Soaring

The eagle's perspective on wealth management

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"...make big plans, aim high in hope and work."

Daniel H. Burnham
(1846 - 1912)

Farewell to 2006

As 2006 draws to a close, I would like to thank you all personally for the special trust and confidence you have placed in me as your investment advisor. It has been a very busy year for Eagle Wealth Management with much to be thankful for and for many lessons learned which we can apply going forward.

One lesson learned was an old lesson. About 75 years ago, the eminent British economist, John Maynard Keynes noted that securities markets can be irrational and can remain irrational for much longer than you think. Well, in my last newsletter in September, I expressed serious reservations about the rally going on in the blue chips stocks of the Dow Jones Industrial Average. Despite my concerns about an inverted yield curve in the bond market and the possible broad consequences from the deflating housing sector, the rally in the Dow continued to surge throughout the fourth quarter.

It's certainly possible that my caution was unfounded, but it's also possible that my concerns were only premature. This has happened before. From 1966 to 1982, the Dow cycled up and down while moving basically sideways for 16 years. Yet right in the middle of this extended sideways market, the Dow enjoyed its second best year on record, rising 37% in 1975 only to fall back over the next two years.

Right now the market forecasters at the big brokerage firms are almost universally bullish for 2007. The last time we saw this level of bullish consensus was in December 2000 and we know how far off that consensus was. Thus I remain hopeful, but cautious in my outlook for 2007. Lagging a bull rally can be embarrassing, but recovering from serious losses is a much more serious matter.

Most of the accounts I manage represent the fruits of a lifetime of saving and investing by my clients who are counting on this money for financial peace of mind in their retirement. Since none of us gets a second lifetime to do this all over again, I believe an emphasis on risk management makes sense, even if it means that we lag behind a market rally or two.

I don't manage every account exactly the same, however, as I attempt to tailor my approach to the particular goals and comfort level of each individual client. There are some clients who have specifically asked to take more risk in certain accounts and we are happy to oblige in those cases. Please let me know if you'd prefer a more aggressive strategy for your assets.

In other news, 2006 turned out to be an exceptional year for retirement savings accounts. Three tax laws were signed this year and each one changed in some way the rules affecting IRAs and other retirement savings programs. Keeping on top of these changes is one of my jobs so my clients don't have to worry about these things. Whenever something like this affects you, I will certainly explain it to you fully.

In a sad note, I regret to announce that this month; I had a valued client pass away at age 80. Bill had been a client of mine for almost 10 years. He loyally followed me from Merrill Lynch to PaineWebber and on to Eagle Wealth Management. He had a very nice rollover IRA, which I managed for him, and he enjoyed life to the fullest. Unfortunately, Bill never made a will, so his family now has to deal with a lot of extra stress associated with his dying without a will. If any of you have not made a will, I strongly encourage you to do so and share your desires with your family. I am pleased to keep a copy of my clients' wills and other estate planning documents in their electronic files, so there will never be any doubt about their final wishes.

Fortunately, Bill did designate beneficiaries for his IRA. In this case, however, he divided the IRA unevenly among his second wife and his two adult sons from his first marriage. Since he had never disclosed this fact clearly to his survivors, there's additional stress in their lives as they come to grips with how he divided the beneficiary shares for his IRA. Again this reminds us all of how important it is to discuss our estate plans with our family so they don't find these things out after we are gone.

In another sad note, I wanted to let everyone know that Carol Sibley, who has been such a wonderful assistant to me in getting Eagle Wealth Management up and running, will be retiring at the end of January. I know you have all enjoyed working with her and we wish her and Lou all the best as they enjoy their well deserved retirement.

In closing, I want to wish everyone all the best and an exciting and rewarding 2007.

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