



# NEWMAN SCHIMEL

WEALTH MANAGEMENT

September 26, 2011

At Newman Schimel we pride ourselves on communicating with you during times of stock market volatility. Today we are confronted with the European debt crisis, the US debt crisis, and whether there will be another recession. Investors are nervous. Our message is simple. We have spent a lot of time with each of you focusing on the appropriate asset allocation for your unique needs and goals. Now is not the time to abandon your long-term plan.

Many are uncertain whether this is a repeat of 2008/2009. Warren Buffett often talks about how times are always uncertain. He points out that on December 6<sup>th</sup>, 1941 and September 10<sup>th</sup>, 2001 nobody knew that attacks on our homeland were imminent. The idea that investors can get out of the market during uncertain periods and reenter when the smoke clears sounds great in theory but in reality by the time everyone feels better stocks prices have already soared higher. There is a high price to pay for a rosy consensus.

It is important to remember that volatility is the friend of a long-term investor. At Newman Schimel we have taken advantage of the extreme volatility of the past three years by trimming stocks after big rallies and adding to stocks after severe declines. This strategy has enhanced results. For example, beginning in December and continuing into the spring we made defensive adjustments as your portfolios had become overweight stocks relative to your target asset allocations due to the market rally that began in 2009. If the stock market continues to decline we plan to add to stocks once again.

The intense fear that prevails today has created opportunities. Although the general stock market indices are still not cheap, high quality US stocks are as cheap relative to the overall market as they have been in decades. Many financial stocks are selling below liquidation value. Japanese stocks are dirt cheap. We believe these opportunities will significantly outperform money markets or treasury bonds during the time horizons that you have to achieve your goals.

Successful investing means being fearful when others are greedy and greedy when others are fearful. It is a simple concept but difficult to execute. One of our primary roles as your advisor is to help you manage your fears as emotional decisions often lead to investment mistakes. Given the decline in stock prices and the negativity around the globe we are beginning to feel greedy once again. We strongly encourage you not to let short-term fear derail your long-term plan.

Sincerely,

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