

# You and Your Money

January 2009



HEFFERNAN FINANCIAL SERVICES  
A DIVISION OF HEFFERNAN INSURANCE BROKERS

## Happy New Year!

We hope you had a wonderful holiday season. We believe that the holiday season is a great time to take a step back and reflect on our families, friends and all the positive accomplishments and occurrences in 2008. With this being stated, we think that we all agree that we would like 2009 to be a much different year than 2008, at least that is the case for the investment community. While it is difficult for all of us to watch our retirement savings diminish and our retirement goals pushed back, it is important to avoid bear market mistakes. 2008 was one for the record books, with the DOW dropping 34% and the S&P 500 dropping 38%.

We have all heard it before, but let's not keep dwelling on the past and instead let's look to the future. We have just gone through one of the worst years in the stock market's history. There has been nothing like it since the Great Depression of the 1930's. Fortunately 2008 is, at the very least history, but that is not to say that we are not in for some additional rough waters. Maybe, we have seen the "bottom of the bear market" and if not, it hopefully is very close. Obviously there are no guarantees and it could go down more, but at some point it will turn around.

With that in mind, don't forget to keep your eye on the goal. You are investing in your company's retirement plan to save for your retirement. Assuming that you have a considerable time to go before retirement, you should have enough time to recover from this horrific period. In fact, if anything, now is perhaps an opportunity. What do we mean by that? With the market at a very low point, perhaps now is the time to be buying. We have just experienced dramatic sales in the retail world, 50% off, 75% off, etc. We would submit that the same type of thing is now happening in the market. Prices are very depressed and that means for every dollar you invest at this time, you buy more shares of the fund you are buying. Keep your deferrals going. If anything, increase them! The maximum contribution limit for 2009 is \$16,500 and if you are 50 or older, you may take advantage of the "catch up" provision which is \$5,500 in 2009.

Market retreats often lead investors to sell stocks in favor of relatively safe investments such as government bonds or insured bank deposits. But the returns of the S&P 500 dating back to more than 70 years indicates that investors may be doing more real

damage to their long term finances by trying to time the market.

We feel it is important to invest with a sense of history. In the past, market corrections and financial failures have signaled an opportunity for investors to buy low. This does not mean history will repeat itself, but there is evidence that it sometimes follows a pattern. History shows how rapidly the market can turn after hitting the bottom. Following are a couple of facts that might give you a little more perspective.

The S&P 500 was down 38% in 2008, its worst calendar year result since 1931 when the index fell 43%. In the 5-years after the 1931 loss (i.e., 1932-36), the S&P 500 gained +176% or an average annual gain of +22% (total return). The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market (source: BTN Research).

In the 1-year following the low point from the 9 bear markets that have occurred since 1957 (not counting the current 10th bear market) the S&P 500 has gained an average of +35.8% (source: BTN Research).

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## Happy New Year! (continued)

The chart to the right details bear market lows and recovering beginning on June 1, 1932 (the day the S&P 500 hit its lowest point since the 1929 stock market crash).

No one knows when we will hit our current bear market low nor do we know when the market will go up after this painful downturn. But history does show us that investors are best served by not dwelling on the bad news and not trying to time the market. Please keep in mind one of the most basic principals on investing, diversification. With that in mind, keep your eye on the goal and keep deferring into your company's retirement plan!

Should you have any questions, comments or wish to speak to a member of the Heffernan Financial Services team, please do not hesitate to contact us.

Sincerely,

John Prichard Sr.  
Blake Thibault

### Bear Market Lows and Recoveries

S&P 500 date of low	3 months after low	6 months after low	12 months after low
6/1/1932	96.61%	58.97%	137.60%
7/8/1932	56.13%	69.83%	189.59%
2/27/1933	33.00%	109.76%	105.43%
3/14/1935	28.25%	49.15%	88.37%
4/28/1942	18.73%	29.87%	64.26%
6/13/1949	18.17%	27.77%	52.74%
9/14/1953	10.53%	21.07%	45.46%
10/22/1957	6.91%	12.03%	36.30%
6/26/1962	8.27%	22.74%	37.42%
10/7/1966	13.38%	24.28%	37.34%
5/26/1970	18.41%	25.60%	48.96%
10/3/1974	15.08%	34.15%	44.43%
8/12/1982	38.14%	47.93%	66.11%
12/4/1987	20.44%	21.21%	25.92%
10/11/1990	7.70%	30.05%	33.55%
8/31/1998	22.02%	30.27%	39.81%
10/9/2002	19.98%	12.53%	36.15%
Median	18.73%	29.87%	45.46%

Dates for market lows are based on a decline of at least 15% in Standard & Poor's 500 Composite Index. A new decline is considered to have begun after the market recovered 100% of the value lost in the previous decline.

*\*Past performance is no guarantee of future results. Indices are unmanaged, do not incur management fees and expenses, and cannot be invested in directly. This chart is not indicative of the past or future performance of any specific investment.*