JSW Financial™

E-newsletter
September 2013

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Check out our upcoming events!

We are excited to invite you to our Tailgate this Saturday, September 21 when the Virginia Tech Hokies take on the Marshall Thundering Herd. Our Tailgate will begin at 9 AM and go until game time. Food and beverages will be provided. Look for our JSW signs & banner in the YMCA Virginia Tech campus parking lot. Call 540.239.4573 for assistance. Please RSVP to Beth at 540.961.6706 or by email at betha@joelswilliams.com. We look forward to seeing you there!

Also, be sure to mark your calendar for a special performance by the Old Pros Orchestra on Sunday, September 29 at the Smithfield Pavilion from 3-5 PM. Come out to listen or dance to the music of the 1940's while enjoying wine and cheese fare (featuring wines from Beliveau Estates). All proceeds benefit the Historic Smithfield Plantation and the Montgomery Museum. Tickets are available for purchase at the JSW office and are $15 in advance and $20 the day of the event. Don't miss the opportunity to come out and support our local community!

Welcome Jeff!

JSW would like to welcome Jeff Proctor as our newest team member. Jeff is a recent Virginia Tech graduate, and is currently studying for his Chartered Financial Analyst (CFA) designation. We look forward to him helping us continue to provide the service you have come to expect from our team.

Ops Center

Official Required Minimum Distribution (RMD) notices will be mailed out by First Clearing by the end of this month. We have begun our yearly review of all retirement accounts and will make contact by the end of October if you have not yet satisfied your minimum yearly requirement. If you are concerned or unsure if you have taken enough, please call our office with any questions.

Access online & Go paperless

Are you a technology junkie? Or is your computer foreign to you? Fortunately, no matter your relationship to technology, Access Online is a fast, easy, and secure way to view all of your First Clearing accounts from your computer. It's simple to enroll and only takes a few minutes. Visit https://vsrfinancial.fccaccessonline.com to sign up.

Similarly, Go Paperless helps to streamline control of your accounts. Once you enroll with Access Online, Go Paperless gives you the ability to receive all account documents electronically. This reduces mail and paper clutter, gives you quicker access to your documents, as well as the ability to save PDF copies or access your online documents from anywhere there is a PC (while traveling, CPA office, etc.).

If you would like to be able reduce your piles of paper in the process, please visit www.joelswilliams.com and find the instructions under *Latest News* on our homepage.

Why the end of Quantitative Easing is not such a bad thing

For the past several months, the prevailing focus in the financial markets has been on Ben Bernanke and the Federal Reserve's Quantitative Easing program. Investors around the world (not just the United States) are trying to anticipate the effects of the "tapering" process that the Fed is expected to start before the end of the year. This anticipation has been met with a considerable amount of volatility and concern in both equity and bond markets.

Quantitative Easing (QE) has occurred in three separate phases since 2008, and during each phase, the S&P has performed exceedingly well. However, stock market performance is not the goal of QE. QE is a non-traditional monetary policy designed to stimulate the economy via purchasing financial assets from banks in an effort to increase bank reserves. In theory, this increase in reserves is meant to reduce borrowing costs and ease credit conditions, which is *supposed* to improve the overall economy. The overall effectiveness of QE is still up to debate; many say that economic indicators are taking longer to show signs of improvement than expected.

The Federal Reserve is currently pumping $85 billion per month into banks under QE (federalreserve.gov), so when the Fed warns of cutting back, investors take notice. Fed Chairman Ben Bernanke has repeatedly stated QE will only begin tapering when they believe the economy has the ability to stand up on its own. In essence, QE will end once the economy has recovered enough to where it can sustain further growth in the future without relying on cash infusions from the Fed.

So why do we see the stock market go down every time the Fed alludes to tapering? Doesn't that seem counterintuitive, *since it has been made perfectly clear that the only reason tapering would begin is if our economy was showing signs of a real recovery*? No one knows the answer to these questions with 100% certainty, but it appears that we are simply seeing the actions of short term, irrational market participants (of which there are plenty!). If you look back at a graph of the S&P, it is clear that, yes; markets have pulled back each time after a QE program has ended. And when the Fed finally ends its easing program for good, it is reasonable to predict another decent sized retraction.

This is where having a long term focus really comes into play. It is imperative that we resist the temptation to let short term market fluctuations affect our decision making with regards to our long term investments (see Joel's article). In the long run, it is the economy that drives our future, not the monetary policies of the Federal Reserve. Our advisors and money managers are here to help you navigate the roads ahead.

- **Jeff Proctor**

Joel's Corner: This is for What We Pay Them—Our Managers

I am going to make two points in this message. We are in stages of the economy and market that are not for beginners. This is not a pre-season game or a warm-up. This is big-time serious: for our economy, our portfolios and the world. Think back how many times since the market bottomed on March 9, 2008 and you thought, "Maybe I should move all my investments out of the market?" Only to have the S&P go up 115% since then.

We were in the market, albeit with only 40-60% at risk in most cases. But we still returned significant risk/reward numbers. Remember: our goal is to protect your assets, first; then growth with as little risk as possible. As we have written about in the past, this strategy is called “absolute return”. We can’t eat those average percentage returns; what we want is absolute dollars that we can spend…preferably every year. So I am comfortable with our positions as we face whatever comes our way.

Having stated our preparedness, no one with any sense can tell you what is going to happen next with the market, the economy or the world. There are too many significant issues that can derail our lives. Syria, the Fed tapering (this is what is supposed to happen as the economy improves; why all the whining? true, it hasn’t worked and delayed the inevitable), many self-serving politicians, and the biggest bear of all is the debt. Our approach and the reason you hire JSW Financial is to have a plan to deal with whatever comes. Ask us to show you specifics of how we have been and presently are doing that. The most important issue is that investors have a plan.

Furthermore, we have a team that can execute that plan. And I don’t mean only the JSW team, but the professionals we have contracted to implement the strategies to carry out our directions of an absolute strategy. Again, ask and learn more about how we are managing your money. The more you understand the less anxiety and stress the media and government can cause you. There is no magic bullet, BUT there is definitely something we can do about it. Don’t accept the statement, “It is what it is and there is nothing that I can do about it.”

The second point to keep in mind is that we as humans have our DNA programmed to do EXACTLY what is opposite or irrational with only one commodity, if you will. That commodity or item is our money or investments. This is why it is imperative to have a plan (JSW Financial role) that adheres to a strict discipline (money managers’ role). The vast majority of humans cannot do both.

Think about it: Your investment in the stock market is the ONLY item you can think of with which you act TOTALLY irrational. Your anxiety/stress about the market is very similar to you behaving this way if you were wishing to purchase a lawn mower:

- You go to Lowe’s and see a nice riding lawnmower marked down to $500 labor-day sale. You are ready to start mowing that day.
- The salesperson says, “Why don’t you take it now; in two days it will go back up to $1500.”
- You say, “Here’s my phone number. Please call me when the price goes back up. I will pick it up then.”

Sound crazy? That is how you think and stress over your investments in the stock market. You want to buy more when the price (market) goes up; and you want to get out of the market when the real sale is on. Most people wait until it is way too late either way, then make a move in or out. Our professional managers don’t. They are inching your portfolio every day away from assets that are priced too high and into investments that have less risk and a safer return. This is for what we pay them.

And isn’t it at least a little bit comfortable to know they can allow all the noise from the media swirl above them…while they are studying where the next good stock is for your portfolio? Remember: it’s chaotic and stressful times that provide the most fertile ground for good investments!

Call/email us to discuss your concerns. We can show you facts about your individual managers and things that the media does not point out. What you hear out of Wall Street and the media is not what long term prudent investing is about. Meanwhile, pray for our leaders and our country. We will get through this.

Until later,

Joel
