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San Francisco—Bay Area, CA | **Leading Wealth Advisor**

Hewins Financial Advisors LLC
Roger Hewins, President; John Bussel, Senior Vice President, Principal; and Colleen Jordan Hallinan, Senior Vice President, Principal

"I have become much warier of risk in my investment portfolio, but I also do not want to be too cautious. What is your advice?"

By Roger Hewins, John Bussel and Colleen Jordan Hallinan

If anyone ever doubted that the market is unpredictable, 2008 and 2009 made them believers. It is obvious you have no control over the market. But you must learn to control your reactions to it. Proper planning, combined with an honest assessment of your tolerance for risk, has the power to greatly lessen your anxiety over the inevitable swings of the market.

We cannot consider long-term stock market returns in creating a portfolio without considering our visceral reactions to the short term. Investors in the 1933 market recovery did not feel the 53 percent return. They felt the monthly ups and downs that ranged from losses of 18 percent to gains of 42 percent.

A successful investment strategy considers both sides of the risk-tolerance coin: the financial side and the visceral, emotional side. The financial side includes the highly quantifiable, controllable facets of your financial life: income and spending (now and in retirement), insurance, debt, emergency cash and taxes.

Begin with the financial side of your coin. Your spending, your goals, your management of taxes...these are manageable aspects of any investment strategy. If you executed a thoughtful and comprehensive planning process at the outset, you may be able to continue with your original strategy. If you did not plan well, or if you have new inputs, you should reassess your exposure to equity, and perhaps change it, but this should occur in any economic circumstance, good or bad.

Next, consider the visceral side of your coin. During this last bear market, many investors experiencing crippling anxiety faced the classic trade-off: moving to cash or Treasuries to stop the pain, thereby locking in losses, or living with the anxiety. If your anxiety causes you to constantly shift focus from your life to your portfolio, then you are likely to act to stop the pain (sell!), nullifying any quantitative planning. This "feel" side of the coin drives everything.

If you chose to live with the anxiety and are still overly nervous, determine the minimum additional amount of cash that would sufficiently quell your nerves. Often, pulling a small amount from your portfolio to augment your emergency cash position, surrendering commensurately small losses, may be enough to solve the problem. Or if you can accept lower long-term returns, maybe a measured reduction of your exposure to equity, and therefore a decrease to the expected volatility of the portfolio, will do the trick.

The capital markets are quick to change, and in the short term, they are entirely unpredictable. Making investment decisions in light of your own personal situation, both financial and emotional, versus reacting to the market, allows you to regain control of your financial future and makes you less vulnerable to the fickle market.

YES, BULL MARKETS BEGIN DURING BEAR MARKETS, AND VICE VERSA

The recent economic crisis and the subsequent enormous government spending have caused many to expect a Great Depression-like extended period of high unemployment and low economic growth.

But consider the worst period we can remember. By the end of the 1929—1932 bear market, one in four workers was unemployed. Not until 1941 did unemployment fall back to single digits. Should not such dire economic circumstances be reflected in equally dire stock market performance?

Common logic would expect that, but from 1933 through 1942, U.S. stock market returns ranged from gains of 53 percent to losses of 37 percent, with that 10-year period averaging a positive annual 6.6 percent. (Source: Dimensional Fund Advisors).

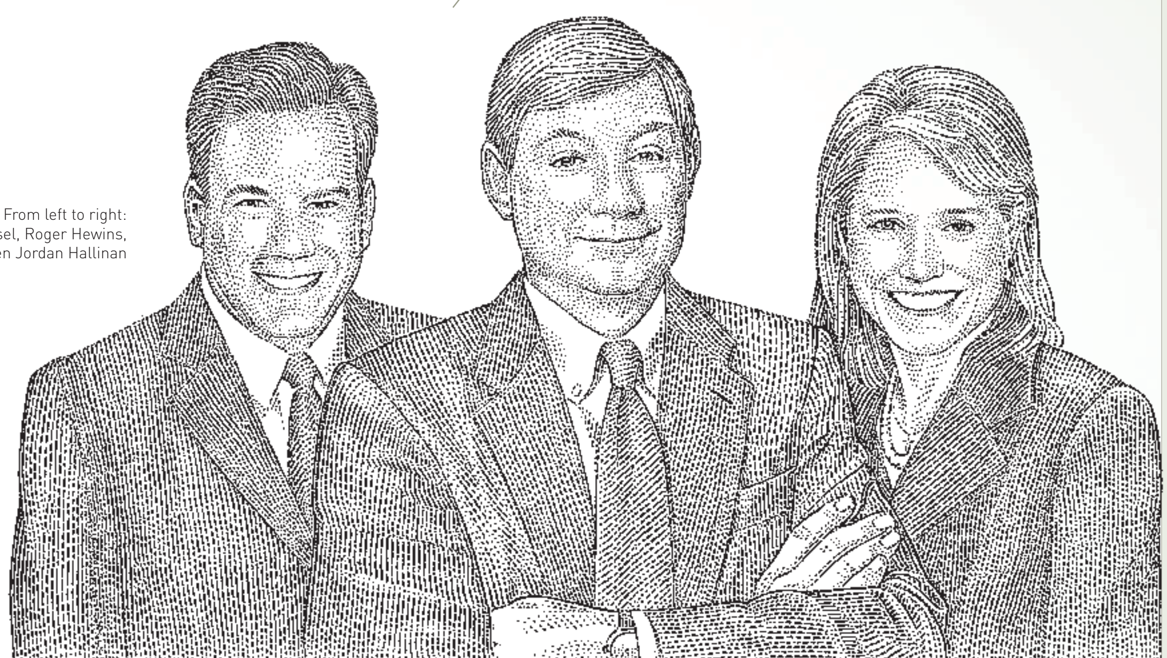
Whether you are feeling enthused or distressed by the market, remember how far ahead the market is looking and that it often acts in advance of the good and the bad news. The worst markets typically start at times of high confidence, while the best bull markets almost always start at times of great uncertainty and even despair.

"Our people have strong credentials and experience in money management, investment consulting and scenario-based financial planning, not sales. And our clients appreciate that."

– Roger Hewins

How to reach Hewins Financial Advisors LLC

We are happy to speak with prospective clients in-person or over the phone. Please call 888.520.3040 to arrange an appointment.



From left to right:
John Bussel, Roger Hewins,
Colleen Jordan Hallinan

About Hewins Financial Advisors, LLC

Hewins Financial Advisors LLC is an independent, fee-only wealth management and advisory firm. Before founding Hewins Financial in 1999, Roger Hewins served as senior VP of P.R. Taylor, and was also a VP at Barclays Global Investors, managing cash assets of $15 billion and $5 billion of hedging activity. Senior VP and principal, John Bussel, joined Hewins in 2003 and established its presence in South Florida, providing investment services to families and foundations. Also a principal and senior VP, Colleen Jordan Hallinan joined Roger Hewins in 1995. She began her advisory career as financial advisor for Prudential Securities in 1987, training and supporting more than 600 financial advisors and managers. The firm's affiliated company, Wipfli Hewins Investment Advisors, also provides fee-only investment advice in Wisconsin and Minnesota, working with Wipfli LLP, a large regional CPA firm.

Assets Under Management
$1.8 billion

Minimum Fee for Initial Meeting
None Required

Minimum Net Worth Requirement
$2 million

Largest Client Net Worth
$100 million+

Financial Services Experience
18 years (average)

Compensation Method
Asset-based and fixed fees

Primary Custodian for Investor Assets Schwab Institutional

Professional Services Provided
Planning and investment advisory services

Association Memberships
Women's Achievement Network & Development Alliance, Callan Independent Advisers Group, Counsel of Independent Financial Advisors (combined)

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