HOW ARE YOUR INVESTMENTS DOING?

So far this year, the stock market is up. On the news the other night it was reported that the indexes are back to where they were 17 months ago.

I sincerely hope that your accounts are up so far this year.

The real question is:

How do your current account values compare to what they were at the end of 2007?

As we near the end of the first calendar quarter, so many of you will be getting quarterly statements on your IRA's, 401k's and other investment accounts. The information provided in these reports will help you answer this question.

My educated guess would be that very few of you are back to where you were at the end of 2007; especially if you back out any contributions you have made to these accounts over the past couple of years.

The most misunderstood fact about investing is that pot holes in the road that occur every now and then in the markets will decimate the overall return on your money for the long term in spite of the very good years that periodically occur.

It is great when the market goes up 20%, but if you are trying to make up for a couple of bad years when the market was down 25%, your actual return on your investment will be much lower than you imagined.

Let me use myself as an example.

A few years ago when I looked at the reports on all our investment accounts, I was expecting to see a return that was similar to the data shown in all the mutual fund reports I had received. These reports always show what the 5, 10 and 20 year average annual returns were of that particular fund.

Yes, I actually had held several mutual funds for 10 and even 20 years!

You see, I spent 23 years as an investment person. I have helped many of you set up your investment programs. I walked my talk. I invested a ton of money in mutual funds from the late 70's until the early 2000's.

What I found out when I looked at the reports was earthshaking.

My actual return on the funds was actually about half of what was stated in the performance data in the reports.

When you read the fine print, you discover that the mutual funds follow a formula for reporting returns that is approved by the SEC and other regulators.

Somewhere along the line someone has missed the boat, because the formula does not report numbers that came close to what actually happened, well, at least in my case.

I have talked to several people I know who have held mutual funds long term like I once did and they report the same thing!

This phenomenon is also confirmed in the yearly Dalbar reports that show the average investor makes about what they would have made on money market funds in their stock related investment accounts.

But I was not an average investor. I thought I knew which funds to buy. I still came up short!

About this time I started to believe that I could not beat the Wall Street insiders at their own game. The hard reality started to sink in.

Here we are four years later and I no longer have any money invested in the stock market. In fact, I have all our investment account money in short term bonds and insured savings accounts. We have transferred as much money as possible (given our tax situation) from these accounts to our BOY plans.

I now make a steady, predictable profit from my self financing activities using BOY.

Please take a look at your investment situation now, while the market is up.

I will be happy to help you sort all this out and figure out what to do in your situation.

MARCH 2010 NEWSLETTER

ALAN J. ECKSTRAND,CLU,ChFC,CRPC

ALAN J. ECKSTRAND,LLC

977 EAST MAIN ST, SUITE 2

TORRINGTON,CT 06790

PHONE: (860) 496-1941

TOLL FREE: (866) 496-4677

FAX: (860) 496-4677

Email: alan@thefinancefixer.com

Websites: www.thefinancefixer.com & www.bankonyourself.com