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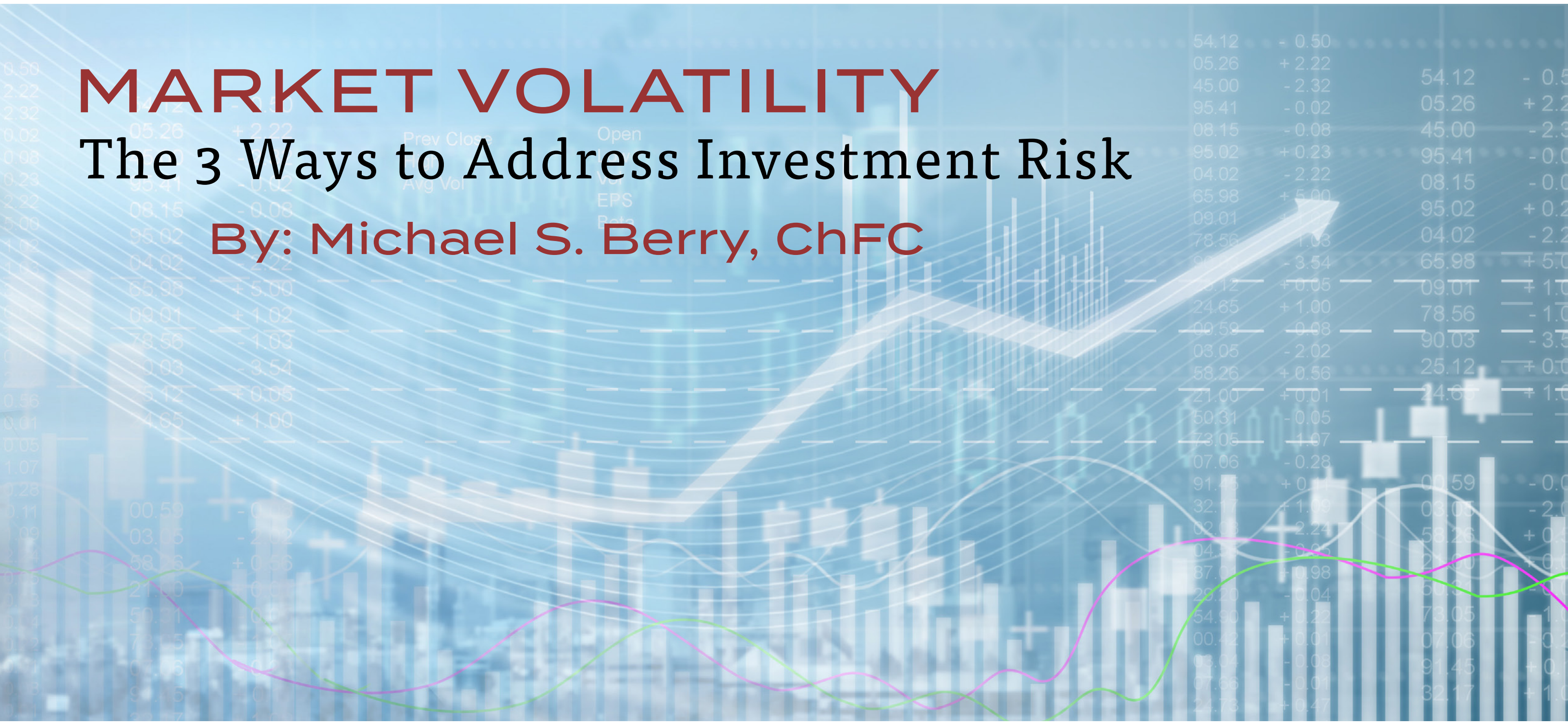
GUIDE



MARKET VOLATILITY

The 3 Ways to Address Investment Risk

By: Michael S. Berry, ChFC

MSF Companies developed this exclusive guide in response to the countless articles and news coverage about market volatility.

Over the 25 years from 1988 to 2012, the stock market rose an average of 9.7% annually. But in all twenty five of those years, guess how many of them came within 100 basis points of that 9.7% average? Only ONE, in 2004 with a 9% gain.[1]

While the markets average out to a nice number, they very rarely hit that average in any given year. The same will be true for a portfolio. So, how do you achieve the average, yet contain the swings in annual returns (Volatility)? The answer is within the way you address investment risk!

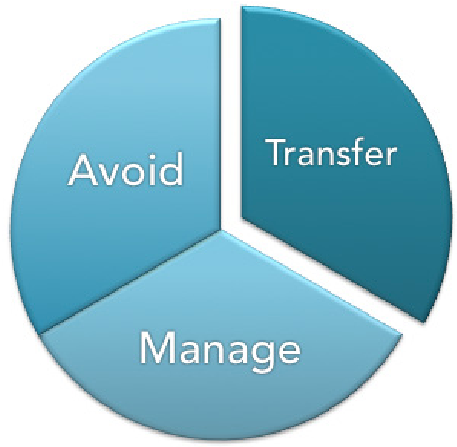
There are only 3 ways to address investment risk. You can Avoid it, Manage it, or Transfer it.

“There are only 3 ways to address investment risk. You can Avoid it, Manage it, or Transfer it.”

1 The New York Times, “Late Stock Market Rally Makes 2004 a Winning Year” Jan. 1, 2005.

1. Avoid

The product we use to avoid investment risk is cash.



2. Manage

The products we use to manage investment risk are stocks, bonds, mutual funds, derivatives, commodities, etc. An asset manager or advisor can mathematically construct a portfolio within your "risk" tolerance to "manage" investment risk.

3. Transfer

The products we use to transfer investment risk are insurance based products. Within insurance products we "transfer" the investment risk. We either receive a stated rate of return or protection from large market swings. We often find this is a neglected asset class.

Designing Your Portfolio

The first step in designing your portfolio is deciding what percent of your money you would like in avoidance, in managed accounts, and in transferred accounts. A properly designed portfolio divides these percentages to Client specifications. For example, one who wants to be affected least by market volatility, places a stronger emphasis on insurance based products, transferring the risk to the insurance companies. Market volatility is normal. When your portfolio is constructed from Day 1 with these principles in mind, and a combination of each in place; your ability to endure market volatility has been assessed, documented, and executed.

Complimentary Portfolio Reviews

We offer no-charge portfolio review and analysis to new Clients, a service typically ranging up from $2,500. As an independent firm, we can reduce frictional costs from large broker dealers and banks. Schedule a complementary consult today with no obligation. Come find out why Clients hire us for what we know, and stay with us for who we are!

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Assess your portfolio.
Craft your investment strategy.

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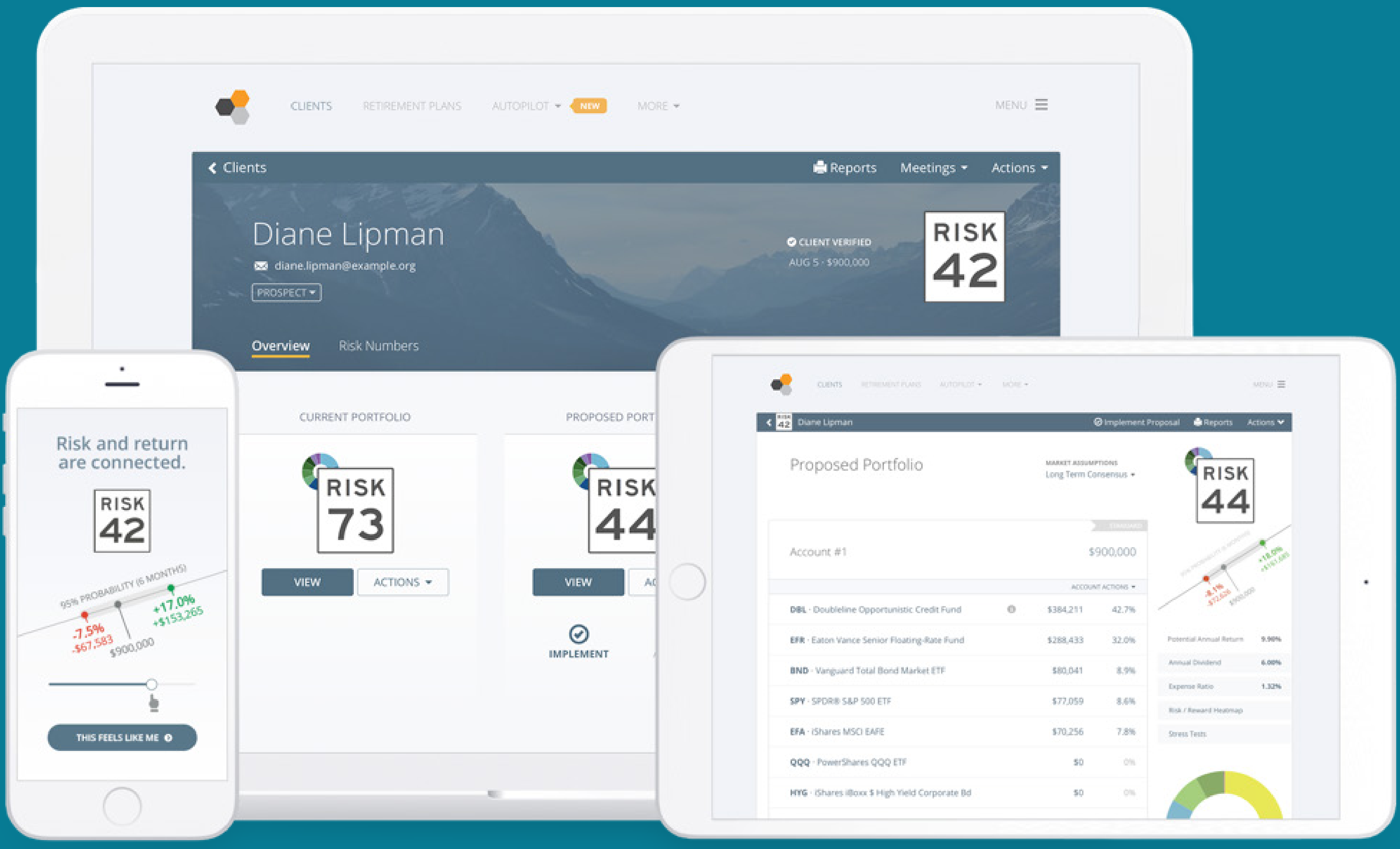

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