FINANCIAL newsletter

Caissa Wealth Strategies

NOVEMBER

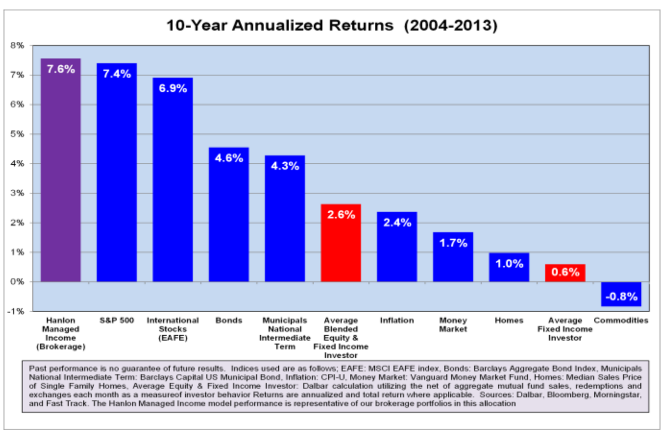
Investing to Live Through Downturns Anxiety Free!!

We have clients engage with us for a variety of reasons. One of the comments we hear most from clients, especially our retiring clients, is that we have helped them remove the roller coaster of emotions and anxiety that typically come with market swings.

Emotions

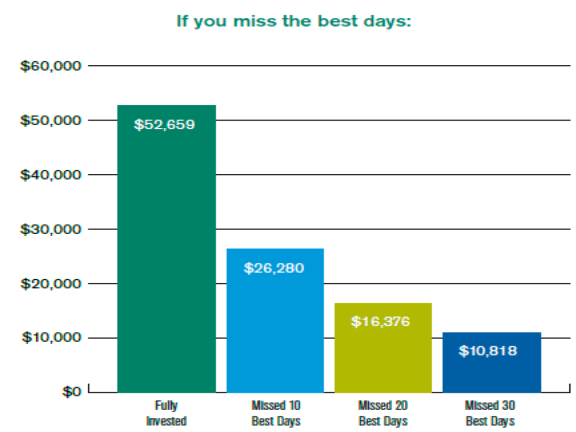
When markets are volatile, investors tend to panic. This leads to emotional investing where assets are sold because they couldn't take the decline any longer on a downturn or the investor buys into an investment too late into a growth cycle.

This type of emotional investing has led to what is referred to as t "2.6 Rule" where the typical investor made 2.6% in the same deca that the S&P made 7.6% returns.



Market Timing

The main driver of the disperity is investor emotions and trying to time the markets. As you'll see in the next graph, if an investor misses just 10 of the best days in the market their returns on their investments are almost cut in HALF!!



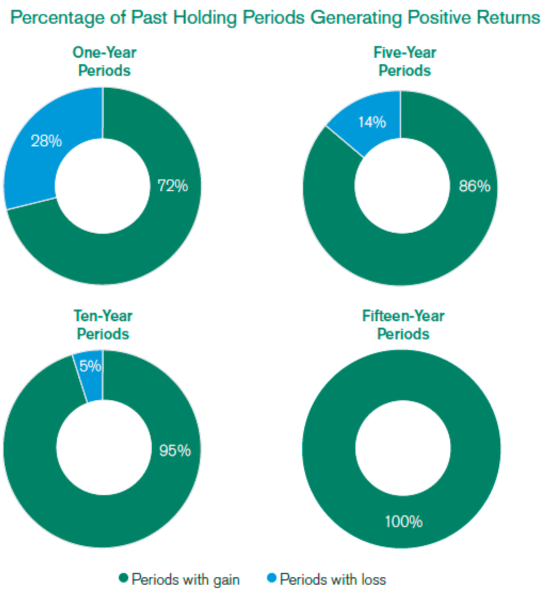
Growth of $10,000 in the S&P 500, 20 Years Ending June 30, 2013

Sources: Standard & Poor's; American Century Investments

This is why we at Caissa spend so much time with our clients to pick the most suitable investments for our clients in unemotional times so when the markets have their swings, we don't let emotions drive the ship!

Time and Returns

Looking back in history from 1926 to 2012 and calculating the percentage of negative versus positive annualized returns for large company stocks (S&P 500) over one, five, ten and fifteen year periods American Century Investments found the following:



Only 5% of the 10 year periods rolling back to 1926 were ever negative. If you held for 15 years, there were 0% negative years! So if you have the right plan and you stick to it, you can mitigate a lot of the emotional turmoil that leads investors to make mistakes.

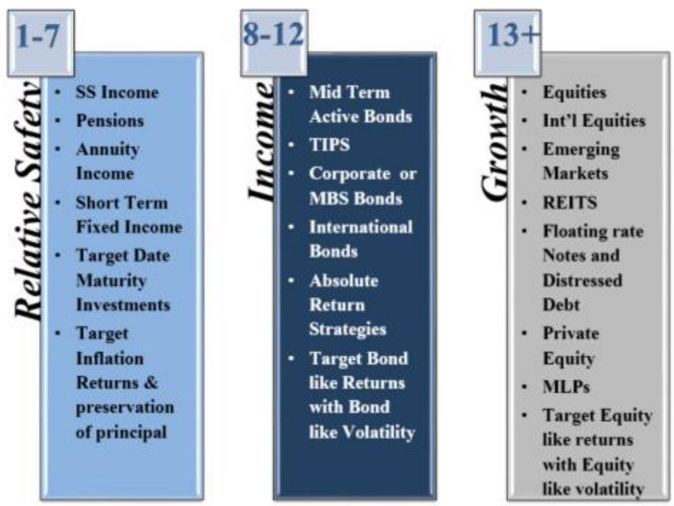
This is the premise for our Tranches of Income approach.

Caissa's Tranches of Income

Many of you reading this have seen this next chart. After we have reviewed and analyzed your retirement projections, we use all of the cash flow modeling to set up your investment mixes. Essentially, if a client retired today we would project out about 7 years of their after tax cash flow need and invest that in relative safety investments that keep up with inflation but provides an almost guaranteed safety blanket that no matter what the stock markets are doing, the client has enough safe assets to draw on for seven years!!

Then we run inflation adjusted cash flow projections to find the present value of the next five years of need and we invest that in more income producing instruments.

FINALLY, the residual is invested for growth of the portfolio. We are able to take a lot of risk here because we won't be "drawing" it down for 13 years!! How often has there been a negative return for a 13 year time frame? With good oversight and due diligence, we can almost eliminate investor anxiety because we have a thoughtful plan made in an unemotional time.



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the market at a glance

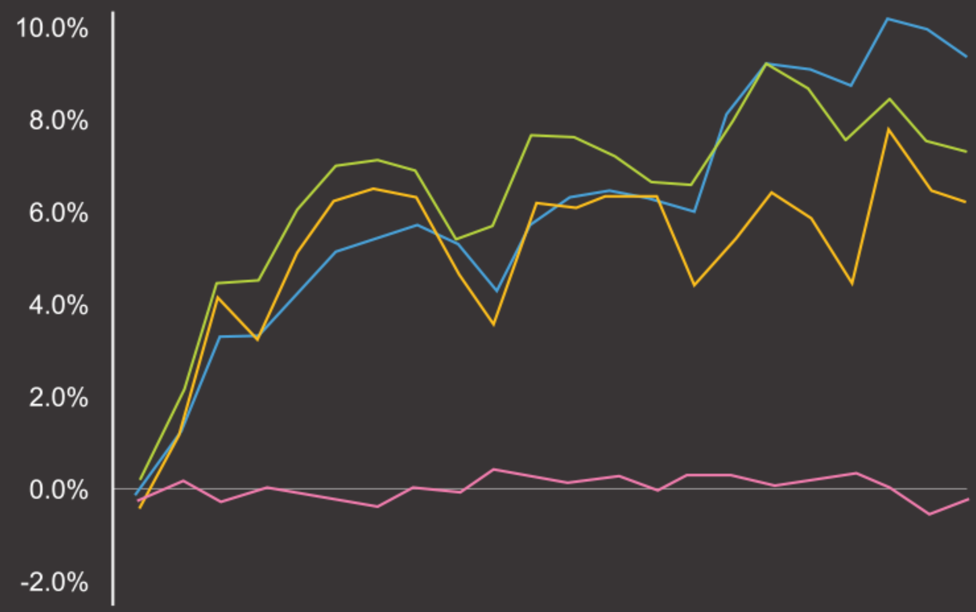
OCTOBER

U.S. Large Cap
(Dow Jones Industrial Average)
17,663.54 (8.47%) ▲

U.S. Mid/Small
(Russell 2000)
1,161.86 (5.56%) ▲

Foreign Large
(MSCI EAFE Index Fund)
61.11 (6.61%) ▲

Bond Market
(Barclays Aggregate Bond Fund)
109.45 (-0.12%) ▼



Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

the market in action

- The U.S. Department of Labor reports that new unemployment claims fell to a seasonally adjusted rate of 263,000 for the week ending on October 3. It is the lowest new jobless claims rate in 42 years.
- Despite claiming the title of “World’s Largest Auto Manufacturer” just months ago, Volkswagen reports its first quarterly loss in over 15 years as the company begins dealing with the expenses of its recent fuel emissions scandal.
- Walgreens Boots Alliance, the parent company of Walgreens drug stores, buys competitor Rite Aid Corp. in a $17.2B acquisition. Walgreens and Rite Aid are the first and third largest retail drug stores in the United States, respectively. Rite Aid will continue to operate under its current name and brand.
- The National Association of Home Builders/Wells Fargo Housing Market Index rises to 64 in October. It is the highest the index has reached since 2005.
- American Apparel Inc., one of the most controversial clothing brands in the United States, files for bankruptcy after being unable to turn a profit since 2009 and having accumulated $300M in debt.
- Personal computer giant Dell Inc. announces plans to buy EMC Corporation for $67B. The acquisition is the largest ever in the tech industry and will allow Dell to provide software and cloud-storage services to its customers
- Wal-Mart Inc. share prices see their most dramatic one-day decline in over 15 years on October 14. Concerned by management’s need to use corporate profits for long-term investments in the company, stock traders pushed share prices down roughly 9 percent (a loss of nearly $20B in market capitalization) in less than half an hour.
- Solar technology provider SolarCity announces the creation of the world’s most efficient solar panel to date and its plans to manufacture the panels in the United States.