



October 13, 2014

Dear Client:

This past Friday, the Dow Jones Industrial Average closed at 16,544. That's about 100 points higher than its close on January 2, the first trading day of the year.

Yes, the stock market is higher today than it was 9 months ago.

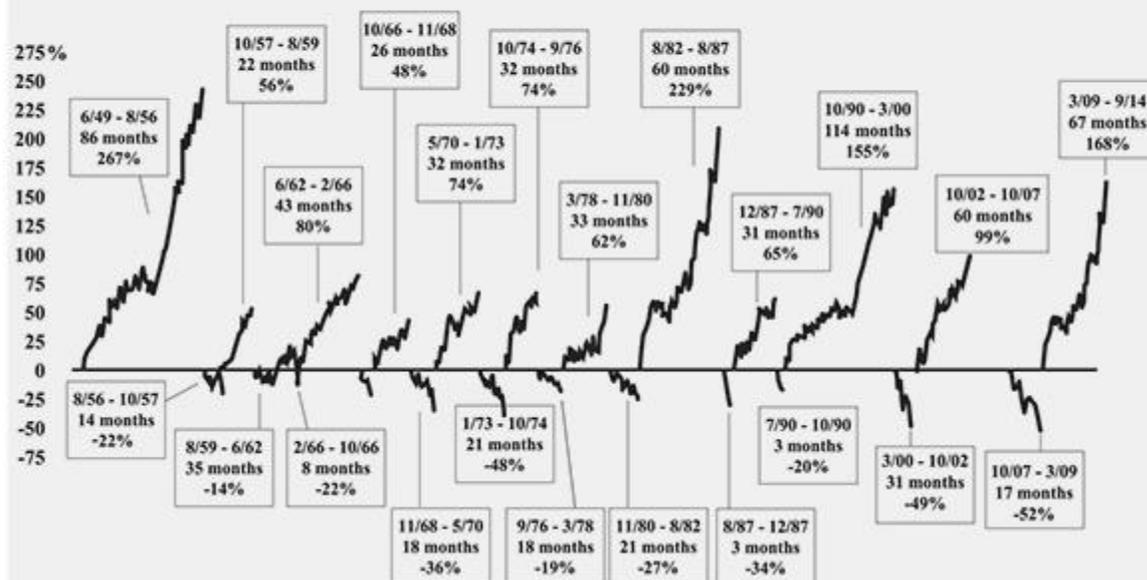
That statistic might surprise you. After all, over the past couple of weeks, the stock market has been gyrating. The Dow fell 273 points last Tuesday – and then rose 275 points the next day. How can anyone make any sense out of that?

You can't – so don't even bother trying. That's why we instead focus on the long-term. Markets always react in the short-term, so it helps to remind ourselves that the stock market is higher today than it was two years ago, and it's *ten thousand points higher* than it was six years ago!

But many people aren't focusing on that. They are worried about the economy in Europe, unrest in Ukraine and Hong Kong, threats from ISIS and, of course, Ebola. The media tend to overstate the bad news and underplay the good news – like the fact that unemployment is at the lowest level since 2007, mortgage delinquencies are at their lowest level in six years, the manufacturing index is at higher levels than it was prior to 2008 and U.S. auto sales are poised to set an all-time record this year.

And that's why we're writing to you today. We want to reassure you, and remind you that we've all seen this movie before, as our letter to you in August noted. Yes, stock prices since then have indeed been going down – but that's part of what stock prices do; the other part is that they also go up. And history tells us two things: after every *down period*, there's an *up period*, and every *up period* is larger and longer than each preceding *down period*, as the accompanying chart shows. Every *down period*, therefore, has proved to be a great time for you to add to your long-term portfolio.

## Change in S&P 500



Perhaps you're not convinced – maybe because Ebola is dominating the news lately. If that seems like scary stuff, it might help to put it into context. Before you ever heard of Ebola, the news was filled with stories about Mad Cow Disease. Before that it was SARS. Before that, Avian flu, and before that the “swine” flu. In 2011, stories warned that the Mayan calendar predicted that the world would end in 2012. Before that, of course, was Y2K.

There's always something out there that the media say is imminently going to cause our destruction. As comedian Alonzo Bodden said, “Weren't we all supposed to be dead by now? I don't know about you, but I stopped paying my bills.”

His point is well taken. We mustn't let ourselves get upset by the latest headlines of doom. Experts in behavioral finance call this *catastrophizing*. We humans tend to take a piece of information and automatically assume the worst, filling ourselves with such fear that all rationality leaves us. This past Saturday morning, I received an email from a worried listener of my radio show, plaintively asking, “Mr. Edelman, please tell us on your show this weekend that the sky isn't falling.” He was desperately hoping that I'd provide him the reassurance he needs.

I'm happy to do so – and I hope he did tune in, where I provided a message much the same as the one you're reading now.

It's important that we stay focused on our long-term goals. If you have an effective strategy to achieve your long-term financial goals – and as our client, you do – all you need to do is stick with that strategy. It's as simple as that. Rest assured that we are monitoring your account daily,

maintaining extensive diversification for you to help control risk and, as opportunities arise, we're exploiting the market's volatility to rebalance your account.

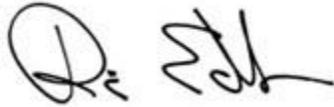
Of course, if something has changed in your life that might require alteration in that strategy (including a change in marital status, employment, income need, health or risk tolerance), please tell us. Otherwise, you can ignore the headlines with confidence.

And when you come upon others who express worry or fear, you can invite them to contact us, so we can help them obtain the same quiet confidence that you enjoy. We're happy to help your friends, family and colleagues, too, if they need our help. And if they're worrying, they really should call us.

As should you – anytime you have any questions or concerns.

As always, we'll continue to monitor your accounts, and keep you informed.

Regards!

A handwritten signature in black ink, appearing to read "Ric Edelman". The signature is stylized and cursive, with the first name "Ric" and last name "Edelman" clearly distinguishable.

Ric Edelman  
Chairman and CEO

Investing strategies, such as asset allocation, diversification, or rebalancing, do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There are no guarantees that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies.