with fellow committee members, works with consulting groups and consumer focus groups to decide what the consumer portal of the FPA website should contain and how it should function.

## IN THE NEWS

**Kathie, Pat** and *The Enrichment Group* were featured in the January 2008 edition of BobVeres's *Inside Information*, a highly respected and widely read newsletter for financial planning professionals. "Statements in Cyberspace," the lead article, focused on the use of the Internet and computer technology in financial planning firms. With a view towards making the practice of financial planning as efficient as possible, *The Enrichment Group* has always been on the cutting edge of technology.



Be sure to check out *The Enrichment Group* website at [www.theenrichmentgroup.com](http://www.theenrichmentgroup.com). See full versions of articles from "In The News," as well as our *Quarterly Newsletter* in living color!

## SLOWLY BUT SURELY...!



*Despite lots of snow and temperatures dipping into single digits, walls begin to go up at Pat and Kathie's Colorado "construction site." Home renovations and additions are expected to take about a year...and lots of hot chocolate!*

## THREE MEN IN A TUB

**Conner, Ian, and Zach**, financial planning's "NextGen," gathered in Phoenix to discuss market issues and the state of the economy. In addition to creating new ticker symbols with sponge letters, the three cousins positioned themselves to analyze housing bubbles, high water marks, floating rate loans, and sinking funds. While they expressed some short term concerns, the trio emerged from their session with great optimism about the future and really clean faces!

