



What's New?

November 30, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%."* Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 250,000+ weekly.**
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *SOME POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! *Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***
- 5. The DOLLAR has to decline. *It's started for REAL!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!***

ANALYSIS OF THE ABOVE: No Real Hope YET! -11/30/2009

26 Platinum Investing Rules for You and Your Children

- 1) Save something every month.**
- 2) Start young.**

3) Invest consistently over time but beware of the fallacy of “dollar-cost averaging.” Averaging DOWN is folly! Just wait until the “down” is over and the “up” is underway.

4) Never commit to “Buy and Hold/Hope.” Every investment needs attention on a regular basis. And you certainly better not be expecting to make investments “for the long-term” anymore!

5) Be disciplined. Invest with your brain, not your heart or gut...NOR the TV talking-heads.

6) Understand that every time you “invest” you’re taking some sort of risk. Know what it is and how you will reacted to it WHEN (not IF) it shows up.

7) Throw out your crystal ball. If you or some so-called advisor is certain where the market is going, you’re both fools! Your future will be a series of bad investments based on arrogance, mis-information, and greed.

8) The market is the great humility-maker. Just look at all the smart people who have almost ruined the U.S. economy. So practice safe investing principals that will protect your nest-egg.

9) Investing is not about making the best choice. It’s about making better choices. Even Warren Buffett makes mistakes, and he is the second richest man in America. It’s not how well you do on any one investment but how well you do on average, over time.

7) Find someone to teach you to fish. And while you’re at it do some serious reading on the markets and investing on a regular basis. Our website has many suggestions for your use (www.fedderngroup.com).

8) Don't put all your eggs in one basket. Use asset allocation. But don't rely on it for your total risk management. Modern Portfolio Theory demands that you be “diversified.” But being diversified into 20 “things” that are all losing your money is another example of foolishness.

9) “Rebalancing” is a spin-off of dollar-cost averaging. DO NOT DO IT! Remember the basic rule of “Cut your losses quickly and let your profits run.” Sell something that is doing well in order to buy something that’s tanking so that you’ll have more of the tanking which may or may not EVER recover...is the height of insanity!

10) Be a skeptic. One of the pieces of foolishness that comes from financial advisors and money managers is there goal to “beat some benchmark.” A highly respected Value Manager told me that his discipline was down ONLY 28% for 2008 while his benchmark was down 38%. Beating a benchmark on the upside

OR the downside is a useless exercise. YOUR benchmark should be ZERO!!! Not to lose is far more beneficial to you than getting 12% or 20% on the upside. Think about it!

11) Be open-minded to different asset classes. Just don't wear a blind-fold.

12) You need to know that real investing won't make you instantly rich. It's a process.

13) Due diligence is a critical factor when selecting a money manager, mutual fund, OR an Advisor.

14) The best time to start an investment is AFTER it has turned-up! Historically, this way you can actually buy low with the minimum amount of risk.

15) Keep some cash for a rainy day. When the markets drop, cash is king. You need cash to invest when everyone else is afraid. Trailing stops will help. When the market corrects, stops will free up cash on the way down. But don't rush to jump back in.

16) Use a global allocation for stocks and bonds. So the expansion of the world economy have some countries that are growing faster and have less debt than ours (needless to say).

17) Love performance, not stocks. The difference between an investment and your child is that you can SELL your investments!

18) Sing it with me now: "Mm, Mm, Mm ... Stops on all you have ... Mm, Mm, Mm Before they break your heart!" Think it over. Initial stops followed by trailing stops are the way to preserve capital and lock in profits.

19) Have a method to determine each position size at a "reasonable level." There's a real temptation to "pile-on" when something is working.

20) Use the services of a good estate attorney and/or qualified financial planner in order to assure that your "stuff" is in good order. We have recommendations for you.

21) Consider costs! However, he with the lowest cost DOES NOT ALWAYS win. So don't make more of fees than they deserve. Performance and results almost always trump fees in our opinion.

22) Do not be bashful about firing a so-called expert. Hire another one OR you can even be your own adviser.

23) Trust no one, especially friends, relatives, and fishin' buddies.

24) Pay the smallest taxes legally possible, but no smaller. I understand that jail is not that great of a retirement plan although I also understand that the healthcare benefits are excellent. Be sure to max your 401(k) plan contribution. Yes, I know that most plans lost serious money last year and are still underwater. It's what spurred us to put together our "Ultimate 401(k)" that DID NOT lose money in 2008! Use the Roth option wherever you can unless you think taxes are headed lower.

25) Cash is a viable alternative investment in risk management even though the yield is near zero. It gives you the "no loss" feature AND you're ready for the next foray.

26) Spiritual Wealth is just as valuable as material wealth. Well...almost! After living 3-score and 8-years AND being in the financial services business for 25 of those years, it seems obvious to me that if your finances are a mess, EVERYING else is also.

So invest your time with those you love as carefully as you invest your money. Happiness comes from self-improvement, success, and living and doing for others. Try to live a balanced and meaningful life. We work on this one everyday!

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All of our past Newsletters are available on our Website at:

www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

Call us anytime: 502.442-0363 Direct 800/258-1502 Toll Free 502/442-0365 Fax 502/552-2049 Cell

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