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OCTOBER NEWSLETTER

DOW FALLS 777.68 POINTS!

That is the headlines in the September 30, 2008 financial newspapers. So let us assume you are like Aunt Peg who “lost so much money in the market”. Some of her investments included J.P. Morgan, BP plc, Altria, Fidelity Contra Fund and Vanguard's Index 500 Fund. Her **paper** loss for that day was \$50,000.

DOW GAINS ALMOST 400 POINTS!

That is the headline in the October 1, 2008 financial newspapers. Returning to Aunt Peg's plight, her **paper** loss from her investments in J.P. Morgan, BP plc, Altria, Fidelity's Contra Fund and Vanguard's Index 500 Fund are now only \$25,000.

Notice the word “paper” that was boldfaced. If you didn't sell your investments on the day the Dow fell almost 800 points, you didn't lose anything. But to those who rely on their investments to supplement their retirement, and, who had to sell a portion of their investment to continue to receive their monthly retirement income, then, yes, they did actually lose money.

LESSONS TO BE LEARNED

There are a few lessons to be learned from the current instability of the stock market. Those who invest in the stock market should realize that the market does go down. And, by recognizing this reality, the prudent investor will ensure that they have enough cash reserves to ride out the market's downturns.

If an investor cannot stand the uncertainty of the market, then like my Aunt Peg, invest all of your money in bank FDIC insured certificates of deposit (CDs). It should be recognized that although safe, i.e., FDIC insured up to \$100,000, CDs do have interest rate risk. When Carter was president, Aunt Peg's CD portfolio generated \$45,000 in annual interest income. But when President Carter was replaced, her CD portfolio generated \$18,000 in annual interest income.

Before investing your hard earned money with anyone, do your homework. Realistically gauge your emotional risk tolerance. If it means that you can't stand the ups and downs of the market, then for goodness sakes don't invest in the market. Put your money in investments that you are comfortable with, those that won't keep you up at night worrying about your money.

GOD BLESS AMERICA!

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