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Second Quarter Overview
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CERTIFIED FINANCIAL PLANNER™

Improving life through sound financial planning.



The Quarterly Report

Recently, Schwab, the investment company, has begun to run ads that simply say, “Do something about it.” We have received calls and met with clients who have stated, “I feel like I should be taking some type of action,” and yet they are unsure what action is necessary. For us as financial advisors, we take this very seriously. Like Schwab, we want you to know that you do have options, that you are not powerless, and that you are not alone when it comes to your financial decision making. We take seriously our position as your trusted advisor and will work hard to provide the best investment and planning alternatives available. We can help.

Like you, we find the economic environment of the past six months and many of our leaders’ responses to the situation, frustrating. Our response, however, has been to raise our game to a level consistent with the challenges we face. We are focused, thinking clearly, and obsessively analyzing data and information every day to make sure we understand the risk and opportunities as fully as possible. We believe that if we continue to stay intellectually honest, work extraordinarily hard to make deeply informed and rational rather than emotional investment decisions, over the longer term that work will pay off in the form of good returns on your behalf.

One area that we continue to review and discuss in client meetings is your investment mix (i.e. allocation among cash, bonds, stocks). As we have stated before, if you are uncomfortable with volatility and short-term declines, please share these concerns with us. We run investment strategies with varying risk levels, and we can redesign a strategy you can live with both in the short and long term...one that can still provide growth over time.

Market Update Stocks closed the second quarter with their biggest three-month gain in more than 10 years. The large-cap Vanguard 500 Index Fund gained 16% for the quarter, and is now up 3.2% for the first half of 2009. The Vanguard Total International Stock Index soared 27.3%, bringing its year-to-date gain to 10.7%. Vanguard Emerging Market Stock Index did even better in the second quarter, gaining 34.2%, which is also its six-month return. High-yield bonds padded their already big year-to-date returns with a 3% gain in June. So far in 2009 the asset class is up 29%. The Vanguard Total Bond Market Index Fund is up 2.1% for the year through June. Each of our

model portfolios outperformed in the second quarter. This is a result of both our tactical positions (mainly high-yield bonds) and of value added by our active managers, who in aggregate have significantly beaten their benchmarks.

The Great Depression? No Way says 90-something.

There has been some discussion with a comparison of our current environment with the Great Depression. We could provide statistics that would demonstrate that our economy is significantly stronger than during the Great Depression; however, for me, the most persuasive reason was a phone call

“Challenges are what makes life interesting; overcoming them is what makes life meaningful.”
~ Joshua J. Marine ~

another planner had with his long time client who was in his 90s. When the planner said something about how many commentators were drawing parallels between the economy today and the Great Depression, he fumed, “Harold, that’s nonsense! I was a kid during the depression and I remember it well. One night my parents went to bed with money in the bank, the next day they woke up and there was no bank and no money! Today not one person has lost a penny in their bank accounts! Not only that, unemployment was running in the 20–30% range. Today we worry it may reach 10 or 11%. It’s certainly bad out there but it’s no Great Depression!”

Recently, I attended an investment conference in New York and Chris Davis, from Selected American Shares, made the following statement. If you had invested \$10,000 every year in the Dow Jones Industrial Average between 1929 and 1954—the 25-year stretch it took for the index to return to its Roaring Twenties peak—your \$26,000 investment would have turned into \$1.7 million. That’s an annualized return of 12.5%—not too shabby for a time period that included a lengthy depression and a world war. Investors who missed several short but sharp rallies in the dismal 1930s would have never fared as well. The fact argues for sticking with stocks, even if we’re in for a period of prolonged weakness.

The alternatives attempting to time the market or staying out of stocks altogether—strike me as riskier. As Davis noted, missing even a handful of the market’s best days can have a devastating effect on long-term returns: Over the past 20 years, the S&P500 Index returned 8.4% annually. But had you missed its best 30 days, your return would have been 0%.

As always, we greatly value the trust and confidence you place in us to manage your investments. ~ RWT

The Quarterly Report

Why Financial Planning Matters in the Toughest of Times

Why enlist the services of a financial planner when your holdings are down and you're facing a host of financial problems? Because as dark as times may seem, you're actually giving yourself a fresh start in building a stronger financial future.

Indeed, many people don't make that choice. A recent survey showed that many people try to go it alone when it comes to a financial plan—and they suffer considerably worse performance in their investment and savings goals over time than those who do. The cost of a financial planner may not be prohibitive due to factors we'll mention below and young people have a particular advantage on their side when using one: time. Here are some things to know about financial planning process.

It's a collaboration and a learning experience: A financial planner is not a substitute for your own final decision-making. Planners serve as guides, editors and strategists. They should begin by asking questions of you—plenty of them. Their purpose is to find out all the goals you have right now—and maybe determine a few you haven't thought of. Some of these dreams might include buying a home or business for yourself, saving for college education for your children, taking a dream vacation, reducing taxes and retiring comfortably. Financial planning is the process of wisely managing your finances so that you can achieve your dreams and goals—while at the same time helping you negotiate the financial barriers that inevitably arise in every stage of life.

Planners often specialize: Planners, like any professionals, tend to specialize in certain areas of interest, and they may receive continuing education in more than a dozen areas of expertise. CERTIFIED FINANCIAL PLANNER™ professionals alone can earn continuing education credits in asset management, employee benefits, commercial real estate, insurance, investment management, estate management, retirement planning, 401(k) administration and health topics, among others.

Ask about tackling specific problems: If your problem is credit card debt or difficulty refinancing, a planner may have specific contacts or the ability to make certain recommendations on how to get yourself in a better position to plan for the future.

They charge based on specific services: Planners charge for their services in a variety of ways – always ask up front what they charge and how they expect to be paid. Some “fee only” planners charge for a consultation, plan development or investment management, and they may be charged on an hourly or project basis depending on the client's needs or as a percentage of assets under management. Some charge commissions for the sale of financial products they are licensed to sell, and others have hybrid structures mixing fees and commissions. Discuss advisory services first before committing to buying any particular products.

They can talk about your personal investments as well as the ones at work: One of the best advantages to working with a financial planner is the chance to have a second set of eyes look at your wages, investments and benefits at work vs. what you'll be investing on your own outside work-based retirement and other savings plans. Be prepared to bring all of your finances into the discussion. *[Financial Planning Association]*

Returns of Major Indexes	June 2009	Year-to-Date 2009
Dow Jones Industrial Average SM (1)	-0.41%	-2.01%
S&P 500 [®] Index (2)	0.20%	3.16%
NASDAQ [®] Composite Index (3)	3.10%	16.00%
Russell 2000 [®] Index (4)	1.47%	2.64%
MSCI [®] EAFE [®] Index (5)	-0.77%	5.64%
Barclays Capital U.S. Aggregate Bond Index (6)	0.57%	1.90%

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