

News & Views

PFPG
FEE-ONLY ADVISORS

PORTLAND
FINANCIAL
PLANNING
GROUP, LLC



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Market observations

It has been a remarkable rebound! And that's both bad and good. One of the measures we track to get a sense of relative stock market valuation comes from the Value Line Investment Survey, which tracks a universe of 1700 public companies spanning the gamut from small to mega-cap stocks. Among this group, the median price/earnings ratio has grown from 10.3 to 16.5 since the market low in March; the median dividend yield has gone from 4% to 2.2%. Both these measures suggest caution about further moves upward in the current market recovery. Furthermore, Value Line's analysts project a 60% appreciation in their stock universe over the next 3 to 5 years (a growth rate relatively small by their standards). Indeed, this number is only marginally better than what they projected back in July 2007, the time of the last market peak. It is assessments like these that keep us focused on managing portfolio risk for clients and making sure that their stock allocations don't creep up beyond acceptable limits.

The broken buck stops here

The temporary money market guarantee program set up by the U.S. Department of the Treasury has come to an end. Established in September 2008 after a prominent Reserve money market fund dropped below \$1/share, or "broke the buck," the guarantee program restored confidence in the safety of such funds during the worst of the credit crisis. Participation fees paid by fund sponsors (including Vanguard, Fidelity, and TD Ameritrade) netted about \$1.2 billion for the Treasury at no direct cost to taxpayers, according to the Treasury Department.

Emotions and investing

We've read some fascinating articles over the past few months about how emotions – and the desire to avoid unpleasant ones – can affect an investor's behavior, sometimes in ways that aren't good for his/her portfolio in the long run. Understanding how we perceive and evaluate risk goes hand-in-hand with this topic. [*What, Me Worry? Putting Some Perspective on Panic*](#) suggests looking at the reality behind a risk before reacting to it, and offers some concrete suggestions about how to respond to the tsunami of information we receive, since not all of it is clear or reliable.

But we *will* tell you

If you or someone you know is considering working with a financial advisor, we recommend reading [*10 Things Financial Planners Won't Tell You*](#) from *SmartMoney.com*. It provides short, to-the-point explanations about differences among those who offer financial advice, their qualifications, how they make their money, and what to expect from them in terms of service. We're happy to once again see a strong recommendation for seeking out advisors that belong to [NAPFA](#) (National Association of Personal Financial Advisors) who subscribe to a fiduciary oath and work on a fee-only basis.

Personal Finance 101

As part of its effort to help Americans become educated consumers of financial planning advice and products, NAPFA is offering a [free Web-based education program](#) for consumers covering the basics of a wide range of financial issues. Monthly one-hour sessions will be taught by industry leaders, and are available live online with the opportunity for Q & A. Past sessions are available as audio files. Among the topics covered are investment basics, 401(k)s, women and money, planning for small business owners, and retirement issues.

Medical travel insurance

If you are traveling overseas, don't underestimate the value of comprehensive insurance coverage in case of an injury during your trip. First, check if your regular health insurance policy covers medical expenses incurred in another country. A comprehensive policy can add roughly 5 – 7% to the cost of your vacation, but can include medical and medical evacuation coverage as well as trip cancellation or interruption insurance. For a cautionary tale about what can happen to the inadequately insured on vacation, please take a look at the New York Times article "[Stuck in Paradise, Needing Medical Help](#)".

Charitable giving declines

For the first time since 1987, charitable giving dropped by 5.7% in inflation-adjusted dollars in 2008, according to a recent study by the Giving USA Foundation. After a banner year in 2007, donations sharply decreased in the fourth quarter of 2008 across most sectors, except for religious organizations, public and society benefit organizations, and international affairs nonprofits. Organizations meeting basic needs such as food banks fell by 15.9% for the year, contrary to expectations among fund raisers. The impact of job losses, declines in endowments, and large-scale events like the Madoff makeoff will doubtless have a negative effect on 2009 statistics.

In case you forget

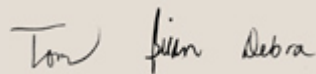
Should Facebooking, tweeting, pinging, and sending messages on your iPhone or Blackberry have you all atwitter, you can now add a virtual administrative assistant to help you keep your life in order. A service called ReQall (www.regall.com) allows you to e-mail or call a toll-free number to dictate a memo, and ReQall will collate the messages so you can either check them online, have them e-mailed, or texted to your cell phone. It will manage online calendars, create shopping lists, and can alert you with reminders via your cell phone. There is a free version of Reqall; if you want reminders on your cell phone, subscribe to the Pro version at \$25/year, about three times the price of a calendar notebook from Staples.

PFPG news

Brian was interviewed extensively by WGME/Channel 13 for a feature story about how people should respond appropriately to their diminished retirement accounts. In June, Brian took part in the CFA Institute's annual examination standard-setting process, which helps establish the passing score for CFA candidates. He also survived the 25th anniversary *Trek Across Maine*, in spite of the cycling-unfriendly weather. Tom was elected Treasurer of the Maine Estate Planning Council and explored Maine waterways via motorboat and kayak. Debra taught a landscape painting workshop on Monhegan Island in July and luckily found the weather painting-friendly.

Our best wishes for a sunny, relaxed and healthy autumn!

Sincerely,



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