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CFP® Code of Ethics:

Principle 1 – Integrity
Offer and provide professional services with integrity.
Principle 2 – Objectivity
Be objective in providing professional services to clients.
Principle 3 – Competence
Provide services to clients competently and maintain the necessary knowledge and skill to continue to do so.
Principle 4 – Fairness
Perform professional services in a manner that is fair and reasonable and discloses conflicts of interest.
Principle 5 – Confidentiality
Do not disclose any confidential client information without the consent of the client.
Principle 6 – Professionalism
All matters shall reflect credit upon the profession.
Principle 7 – Diligence
Act diligently in providing prompt professional services.

Registered Investment Advisor (RIA): A firm that acts in a fiduciary capacity on behalf of clients by providing a higher standard of disclosure and due care with minimal conflicts of interests. RIAs are typically compensated on an hourly or fee basis (usually as a percentage of assets under management) rather than by a commission schedule.

Murray Financial Advisor

September 2009

Back from the Brink? Perhaps… Perhaps Not...

Side Bar: I hope you and your family had a nice summer. The kids are back in school, temperatures are dropping, and it's a good time to get financially organized. Make a point of it!

The stock market has been on a roll since the lows of March 2009. The Dow dropped from a high of around 14,000 in the Fall of 2007 to around 6500 in March. Since then it has returned to the 9500 range – about a 50% increase – but it is still down about 30% from the high.

I look at this recent investment "event" in several ways.
First, losing money is depressing, particularly for those who were close to retirement and did not have two years of cash reserves nor did they reduce their exposure to the stock market – before prices dropped – as their circumstances would have dictated. With proper planning, stocks (and/or stock funds) would not have been required to be sold if there was adequate cash holdings along with, perhaps, a reduction in discretionary spending. If tough economic times extended beyond two years, the bond portion of a properly allocated retirement portfolio could have then been liquidated for many more years after that. This type of planning reduces the reliance on short term stock valuations for retirement income and allows depressed stock prices to rebound long before cash and bond holdings are depleted. <u>A retiree needing to sell stocks during this downturn was a retiree that did not plan very well</u>. A younger worker selling stocks during this crisis is a whole different problem (see Principles 1, 2, & 3 on the following page).

Second, due to my faith in the American economy, I was hoping that the lower prices would have lasted longer as most of my clients and I are adding to our retirement accounts on a regular basis. Lower prices are good when buying!

Finally, I see similarities in the valuations of the stock market and Northern Virginia housing. Looking back to the Fall of 2005 when home prices peaked, it could now be said that prices were about 30% higher than they should have been. The same could be said for the Dow. It should not have been at 14,000. Many of the dollars pushing up both housing and stock prices were sourced from unreasonable and unsustainable debt. That debt should not have been allowed to occur. Perhaps it could then be said that the Dow's fair value should have been at 11,000, making Dow 9,500 only a 14% decline. When you look at it this way, this is certainly not the end of the world and is undoubtedly not a reason to sell out of stocks and/or change your allocation strategy (see Principles 2 & 3).

These comments are not meant to minimize the financial crisis that our country has been experiencing and will likely continue to work through for years to come – particularly the still increasing unemployment rate. As much as I enjoy helping my clients with proper financial planning and investment advice, an extended period of unemployment can wreck even the best laid plans. Maintaining 3 to 6 months of emergency cash is prudent.

This quarter, Nick Murray discusses market cycles in his "To Everything There is a Season" on page 4 and makes a humorous analogy with Aesop's "Belling the Cat". If only we could "Bell the Bear" and know when market declines are coming. Alas, we can't and we shouldn't even try.

Murray Financial, Inc.

Investment Principles & Practices

A few months ago, a prospect (and now client) asked what my investment principles were. They have been established in my mind, expressed verbally, and placed into practice for years, but with increased stock market volatility upon us, I thought this would be a good time to write them down in a succinct format.

Principles

1. **Faith** – that the United States and, in aggregate, world economies will continue to grow and outpace inflation as they always have – long term.
2. **Patience** – in our approach and management of long term investments. We are following time-tested investment strategies that need time to work.
3. **Discipline** – to consistently adhere to and fully embrace the current investment plan, regardless of market conditions. We will take action based on a set plan as opposed to a reaction to market movement or news.

Practices

1. **Asset allocation** – establishes a stock to bond/cash ratio that is appropriate for the investor's circumstances and helps reduce the likelihood of panic selling at a market low and/or euphoric buying at market highs.
2. **Diversification** – spreads risk among numerous asset classes so that a single category or security's decline will not, in a significant way, adversely affect the performance of the portfolio.
3. **Rebalancing** – takes advantage of market volatility by selling categories that have outperformed others (selling high) and uses those proceeds to purchase categories that have underperformed (buying low).

These principles and practices are the foundation of my investment advisory firm. Each one is critical to the overall success of the investment strategy.

*In the last few months, many advisors panicked along with their clients (see Practice #1) and sold out of stock positions. Perhaps they got out early enough to prevent a significant decline in their client's account values, but how many sold out near Dow 6500? **Now what?** The problem with trying to time the market is that you have to be right twice – once on the way out and then again with deciding when to buy back in. Studies show that both individual and professional's success rate with market timing is abysmal. Don't try it! Make a plan and stick to it.*

My opinion of stock ownership (via funds, not individual securities) and its value in a long-term portfolio is a philosophy, not a market outlook. This philosophy does not change with current events or market conditions, no matter how dire or euphoric those conditions become.

*If you are not confident with Principle #1, you should **never be invested in stocks and/or bonds** to begin with – and you certainly should not buy in and sell out on a whim. You should simply keep your money in cash indefinitely (in CD's and/or money market accounts). However, doing so means you will are relinquishing the fight against the very real reduction in purchasing power (i.e. inflation). If you do that, you must be consistent with your decision, regardless of how the market performs in the future. Jumping back in – which is really not investing, but rather speculating – when it "feels safe", has a very low success rate. Make a plan and be patient – through thick and thin. Remember, with investing, often the right move is to do the opposite of what your gut tells you to do.*

"The direction of the next 20 percent market move is both unknowable and immaterial to the success of a lifetime investment program. It's the direction of the next 100 percent move that matters, and we know perfectly well which way that'll be, now don't we?"
- Nick Murray

CFP Board Checklist
For Interviewing a Financial Planner

Below is a list of questions – in it's entirety – that the CFP Board suggests using for those seeking financial planning advice. My answers follow…

1. Do you have experience in providing advice on the topics below? If yes, indicate the number of years.
I have 8 years of experience with Retirement, Investment, Estate, Insurance, Tax, Divorce, College Savings, and Integrated Financial planning. I also prepare individual income tax returns.

2. What are your areas of specialization?
My specialty area is assisting individuals and families with the management of their current financial situation and developing a plan for their financial future.

3. What qualifies you in this field?
I have 8 years of experience practicing as a financial planner and have earned the CERTIFIED FINANCIAL PLANNER™ Professional and the Certified Divorce Financial Analyst™ designations.

3. a. How long have you been offering financial planning advice to clients?
8 years
b. How many clients do you currently have?
Approximately 65 families and/or individuals.

4. Briefly describe your work history.
I was an engineer for several years after graduating from Virginia Tech, a classroom teacher and owner of a tutoring center for 10 years, and have practiced as a financial planner for the last 8 years.

5. What are your educational qualifications?
Florida State University, Financial Planning Cert., 2001
George Mason University, M.Ed. Education, 1997
Virginia Tech, B.S. Civil Engineering, 1986

6. What financial planning designation(s) or certification(s) do you hold?
CERTIFIED FINANCIAL PLANNER™ (CFP)
Certified Divorce Financial Analyst™ (CDFA)

7. What financial planning continuing education requirements do you fulfill?
For the CFP, 30 hours over a 2 year period
For the CDFA, 20 hours over a 2 year period

8.What licenses do you hold?
Murray Financial, Inc. is a Registered Investment Advisory (RIA) firm, registered with the Commonwealth of Virginia. I hold the SEC Series 66, Uniformed Combined Securities Advisor and the Virginia Life and Health Insurance Licenses.

9. a. Are you personally licensed or registered as an investment adviser representative?
Yes, with the SEC (see question 8).
b. Is your firm licensed or registered as an investment adviser? Yes (see question 8).
c. Will you provide me with your disclosure document Form ADV Part II or its state equivalent?
Yes.

10. What services do you offer? *See Question 1.*

11. Describe your approach to financial planning.
I use a holistic approach that looks at the big picture first (a client's current situation and their goals), focuses on each distinct planning area, and then provides specific advice. If there are recommended transactions to be made, that activity can be facilitated by the client, by another financial professional, or by me. The advice will be the same regardless and is not influenced by the sale of any investment products – particularly *since I don't sell investment products.*

12. a. Who will work with me?
I am the only advisor at Murray Financial.
b. Will the same individual review my financial situation? *Yes*

13. How are you paid for your services?
Fees for investment and financial planning advice.
Commission for life, health, disability, & long term care insurance.

14. What do you typically charge?
a. Fee:
Hourly rate: $200/hour
Percentage of assets under management: 1 to 2 percent, depending on account size.
b. Commission:
I am compensated by the carrier for insurance sales and that amount is different for each product and carrier. I do not sell investment products (advice only for a fee), so there are no commissions involved.
c. What is the approximate percentage of the investment or premium you receive:
See a & b.

15. a. Do you have a business affiliation with any company whose products or services you are recommending? *No*
b. Is any of your compensation based on selling products?
Yes. Insurance carriers pay a commission. However, I do not sell any investment-based insurance products and focus solely on term life, health, disability, and long term care insurance policies.
c. Do professionals and sales agents to whom you may refer me send business, fees, or any other benefits to you? *No*
d. Do you have an affiliation with a broker/dealer?
No
e. Are you an owner of or connected with any other company whose products I will use? No.

16. Do you provide a written client engagement agreement? *Yes.*

Comments From Tim: As a Registered Investment Advisor (see question 8 & 9), I have a fiduciary duty to put my clients interests ahead of my own. I chose this business model – instead of being a securities broker – because it's best for my clients, the American public, and frankly, for me. Sadly, only 10% of my industry (i.e. 90% have a securities brokers license) choose to operate this way. Big changes are needed...

"Ask yourself: Do you really want to be financially independent? If so, you must be willing to make the decision to work hard and be self-disciplined for at least 20 years. The earlier in your life you start, the sooner you will achieve your goal."

-unknown

"To Everything There Is a Season"

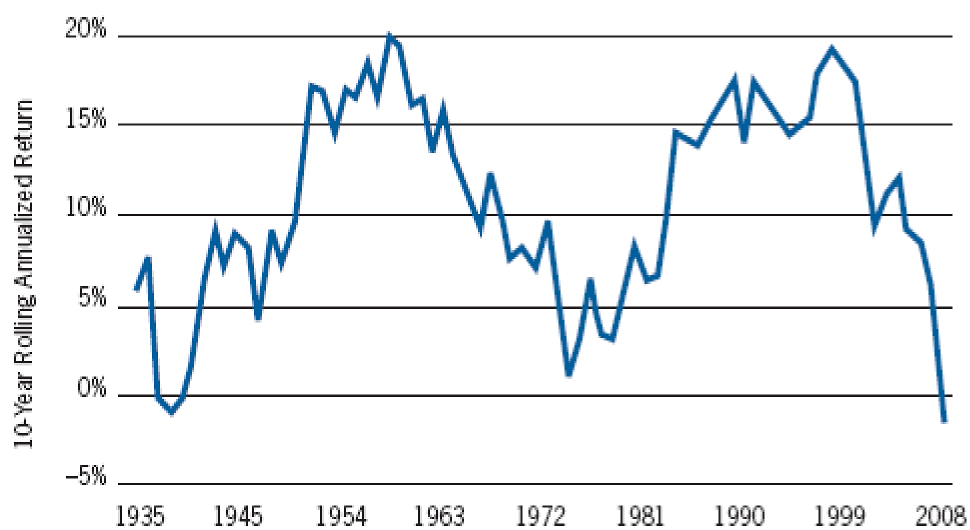
By Nick Murray

Nick Murray's Articles cannot be posted online. If you would like a PDF of this newsletter in its entirety, please send me an email at TimMurray@MurrayFinancial.com

"Nothing gives one person so much advantage over another as to remain always cool and unruffled under all circumstances"

– Thomas Jefferson

10-Year Rolling Annualized Return for U.S. Equities (1926–2008)



Source: FactSet, as of 12/31/2008. Past performance is not a guarantee of future results. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. A hypothetical example is the 20-year time period from 12/31/82 through 12/31/02. This long-term period consists of 16 smaller five-year "rolling" segments. The first segment is the five-year period from 12/31/82 to 12/31/87. The next rolling segment is the five-year period from 12/31/83 to 12/31/88 and so on.

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"An investment in knowledge pays the best interest."
- Benjamin Franklin

"Belling the Cat"

By Nick Murray

"The only value of stock forecasters is to make fortune-tellers look good.
- Warren Buffett

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IACP INTERNATIONAL ACADEMY OF COLLABORATIVE PROFESSIONALS

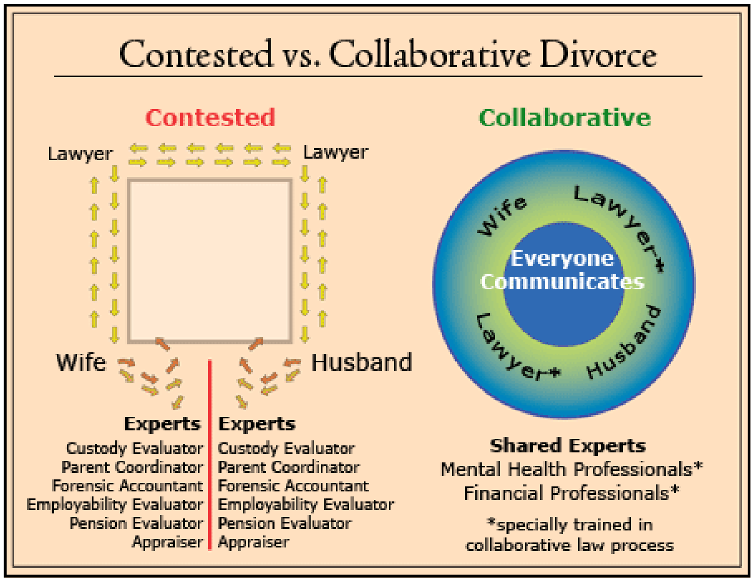
Resolving Disputes Respectfully

In addition to being a Certified Divorce Financial Analyst, I have also been trained as a "Financial Neutral" for collaborative law. A financial neutral is a key position in the team of professionals involved with Collaborative Law divorce cases.

Collaborative Practice, including Collaborative Law and interdisciplinary Collaborative Divorce, is a new way to resolve disputes respectfully – without going to court – while working with trained professionals who are important to specific areas involved. The heart of Collaborative Practice or Collaborative Divorce (also called "no–court divorce," "divorce with dignity," "peaceful divorce") is to offer each party the support, protection, and guidance of lawyers without going to court. Additionally, Collaborative Divorce allows the benefit of child and financial specialists, divorce coaches, and other professionals all working together as a team.

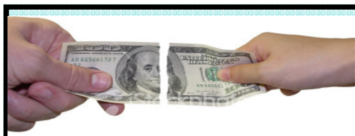
In Collaborative Practice, core elements form contractual commitments, which are to:

- Negotiate a mutually acceptable settlement without having courts decide issues.
- Maintain open communication and information sharing.
- Create shared solutions acknowledging the highest priorities of all.



"'Debt, it turns out, is a leading cause of family strife during the first few years of marriage", according to Creighton University's Center for Marriage and Family. That doesn't mean debt will necessarily send you to divorce court, but it does mean the accumulation of debt can undermine your marriage and cause the type of discord that can dissolve a marriage."

–Wall Street Journal, 2009



We Help Bridge the Gap...

A divorce is never easy, but it can be financially fair.

A Certified Divorce Financial Analyst™ (CDFA™) has the skills and knowledge to help you avoid the common pitfalls of divorce.

We examine the financial issues of your divorce, and provide you and your lawyer with powerful data to support your case. We will:

- Help determine the short–term and long–term financial impact of a proposed divorce settlement using powerful proprietary software.
- Offer valuable insight into the pros and cons of different settlement proposals, providing an objective viewpoint at an emotional time.

If you know anyone that is contemplating divorce, encourage them to contact Murray Financial.

IDFA Institute for Divorce Financial Analysts™

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Financial Planning Checklist

Most people struggle with life balance simply because they haven't paid the price to decide what is really important to them.
- Stephen Covey

Financial Planning Checklist

Most could use the services of a financial planner or an investment advisor – or at the very least benefit from a 2nd opinion. Not sure if you could? Read through the list below. If you check 1 or more boxes ☑, you probably could benefit from the services of an independent CERTIFIED FINANCIAL PLANNER™ Professional.

- ❑ My expenses are typically higher than my after-tax income.
- ❑ I regularly carry high interest (>6%) consumer debt (credit card, auto & student loan, etc.).
- ❑ My savings is generally whatever is left after I pay my bills.
- ❑ I do not maximize my allowable IRA, 401(k), 403(b), or Thrift Savings Plan contributions.
- ❑ The new money added to my retirement accounts is allocated to stock *and* bond funds, instead of *only* stock funds, thus reducing the benefit of dollar cost averaging (DCA).
- ❑ I ignore the very real risk of diminishing purchasing power (i.e. inflation) and invest only in low risk assets (i.e. CD's, Money Market Funds, Short Term Bonds, etc…).
- ❑ I have never calculated what I need to be saving each month to reach my retirement goals.
- ❑ I've never considered what my retirement goals are.
- ❑ I allow market events and financial "news" to change my investment plan.
- ❑ I don't have an investment plan.
- ❑ I try to time the stock market (which is speculating, not investing) by randomly buying and selling stocks and/or bonds based on market movements and conditions – or just hunches.
- ❑ My investment portfolio is not well diversified among 10 to 15 stock and bond asset classes.
- ❑ I usually pick funds that have done well recently.
- ❑ I don't know or utilize the various tax-beneficial ways to save for college expenses.
- ❑ I do not rebalance my portfolio on a regular basis.
- ❑ I don't know if my life insurance premiums are priced competitively.
- ❑ I use life insurance products as investment vehicles.
- ❑ I have an annuity in my Individual Retirement Arrangement (IRA) account.
- ❑ I have not diversified my portfolio due to avoidance of capital gains on the sale of securities.
- ❑ I'm not confident that my income tax returns take advantage of all allowable deductions.