

VISION

To enhance our clients' quality of life.

MISSION

Our mission is to plan for our clients' future, so they can enjoy the present. We accomplish our mission when our experienced and Professional Team gives clients proactive, personalized service and communication. This process is designed to ensure that our clients' wealth plans keep pace with life changes.

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YOUR

Wealth MATTERS

COMPLIMENTS OF TIMOTHY M. SCANNELL, CPA, CFP™

DON'T LET YOUR EMOTIONS CLOUD INVESTMENT JUDGMENT

by Tim Scannell, CPA, CFP™

A h ... the good old days when an investor would pay anything for a pre-construction condo in Boca Raton. Why? When finished, the condo would presumably be worth a quarter of a million dollars more and you'd carry it with borrowed money.



Wrong, in most cases. This has been a painful lesson for many people.

One of the more common behavioral mistakes that investors make involves euphoria. Nick Murray, author of *Simple Wealth, Inevitable Wealth*, says this is more than greed – people get completely blissed out and lose all sense of danger.

A definition of risk is the chance that

an investment will lose value. When you reach out for higher and higher returns because someone else is getting them – and you forget that higher returns means taking more risk – you have entered the euphoria zone. You have been blinded to the fact that risk rises along with price.

According to Murray, panic – another behavioral mistake – follows,

and sometimes accompanies, the euphoria stage. The higher the euphoria, the deeper the panic or capitulation. When prices start to fall, you lose composure and believe your investment price will never come back. You have to get out at any price.

If panic overtakes you, you'll need to make two decisions:

First, you must decide when to sell.

Second, you must decide when to get back into the market.

Your odds of being right on both decisions are very low.

We make other behavioral mistakes as well, says Murray. They include:

UNDER-DIVERSIFICATION

This involves the often costly narrowing of a portfolio to essentially one idea. This can be a sector (example, technology stocks) or a company. If you



work for Bear Stearns and invested the majority of your assets in the company stock, you found out the hard way of under-diversification.

"When you own one idea, all the lights go out and ... pretty quickly," says Murray.

OVER-DIVERSIFICATION

This is when you dilute your investment value by trying to own everything. The root of this mistake is the inability to make choices. The solution is to focus a portfolio with a finite number of meaningful investments.

MAKING PORTFOLIO DECISIONS BASED ON YOUR COST BASIS

This means you let your cost basis dictate an investment decision just to avoid paying capital gains taxes. This is seldom prudent. When you let taxes drive the decision, you are bound to crash.

INVESTING FOR YIELD INSTEAD OF TOTAL RETURN

This is the great behavioral mistake of the American retiree. Many go into retirement mistaking current yield as the only source of income. They end up buying a lot of bonds and not a lot of equities. The recent volatility in the bond market has surprised many investors.

Today, when we go to the gas pump or grocery store, we know costs are rising. According to Morningstar, the compounded annual return (after taxes and inflation) from 1929 to 2007 for large stocks was 5%; for long-term government bonds, 0.4%; and for 30-day Treasury bills, -0.7%.

The great long-term financial risk isn't loss of principal, but erosion of purchasing power. Many of us greatly overestimate the long-term risk of owning stocks, and more insidiously,



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A MARKET PERSPECTIVE

by Chuck Carlson, CFA
CEO, Horizon Investment Services, LLC

It's probably an understatement to say that the last eight months or so have seemed, well, chaotic for investors. Major institutions (Fannie Mae and Freddie Mac) are being taken over by the U.S. Treasury. Wall Street institutions are failing or falling into the arms of acquirers. Fears of bank failures are rising. Housing markets continue to plumb new lows. Oil prices, though receding a bit recently, are still well above historical levels. Unemployment is rising. And the global economy is slumping.

Now that doesn't sound like the recipe for a market rally.

Or does it?

I've been tracking the stock market for more than a quarter of a century, and the one thing I know for certain is that ascribing what is happening today to what the stock market should be doing is a mistake. Indeed, the stock market is *forward-looking*, that is, the stock market has already discounted yesterday's and today's headlines and is weighing the future. That is why you generally see the stock market initiate big upward moves during what seem to be desperate times for the economy.

Thus, when evaluating the stock market, it is important to put the current chaos in its proper perspective. Here is what we see in the stock market:

What is happening in the market is not atypical for market corrections. Indeed, all stock market cycles involve down periods. The reasons may vary for these downturns – in this case, the crisis in financials has been a major driver of market volatility – but the extent and duration of this downturn is similar to those in previous market history. The good news is that every downturn in market history has been followed by a strong upturn, and this time will be no different.



On a number of measures, stocks are trading at historically cheap levels.

One tool my firm uses to assess market risk is called the **Intermediate Potential Risk** indicator. This indicator looks at the percentage of stocks on the New York Stock Exchange trading above their 200-day moving average. When the percentage is high (above 70%), stocks are considered popular and pricey and therefore due for a pullback. Conversely, when the percentage of stocks is below 40%, stocks are considered out of favor and due for a bounce. Currently, the percentage is under 25%. We have been tracking this indicator for many years, and history says that anytime you see a percentage below 25%, it usually means a solid rally is not far away.

Bottom line: Though the headlines paint a fairly grim picture for the economy and stocks, there are reasons for optimism. Corporate profits – perhaps the single biggest driver of stock prices – continue to hold up very well, especially when you look outside the financial sector. Interest rates are low. Inflation pressures appear to be easing. The “wall of worry” so important to sustained market advances is very much present. Finally, our research and *Quadrax* stock-ranking model are unveiling plenty of attractive opportunities in the stock market.

Thus, while we cannot rule out further market weakness – which is one reason we continue to play a bit of “defense” by holding cash – we also believe it is important to maintain exposure to high-quality stocks so that portfolios are positioned to benefit when the upturn occurs.

GOING GREEN CAN HELP SAVE THE PLANET AND MONEY

A green, eco-friendly revolution is occurring worldwide. Air, water, and land are becoming cleaner, and energy conservation is increasing. Ultimately, the green movement is designed to conserve the world's vast biological diversity.

It also can help save some of your hard earned money.

Going green includes a variety of preventive measures to combat adverse effects of pollution. For instance, limiting energy consumption reduces pollution which, in turn, saves you money. By marginally decreasing energy consumption at home, we can drastically

reduce our energy bills while contributing to the planet's well being. Elizabeth Rogers' and Thomas M. Kostigen's New York Times best-seller *The Green Book* provides a number of tips on how we can become environmentally friendlier. Here are a few:

Use a microwave rather than a traditional electric oven; microwaves are 3.5 to 4.8 times more energy efficient.

When light bulbs burn out, replace them with compact fluorescents which are optimal for saving energy.

Buy Energy Star appliances and electronics; they can save up to \$600 a year in energy costs. Learn more at http://www.energystar.gov/index.cfm?c=news.nr_news.

Consider using laptops rather than desktop computers. Laptops use less energy than desktops – more than 50%.

Invest in a solar water heater and save up to \$450 per year in energy costs – the energy savings and tax credits can pay for the price of one in just three years. Learn more at <http://www.solardirect.com/swb/swb.htm>. You also can wrap your water heater in an insulating blanket and store heat; set the thermostat no higher than 120 degrees and save up to 25% of the energy used in your home.

When you leave the house, close the shades. This will keep it warmer in the winter and cooler in the summer.

Use ceiling fans instead of air conditioners. Ceiling fans cost one penny per hour to run, compared

with 16 cents per hour for room air conditioners and 43 cents per hour for central air.

In addition to conserving energy at home, you can contribute to the green revolution by doing such simple things as opting not to receive an ATM receipt. Ask to be removed from junk mail lists; the average U.S. household receives 1.5 trees' worth of it. For \$1, you can register with the mail preference service at www.dmaconsumers.org/cgi/offmailinglist and reduce the amount of junk mail you receive. Paper is a tremendous source of waste and overuse contributes greatly to deforestation and pollution.

**CONSERVE
THE
PLANET AND
YOUR
MONEY...
GO GREEN!**



Personal Notes

FROM YOUR WEALTH TEAM



Wes Barnes
*Associate
Wealth Advisor*

Upon graduating from college, I was given the opportunity to begin working

with the highly experienced group of business professionals here at SWMG. It is a great pleasure to be a part of this dedicated team. As of recently, I have obtained Series 7 and Series 66 registrations, and I am currently working towards other qualifications so that I may better serve our clients. Needless to say, this past year has been a very busy one for me. However, I was able to find some time to enjoy some of my favorite hobbies out on the lake with family and friends.



PJ Ciotola
*Associate
Wealth Advisor*

I couldn't be happier working with the Team here. Since I began, I've been

able to complete my Series 7 and Series 66 registrations as well as knock out a few courses to qualify to sit for the Certified Financial Planner™ exam. It has also been great to get to know the community. Everyone has been very welcoming and receptive, and that makes me eager to stay involved. I look forward to the future ahead!



Cheryl Gebhardt
*Marketing
Director*

I am excited about becoming more tech savvy as we are gear-

ing up to redesign our web site at scannellwealth.com.

Additionally, I plan to add educational tools including a podcast and white papers. The goal is to have this project completed by the first of the year. Stay tuned for more information.



Jennifer Reed
Team Leader

We've had a great summer and are looking forward to Spencer being in first grade.

He loves school and is keeping us busy with his soccer games and various other extracurricular activities. I've also been working towards my Chartered Retirement Plans Specialist (SM) Professional Designation and hope to wrap it up soon.



Julie Rusboldt, CPA
*Chief Financial
Officer*

With one of the nicest summers in years, our family took

advantage of a lot of outdoor activities. We traveled to Cooperstown, NY, to watch our son, Corey, play baseball and were fortunate enough to also visit Niagara Falls. While our other son, Tyler, is up for the challenges and freedoms of being a high school freshman at Chesterton, I continue to keep my studies going with continuing education classes in tax and finance.



Tim Scannell, CPA, CFP™
President

Bethy is starting her junior year at Indiana University.

Katie will be graduating from Marquette University in May - in time for Brendan to go off to college (not sure where yet...) Brigid is starting high school this year and Kevin entered middle school. We are in the early innings of the balancing game: college costs and retirement needs.



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SCANNELL WEALTH MANAGEMENT GROUP **HIRES BARNES** AS ASSOCIATE WEALTH ADVISOR

Wes Barnes has been hired by SWMG as an associate wealth advisor providing individualized financial planning, support and analysis services for its clients.

Wes' education includes the 2008 acquisition of a bachelor's degree in mathematics from Hanover College where he was a scholar in the Center for Business Preparation. He recently received the Series 7 and 66 registrations.

Professionally, Wes interned during the summer of 2007 managing the start-up of Groups Unlimited LLC, a small software company in Hanover, Indiana.

