



YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Financial History

With the recent events including turmoil in the Middle East, the European debt issues, and the nuclear crisis in Japan there are plenty of reasons for investors to be nervous. In fact, after the Financial Crisis just a few years ago, in my experience, many investors are shell shocked.

The history of our financial markets tells a story, not of a calm and steady ascent, but of waves of innovation followed by brief periods of panic. In 1932, in an early year of the Great Depression, the Dow Jones Industrial Average hit a low of 42. Many investors who felt burned by the market crash of 1929 believed that the financial markets did not work and that they would not earn a strong rate of return over a long period of time. In 1932 our economy would face what is considered to be its darkest period. Industrial Production was nearly cut in half and one out of every four Americans was unemployed. The markets would have to face another 10 years of the Great Depression, ten wars, three mile island, the Cold War, the 1937 recession, the 1973 stock market crash, the Black Monday crash, the bursting of the technology bubble, and the 2007 Financial Crisis to bring us to where we are today.

During those years from 1932 to 2011 the Dow Jones stock market average would go from 42 to over 12,000 as of today.

Our parents and grandparents only had to invest a relatively small sum of money and hold it for the long term and they would have made us all multi-millionaires. If you did not receive a check, don't feel bad, most of us didn't. It was easy for our predecessors to be swept up in one of the many historical panics, or perhaps to splurge on a shiny new Ford Model T.

Interestingly, when we look at the history of our Financial Markets, what is so striking is the extraordinary pace of innovation that has improved the lives of all of us and continues to drive our markets to new heights. This includes the invention of; antibiotics, the car, the microwave, the telephone, the radio, the television, the personal computer, the internet, the mobile phone, etc... History teaches us that news headlines and our own animal spirits can cloud our judgment. Businesses attempt to invest their capital in the best risk adjusted opportunities for their desired holding period. We owe it to our future selves and our families to do the same. I look forward to the next chapter in our financial history and I am confident in the opportunities that lie ahead.