



Jeff Sprowles & Associates, LLC  
Fee Only Financial Planner & Investment Advisor

Volume 3, Issue 12

# The (not so) Almighty Dollar

December 16, 2009

Monthly Newsletter and Update

## Greetings,

The holiday season is a mixture of joy, *angst*, pleasure and depression for many people. I feel the same way about the investment climate.

On the good side my clients who did not bail out early in the year have weathered the financial melt down in reasonably good shape. Many have not recovered their high point of late 2007 but I think it likely that none of my current clients have been knocked out of the box concerning their financial objectives.

On the bad side, I have concerns about inflation that will probably start to bite in 2011 or 2012 and the current interest rate environment is fraught with pitfalls.

On the good side, the Norfolk and Southern outside my office has enjoyed a noticeable uptick in freight activity. Parking lots in nearby shopping centers seem full.

On the bad side recent articles by credible authors express concerns about the political and economic future of the United States. The more I read, the more I am convinced that fiscal, economic and political actions of the last 30 years may have wounded us fatally as a society.

With that cheerful thought, Merry Christmas and Happy Holidays.

Sincerely,

Jeff Sprowles, CFP®



## Late Quarter Update

- S&P 500 – domestic large cap
  - 9/30 to 12/15 5.28%
  - Trailing 1 year 30.76%
- BarCap Intermediate Gov Bonds
  - 9/30 to 12/15 0.39%
  - Trailing 1 year 1.05%
- 90 Day U.S. Treasury Bills
  - 9/30 to 12/15 0.03%
  - Trailing 1 year 0.20%
- MSCI Emerging Markets
  - 9/30 to 12/15 5.89%
  - Trailing 1 year 72.80%
- Jeff's Current Stock Outlook  
75% of target



## Market comments

What a year 2009 has been. The first quarter was disastrous. I thought the fourth quarter of 2008 was terrible and then markets took a bigger dive.

During March it was difficult to envision a positive year for stocks in 2009. Absent a serious drop in the remaining weeks of December, stocks will enjoy an above average 2009. My favorite stock class, emerging markets, has delivered spectacular total return for the year. In spite of a 53% loss in 2008, emerging markets have delivered an average 3 year annual total return of 15%.

My stock target is still 75% because the trailing twelve month price/earnings ratio of the S&P 500 is high by historic standards. I have major misgivings about using past performance for much of anything after what happened last year.

Although we are still paying attention to valuation indicators that I have used in the past, Johnelle and I are also paying more attention to momentum charts to help us with short term timing. Our thought is to take our long term conclusions about asset classes and apply various charting techniques to help us avoid the big loss in volatile holdings such as China and Brazil.

The long term outlook remains heavy on international holdings for stocks and very short and high quality for fixed income for 2010.

From all of us  
here at Jeff  
Sprowles and  
Associates  
LLC,

Happy  
Holidays



Certified Financial Planner

# THE SOAP BOX: FINANCIAL PLANNING & MAN'S BEST FRIEND

In hindsight, during the 1950s decisions about household pets were straightforward. If Mom or Dad didn't like dogs or cats the family might get a parakeet, red eared turtle or a guinea pig or no pet. If a dog or cat became sick or was injured and the vet declared the pet to be in pain the result was usually euthanasia followed by a discussion of what kind of pet to get as a replacement.

In the 21<sup>st</sup> century veterinarians can perform many of the procedures for animals that physicians use for people. It is technically a lot easier to prolong the life of a dog or cat than it was some decades ago.

Our social mores and financial practices have not kept pace. It is possible that a family in the 1950s considered Rover to be like one of the children but if Rover got really sick Rover was put to sleep. In 2009 it is routine for a client to declare that Rover is like a child to him or her. Therefore, if Rover gets really sick there is a temptation to spend large sums of money to give Rover the best chance of surviving, even if it means that Rover has a terrible quality of life for another six months or so.

Costs are high at the beginning of life as well. According to the ASPCA, the first year spending for a dog of medium size (under 60 pounds) after adoption or purchase averages \$1,681. For a cat the number is \$860. The first year average cost of a rabbit is \$1,055. These numbers include vet bills, food, grooming, toys, treats, licenses and other miscellaneous items, but not the cost of acquisition.

I have learned the hard way that clients don't appreciate my telling them that if they must have a pet I suggest a goldfish. A number of cold, hard stares have been directed my way when I make a pre-emptive recommendation that if Rover is seriously hurt clients consider cost of recovery a major factor in the decision about treatment plans.

In a number of articles in this newsletter I have expressed my concern that as a society we have been living beyond our means for the last 30 years. At an individual level I have seen a lot of people spend more than they can afford on Rover. Is this useful advice? My parents would have been told that they couldn't afford to have four children had they talked to somebody like me after they got married in 1944.



Check us out  
at:  
[www.sproyles.com](http://www.sproyles.com)

**Jeff Sprowles and  
Associates, LLC**

**Fee Only Financial  
Planner and  
Investment Advisor**

**945 Langhorne-Yardley Rd  
Langhorne, PA 19047**

Phone: 215-310-9693  
Fax: 215-693-6233  
Cell: 215-630-2621

[jsproyles@sproyles.com](mailto:jsproyles@sproyles.com)



Fee **FO** Only

*Save a Tree...*  
**Read digitally**



**E-mail your name to:  
[jlee@sproyles.com](mailto:jlee@sproyles.com)**

## What to do about gold?



*'Silver and gold,  
silver and gold  
Ev'ryone wishes for  
silver and gold  
How do you measure  
its worth?  
Just by the pleasure it  
gives here on earth'*



I have never liked gold as an investment.

It does not pay dividends or interest. Its performance is tied to supply, demand and emotions. It has a short track record.

Before 1973 it was not an investment consideration because the price was pegged at \$40 per ounce behind the U.S. dollar. After President Nixon took us off the gold standard it became a traded commodity and a hedge against inflation. The price soared from around \$200 to over \$800 from 1978 to 1980 in the wake of the inflation of the Ford/Carter era.

After Paul Volcker helped curb inflation, gold dropped and stayed relatively flat in the \$300 to \$400 range until 2004. It has tripled since then reaching over \$1,200 an ounce.

There are those who say it will continue to go up for a long time. That is what a jeweler told my wife in 1979 when we sold some unwanted necklaces at \$800 an ounce.

If it drops as it did in the 1980s buyers at \$1,200 may have to wait a long time to make a profit. On the other hand, if China abandons the U.S. dollar for a gold standard or if we have another round of 1970s type inflation, gold may go up a lot more.

I think emerging market stocks have better prospects than gold and make recommendations to that effect to my clients. I hope I am not wrong for lots of reasons. Gold performance is counter cyclical with U.S. prosperity. That is one reason I don't pay attention to anything said by commentators who foment fear about our government and then advertise a vendor of gold.