



*The Key to* **TRUSSKEY**  
INVESTMENT ADVISORS

# Your Financial Future

Matt Trusskey, Portfolio Manager

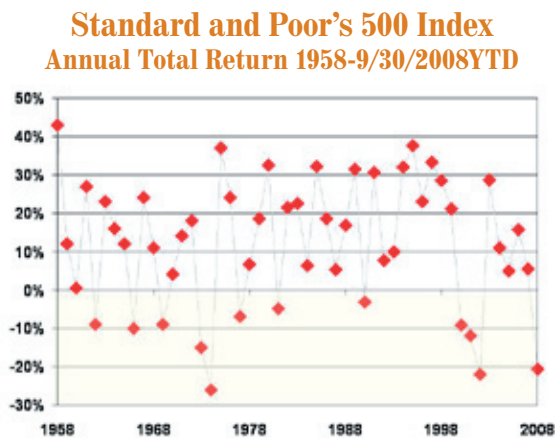
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## Volatility is Inherent in Financial Markets

**H**ow often have you heard that over the long run the stock market has returned a compound annual growth rate of 10%? The number is usually accompanied by a graphic showing the growth of a stock market index that looks like a never ending upward climb.

While both the number and the graphic are historically accurate with respect to the S&P 500, before you base any financial plans on a 10% return, you need to take another look at annual returns.



The problem with using 10% as a return expectation is the volatility that the market goes through to get to that

annual compound return, or how long it could take for a portfolio to achieve a 10% annual compound return. Your odds of achieving a 10% average are much greater if you have 50 years to invest in a S&P 500 index fund than if you have 15, and even then there are no guarantees.

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## Worried that You Won't Have Enough Money in Retirement?

**A** rule of thumb in preparing for retirement is to anticipate needing 75% of your current income to maintain your same lifestyle in retirement. Like many rules of thumb, it doesn't fit every situation. It's essential to look at your specific situation, not generalities or rules of thumb.

The best way to decide when you can afford to retire, or if you have enough money now that you are retired, is to know what your monthly expenses are,

how they might change in the future, and what additional activities/costs you want to add. With this information you will have a better understanding of what your lifestyle costs, where you might see lower (or higher) costs in the future and how long your savings could last at this level of spending.

To start, complete the following monthly budget based on your current expenses and estimated future expenses:

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## Know Your Insurance Limits

**T**he recent failures of what were once icons of the U.S. financial industry make this a good time to take a close look at deposit insurance and what it covers.

The Federal Deposit Insurance Corporation (FDIC), an independent agency of the U.S. government, protects you against the loss of your deposits if an FDIC-insured bank or savings association fails. Banks (internet or brick and mortar) with the same parent are considered a single bank.

Effective Oct. 3, 2008 through December 31, 2009, basic FDIC Deposit Insurance coverage limits for the most common forms of ownership are as follows: Single Accounts (owned by one person) \$250,000; Joint Accounts (two or more persons) \$250,000 per co-owner; IRAs and certain other retirement accounts, \$250,000 per owner; Trust Accounts, \$250,000 per owner per beneficiary subject to specific limitations and requirements. For more information, visit [www.myFDICinsurance.gov](http://www.myFDICinsurance.gov).

In response to the current credit crisis, the Treasury Department opened up a temporary guarantee program for U.S. money market funds that pay a fee to participate in FDIC insurance. The program provides a guarantee on a fund-by-fund basis up to the amount of shares held as of the close of business on September 19, 2008. The guarantee extends for three months unless renewed by the Secretary of the Treasury. There are no per account limitations. Gains and

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# Beyond the Risks of the Stock Market

When financial markets falter, one uptick you can count on is investment fraud. When people are worried about their investment returns and the growth of their assets, they are most vulnerable to promises of above market returns and “can’t miss” investments.

All investing carries some degree of risk. But while you may be willing to accept market risk – the risk of the overall direction of the market affecting the value of your investments - you don’t want to assume the risks of fraud. Before you invest with an individual or firm, we advise the following:

## 1. Know your financial adviser’s regulatory record.

Registered Investment Advisers (RIAs) are regulated by either the U.S. Securities and Exchange Commission or the State in which they operate. You can search for information on RIAs on line at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click

Disclosure Information and you will find the firm’s disciplinary history and the disciplinary history of all its advisory affiliates.

Securities brokerage firms fall under the disciplinary arm of the Financial Industry Regulatory Authority (FINRA). FINRA has an online database of the qualifications, employment and disclosure histories of the more than 500,000 registered securities employees of member firms. To find information about an individual, visit [www.finra.org/InvestorInformation/InvestorProtection/ChecktheBackgroundofYourInvestmentProfessional/index.htm](http://www.finra.org/InvestorInformation/InvestorProtection/ChecktheBackgroundofYourInvestmentProfessional/index.htm).

Lack of registration as either a registered investment adviser or a registered representative of a brokerage firm should be a red flag.

You also need to understand that RIAs and securities brokers are held to different standards of service. An RIA has a fiduciary responsibility. By law, they are required “to render to clients

on a personal basis, competent, unbiased and continuous advice regarding the sound management of their investments.” Securities brokers (registered representatives of a brokerage firm) are only required to know their customer and recommend “suitable” investments.

2. **Never make out an investment check to an individual.** The only exceptions might be buying investment real estate or collectibles from an individual. If someone says they are going to invest on your behalf, the check should be made out to the custodian – the brokerage firm, trust company, mutual fund company, insurance company, etc.



3. **Know the custodian** and what protections that custodian has in place to prevent someone from taking control of your monies. Are they insured? How do they protect the integrity of your account? What reports do they provide? Have complaints been filed with states where they do business?

4. **Don’t accept performance reports from just the investment manager.** You should also receive regular reports from the custodian. You have to have a way of determining if the information you receive from the individual is accurate.

5. **If your financial adviser receives commissions** from the purchase and sale of securities in your account, make certain you know what transactions are taking place and whether or not they are profitable for you. Request notice of all transactions from the custodian if you have any questions.

6. **Don’t rush.** One of the oldest tricks is for scam artists to show you extraordinary returns for your first investment and then suggest that you substantially increase your investment. Make your financial adviser earn your trust over time.

If it sounds too good to be true, it probably is. Nothing should make

you more skeptical than the promise of outstanding returns with minimal risk. Remember the old joke about the economist who sees a \$100 bill lying on the ground and walks on by? When a friend asks why he didn’t pick it up, he says if it was real someone else would have already picked it up. In investing, that is all too often true.

## On Line Resources

**FINRA BrokerCheck** is a free online tool to help investors check the professional background of current and former FINRA-registered securities firms and brokers. It should be the first resource investors turn to when choosing whether to do business with a particular broker or brokerage firm.

You can search for an investment adviser firm on the **SEC Investment Adviser Registration Depository (IARD)** website and view that firm’s Form ADV, which contains information about an investment adviser and its business operations. Form ADV also contains disclosure about certain disciplinary events involving the adviser and its key personnel.

## Know Your Insurance Limits

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additional deposits subsequent to September 19 are not covered.

The Securities Investor Protection Corporation (SIPC) is an industry-financed insurance plan that protects clients of most broker-dealers registered with the U.S. Securities and Exchange Commission (SEC). SIPC insures customers’ securities up to \$500,000 per account against losses due to the financial failure of brokerage firms. Coverage of cash in a securities account is limited to \$100,000.

At the very least, make certain your bank and broker are FDIC or SIPC insured.

## Worried that You Won't Have Enough Money in Retirement? *continued from page 1*

	Today	In the future
GIVING	_____	_____
SAVING	_____	_____
HOUSING	_____	_____
First Mortgage	_____	_____
Second Mortgage	_____	_____
Repairs/Monthly Fees	_____	_____
Insurance	_____	_____
Taxes	_____	_____
PERSONAL LOANS	_____	_____
Credit card balances	_____	_____
Other loans	_____	_____
UTILITIES	_____	_____
Electricity	_____	_____
Water	_____	_____
Gas	_____	_____
Phone	_____	_____
Trash	_____	_____
Cable	_____	_____
FOOD	_____	_____
TRANSPORTATION	_____	_____
Car Payment	_____	_____
Car Payment	_____	_____
Gas & Oil	_____	_____
Repairs & Tires	_____	_____
Car Insurance	_____	_____
CLOTHING	_____	_____
PERSONAL	_____	_____
Disability Insurance.	_____	_____
Health Insurance	_____	_____
Life Insurance	_____	_____
Child Care	_____	_____
Entertainment	_____	_____
OTHER MISC.	_____	_____
TOTAL MONTHLY NECESSITIES	_____	_____

Review these expenses for items that will change over time or when you retire. Will your mortgage be paid off? Will you continue to have car payments or personal loan payments? Will your clothing budget be as high? There could be grandchildren expenses.

Next, think about what you want to do in retirement and expenses that might be associated with those activities. Joining a golf club, traveling, and/or an RV purchase could add new costs to your budget that need to be considered. After all there's no point in retiring if you don't enjoy it.

Naturally, there are two more related issues to consider — how long you might live and the impact of inflation on your income requirements. How long is going to depend on your heredity, your current health and ongoing improvements in medical care. At this time, the average lifespan for women is 80; for men it's 75, and rising.

Over the last 10 years, inflation has stayed in the range of 2.5% annually, with a high of 3.4%. At 2.5% inflation, your expenses will be 10% higher in four years, 25% higher in nine years and double their current level in 28 years.

Given those numbers, it's time to sit down with your financial advisor and look at how much you currently have in assets, the expected return from your investments and what that means in terms of retirement income.

## Volatility is Inherent in Financial Markets

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There have been numerous periods that have both underperformed and out performed this number. Most recently, the S&P 500 stock index has returned a compound annual return of just 1.8% a year including dividends for the 10 years ended September 30, 2008. In the last 50 years, there has only been one year when the total return of the S&P 500 was actually 10% - 1993. The remaining 49 years, the annual total return for the stocks in the index has ranged from a high of 43% in 1958 to a low of -26% in 1974, as shown in the preceding scattergram.

Past performance is not indicative of future returns. The S&P 500 is an index and, as such, cannot be invested in directly.

Volatility also impacts withdrawals from a diversified equity portfolio in

retirement. Many retirees assume they can withdraw up to 10% a year without impacting the principal balance of their accounts. It doesn't work that way. Withdraw 10% in a year when your portfolio is down and you erode the ability of your portfolio to recover.

Market volatility is the number one reason for professional management. A portfolio that works for you needs to be designed with the realities of market volatility as part of the mix. Historical performance data is just that, historical. The main lesson it has to offer is that volatility is a part of equity investing.

Do-it-yourself investing advice typically comes down to "invest in index funds, save a ton and reallocate infrequently." This approach is based on the theory that investing in different

segments of the market represented by the indexes will smooth overall return, reducing volatility. Unfortunately, this tends to be true primarily on the upside. In major market declines, most asset classes have a tendency to move in sync. Non-correlation diminishes in crises, just when you need it the most.

If you don't have the ability to buy and hold through a sufficiently lengthy period to achieve long-run average performance, you need to look at alternative strategies and investments that can offer non-correlation to equity investments. **That's where we come in.**

## Grow Your Assets in All Markets

There are two ways to increase your financial well being. The first is to earn a good return on your investments that more than offsets inflation and builds real value. The second is to save more.

Over time, there have been numerous periods when market returns dwindle and the value of investments have fallen or stay essentially level. When flat markets happen, the government would really like to see you spend more and help spur the growth of the economy. But it may be in your best interest to increase your savings.

The following are 10 ways to save little amounts that can add up to substantial money over a year.

1. **Skip the coffee shop.** If you buy three fewer lattes a week at \$4 a cup, you will save \$624 in a year.

2. **Consolidate your trips.** It can easily cost \$4 in gas each time you go shopping. Cut out three trips a week reducing the number of days you visit stores and you could save another \$624 over the course of a year.

3. **Higher deductibles** on your insurance policies (\$1,000 instead of \$500) can save you \$200 or more a year. Don't do this if you are in a high risk area or are a high-risk individual

where the likelihood of a loss outweighs the savings.

4. **Look for ways to reduce heating and cooling costs.** In 2007, the average home heating bill in the U.S. was \$1,000.

Given the increase in oil prices over the last few months, lowering your heating and cooling power usage as little as 10% could save you more than \$200 this year.

5. **If you buy lottery tickets,** only buy one, not 10. The odds are virtually the same. Lotteries are a wonderful tax on the poor but a poor way to increase your wealth. Eliminate \$20 a month on lottery tickets and you've another \$240 to put in savings.

6. **Use coupons,** but just for items you would have bought anyway. If this saves you \$5 per week in groceries, you are \$260 ahead for the year. You can find coupons online at places like [www.couponcabin.com](http://www.couponcabin.com).

7. **Disconnect your cable TV.** Do you really watch 500 channels? If you like cable for the movies, services such as Netflix are a better deal. High definition television for free is available from local carriers in most cities now. Drop cable and save more than \$500 a year.



8. **Don't pay any fees you don't have to.** No-fee credit cards (but make certain you have a grace period), no-fee bank accounts, and no fee brokerage

accounts abound. Cut \$15 a month in fees and there's another \$180 to save.

9. **Boycott ATMs with service charges** and never get cash back on a credit card purchase. The costs for these services may seem small, they add up. It may require a little more planning, but take care of your cash needs at the bank or grocery store. Wiping out a \$2 ATM charge every week will save you \$104 a year.

10. **Shop on line** before you buy any big ticket item. If you find a better deal, take it to your local merchant and ask if they will match the price. If you can't save another \$500 this way each year, you need to sharpen your bargaining skills.

Follow the 10 ideas above and you will have more than \$3,000 in additional funds to invest this year. With luck, you are investing at the bottom of the market cycle and your \$3,000 will grow quickly.

## Dear Clients and Friends of Trusskey Investment Advisors,

As of 9-30-08, the TIA Actively Managed Portfolio has a net gain of 2.33% for the year and the S&P 500 Index has a loss of -19.29% for the year. The TIA managed portfolio has remained in money market funds for 188 of 273 days during this year.

In 2007 the TIA Actively Managed Portfolio had a net gain of 12.87% with an EA Beta of .17, which is about 83% less risk than the 1.0 EA Beta for the S&P 500 Index which gained 5.49%. The TIA Portfolio remained in money market funds for 310 of 365 days during the year.

In 2006 the TIA Actively Managed Portfolio had a net gain of 14.42% with an EA Beta of .79, which is about 21% less risk than the 1.0 EA Beta for the S&P 500 Index which gained 15.78%. The TIA Portfolio remained in money market funds for 168 of 365 days during the year.

Our proprietary EAB managed portfolio methodology of staying in money market funds during times of uncertainty creates less exposure and risk to investments than the traditional "buy and hold" method!

### Trusskey Investment Advisors

Your Personal Registered Investment Advisor

Phone: 936-588-0288 • Web site: [www.TIAhome.com](http://www.TIAhome.com)

• Email: [Trusskey@TIAhome.com](mailto:Trusskey@TIAhome.com)

**Performance Disclosures:** Management fees are incurred at the end of the quarter but are deducted from client accounts the first week of the following month after the end of the quarter (January, April, July, and October). For performance reporting purposes, the fee that has been reflected in the performance, is the previous quarter fee assessed in the current quarter results. To be conservative, we also deduct the maximum fees we charge from our performance reports and your actual overall fees paid may be less than our maximum.

The TIA Portfolio performance results are not indicative of market performance or economic conditions, but Mr. Trusskey does take advantage of broader market performance and economic conditions to try either to protect the portfolio from losses or to increase the returns of the portfolio. Data prior to 2007 audited by MoniResearch and data is now tracked and verified in real time by ThetaResearch since Jan. 2006. Even though the TIA Portfolio is actively managed on a day-to-day basis, there is the same potential for a loss as there is for a gain during any given period. The TIA Portfolio does not reflect the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.

PAST PERFORMANCE IS NO INDICATION OF FUTURE PERFORMANCE.

The S&P 500 Index performance includes dividends reinvested, but does not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.

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