September 5, 2014

**Mid-Quarter Report***John Ferguson, Principal*

*Live in the Sunshine,  
Swim the Sea,  
Drink the Wild Air.*

-Ralph Waldo Emerson

Such a glorious dog days of summer we have had here in the mid-Atlantic region. Unfortunately, many parts of the country and the world have not had such a pleasant experience. We’ve witnessed floods, fires, famine, disease, war, atrocities, shootings, rampages, medical fraud, government incompetence, hurricanes, and celebrity deaths this summer. If memory serves, we could have written that sentence nearly every August for the past 50 years. So, may we suggest that Emerson had it right, “live in the sunshine.”

The recent stock market gyrations have been giving some investors and news pundits the jitters. The latter we understand - bad news sells. Is it time to lighten up on equities (stocks) and move into bonds? That’s what some forecasters are saying. But, some forecasters are always saying that. This market advance had been going on since the 2008-2009 crash bottomed out in March 2009. That was the second worst crash in the past one-hundred years and this recovery isn’t anywhere near that of past bull markets in either duration or percentage change.

If we look at the average length of the five major bull markets since 1921, we still have over 31 months to run in this market, just to be average. Thirty one months from now is after the swearing in of a new president. If we look further at the percentage gain in those bull markets, we aren’t even half way there yet. Statistically, we still have a long way to go. Will we make it? Of course, no one knows. Rather than guessing, we will maintain adherence to our mutually agreed upon Investment Policy as this is the approach in which we believe and operate.

**Variable Annuities**

Every few months we receive a call from a client asking us if we should add variable annuities (VA) to their portfolios. Usually, these calls come about because of something our client heard on the radio or from a friend. In some specific cases, a variable annuity may be an appropriate addition to an individual’s total financial plan. However, our experience has shown that these situations are rather uncommon and variable annuities are inferior options to other financial solutions. FINRA reports that VA’s are a top source of customer complaints3. Complaints focus on confusion and deceptive marketing of disclosures, sales practices, exchanges, and surrender charges. Please call us if a friend is considering a variable annuity. Perhaps we can save them some future grief.

3 “Variable Annuities a Top Source of Customer Complaints: FINRA,” ThinkAdvisor, June 30th, 2014

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