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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, INC.

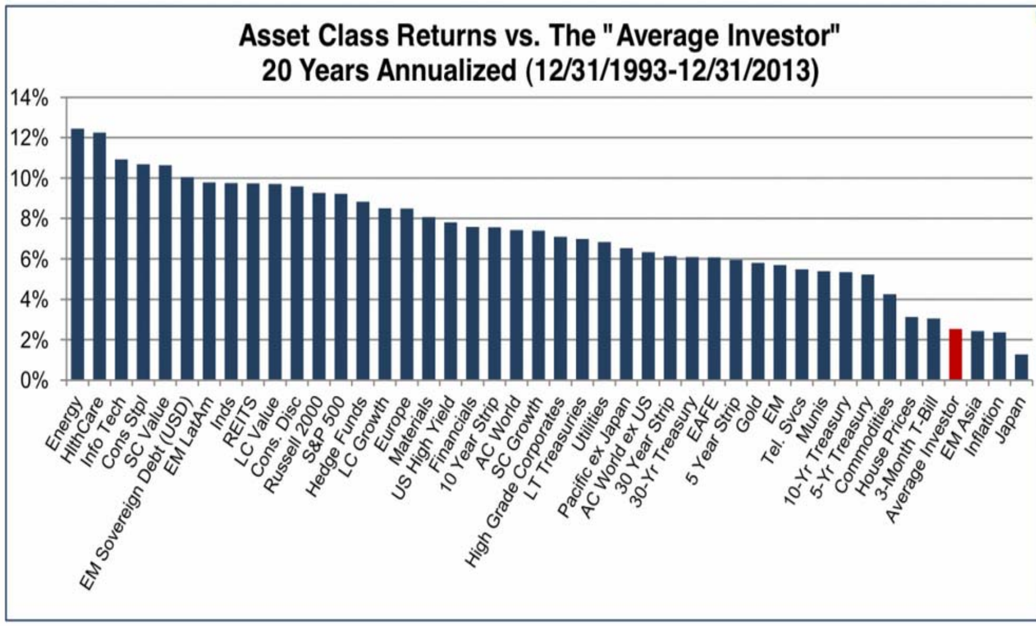
A Guiding Light to Personal Finances

September 2014

New Study Shows Average Investor Returns are "Shockingly Poor"

Tim's Comment: Over the years, multiple research reports indicate that the average investor's performance significantly lags market returns. A recent report by Bernstein Advisors LLC, posted on Marketwatch.com, reinforces this notion.

"The performance of the typical investor over this time period is shockingly poor," wrote Bernstein. "The average investor has underperformed every category except Asian emerging market and Japanese equities. The average investor



Source: Richard Bernstein Advisors LLC., Bloomberg, MSCI, Standard & Poor's, Russell, HFRI, BofA Merrill Lynch, Dalbar, FHFA, FRB, FTSE. Total Returns in USD.
Average Investor is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
For Index descriptors, see "Index Descriptions" at end of document.

even underperformed cash (listed here as 3-month t-bills)! The average investor underperformed nearly every asset class. They could have improved performance by simply buying and holding any asset class other than Asian emerging market or Japanese equities. Thus, their

CONTINUED ON PAGE 6

Too Busy For a Face-to-Face Meeting?

Don't let your busy schedule prevent you from getting the help you need. Nearly all interactions with my eighty or so clients are handled via email, fax, and phone. I value the flexibility that these diverse methods of communication provide my clients. We don't need to meet in person to discuss your financial needs. Much can be done, in a very efficient manner, via electronic means.

Murray Financial, Inc.

Investment Principles & Practices

Principles

1. **Faith** – that the United States, and in aggregate, the entire world economy 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 proven 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 Murray Financial's investment advice. Each one is critical to the overall success of the investment strategy.

*In the past, 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 many sold out near Dow 6500 while the market is now near 17,000? **Now what?** The problem with trying to time the market is that you have to be right twice – once when you sell and then again with deciding when to buy back in. Studies show that market timing success rates for both the professional and non-professional trader are abysmal. Don't try it! **Make a plan and stick with it.***

My opinion of stock ownership (via index 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 (see Principle #1).

*If you are not confident with Principle #1, you should **not be invested in stocks and/or bonds** to begin with – and you certainly should not buy-in and sell-out on a whim. Rather you should simply keep your money in cash indefinitely (meaning checking, CD's and/or money market accounts). However, doing so means you are relinquishing the fight against the very real reduction in purchasing power (i.e. inflation), which also means you will have to save a lot more. **If you do this, you must be consistent with your decision, regardless of how the market performs in the future.** Jumping back in when it "feels safe" (which is really not investing, but rather speculating), has a very low success rate. Make a plan and be patient, through thick and thin. Remember, with investing, often the right move is the opposite of what your gut tells you to do. If your emotions cannot allow you to act rationally with your money, seek professional investment advice.*

"Investment is most intelligent when it is most businesslike."
~ Benjamin Graham, The Intelligent Investor

Did you Know?

The Dow Jones Industrial Average in August 2014 is close to 17,000—which is nearly two and half times higher than the 6,547 low from the spring of 2009. Many Americans, often guided by their professional investment "advisors", sold in a panic, are still in cash, and continue to be paralyzed by fear stemming from that dramatic stock market decline. ***After that crash in 2009, MFI clients, in contrast, rebalanced a portion of their holdings from bonds into stocks and have realized more than a doubling of the value of those assets.*** *Over the last few years, we've been rebalancing out of stocks and into bonds as the stock markets have hit all time highs.* **Sell high and buy low.** ***We have a plan for the good times and the bad.***

Many actively managed mutual funds have expenses that are 1% to 2% higher per year than passively invested index funds. This means that the fund manager has to outperform the respective indexes by this amount just to break even with the indexes. Most fund managers are unable to do this. *Retirement accounts at MFI are invested solely in index funds. We are satisfied with market returns and believe that the additional costs of actively managed funds are not worth the risk of underperforming the indexes.*

Only about 10% of investment professionals are fee-based-only acting as a fiduciary 100% of the time. The rest of the industry players are either registered representatives (i.e. brokers) or are dually-registered representatives holding both broker and advisor licenses. Registered Representatives have a fiduciary duty to put their broker's interests ahead of their client's interests. ***MFI acts as a fiduciary at all times—always putting the client's interests first.***

"The dominant determinant of real-life, long-term investment outcomes is not investment performance; it's investor behavior."

~ Nick Murray

Am I Earning These Investment Returns?

Each quarter, I send a chart like the one below to all of my investment advisory clients. While the shorter time frames are interesting to look at, my focus, and hopefully my client's focus, is the 10-year column. Stock and bond investing should only be for the long-term investor. If you can't handle the ups and downs of the stock market, stick with cash and/or CDs, but expect returns similar to the ultra-short bond at the bottom of the list.

Fund Category Returns as of June 30, 2014:

Morningstar Category	2nd Q	1 Yr	3 Yr	5 Yr	10 Yr
Large Growth Stock	3.9	26.4	14.2	17.8	7.8
Large Value Stock	4.6	22.3	14.6	17.3	7.3
Mid-Cap Growth Stock	2.2	23.6	12.3	19.1	8.8
Mid-Cap Value Stock	4.6	25.2	15.0	20.4	9.0
Small Growth Stock	1.9	22.0	12.6	19.9	8.7
Small Value Stock	2.8	23.2	14.3	19.9	8.8
World Stock	4.1	22.5	10.4	14.8	7.8
Emerging Markets Stock	6.0	14.1	-0.1	8.9	11.2
Commodities	2.0	7.8	-4.4	2.3	0.1
Real Estate Stock	6.8	13.9	10.4	22.4	8.9
High Yield Bond	2.1	10.5	8.2	12.5	7.6
World Bond	2.5	6.9	3.4	5.9	5.3
Emerging Markets Bond	4.3	6.4	3.7	9.2	9.0
Inflation Protected Bond	3.1	3.3	2.5	4.8	4.7
Long Bond	3.3	5.6	6.4	7.1	4.3
Long Govt. Bond	4.6	4.7	8.6	7.7	7.2
Intermediate Bond	2.0	4.8	4.0	6.0	4.8
Intermediate Govt. Bond	1.6	2.8	2.3	3.6	4.1
Short Bond	0.7	2.2	1.9	3.2	3.1
Short Govt. Bond	0.4	0.7	0.7	1.5	2.6
Ultra-Short Bond	0.2	0.9	0.9	1.7	2.0

Three, five, and 10-year returns are annualized.

"Quick riches are more dangerous than poverty."

~ Napoleon Hill

Your Advisor's Most Valuable Advice: Do Nothing

By Nick Murray

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Thanks,

Tim

"About every ten years, we have the biggest crisis in fifty years."

~ Paul Volcker, former Fed Chairman

"I have a ready answer when people ask me why I'm such a long-term investor. It's because I failed miserably as a short-term investor. I'm not against making money in the short term. I just don't know how to do it."

~ Thomas Gayner

of Markel Gayner Asset Management

New Study Shows Average Investor Returns are "Shockingly Poor"

Continued From Page 1

underperformance suggests investors' timing of asset allocation decisions must have been particularly poor, i.e., investors consistently bought assets that were overvalued and sold assets that were undervalued."

Bernstein's data is based on the buying and selling activity of mutual fund investors.

"They bought high and sold low," he added. "When chaos occurred, investors ran away."

Tim's Comment: This report confirms that the average investor has neither the intelligence, knowledge, nor emotional control (and perhaps all three!) to invest properly.

The following are the two main reasons investors are reluctant to hire an investment advisor:

1) Lack of Trust: Many simply don't believe that the advisor will do what is best for them. Hiring a fee-based advisor that has a fiduciary duty would be the first step. Brokers are not held to that standard.

2) Cost of Service: For those investors that panicked-out at the bottom of the stock market in 2009, the "cost" of their behavior has been enormous and dwarfs what advisor fees may have been. Ultimately, their rash behavior may have resulted in a much less comfortable retirement – or no retirement at all.

Paying a management fee to avoid this scenario, and having that advisor develop and manage a well-diversified portfolio, while providing rebalancing instructions on a quarterly basis, is a good value.

"All of us would be better investors if we just made fewer decisions."

~ Daniel Kahnman, investment behavior expert

Notable Quotes...

Most things in life that are complex are difficult to do. While simple tasks seem easy to do. Investing for retirement is unique in that it is fundamentally simple, yet terribly difficult. ~ Nick Murray

"Attempts to correct irrational investor behavior through education have proved to be futile. The belief that investors will make prudent decisions after education and disclosure has been totally discredited. Instead of teaching, financial professionals should look to implement practices that influence the investor's focus and expectations in ways that lead to more prudent investment decisions."

"Explicit, reasonable expectations are best set by agreeing on a goal that consists of a use of funds, a dollar amount, and a date. Progress to meeting that goal is then tracked, showing how much the investor is ahead or behind the established goal…Linking the investment to a personal desire keeps the attention focused on that desire and avoids the distraction of market volatility that leads to bad investment decisions." ~ 2014 Annual Dalbar Investor Study

"Risk, then, comes in two flavors: "shallow risk," a loss of real capital that recovers relatively quickly, say within several years; and "deep risk," a permanent loss of real capital. Put into different words, shallow risk, if handled properly, deprives you only of sleep for a while; deep risk deprives you of sustenance. Put another way, stocks protect against deep risk, but exacerbate shallow risk." ~ William Bernstein, *Deep Risk*

Murray Financial Fees and Compensation

As a Registered Investment Advisor (RIA), Murray Financial's investment advisory and financial planning income is derived solely from client fees. Unlike brokerage firms, there are no incentives, bonuses, or other product-based remunerations from outside sources. This keeps our focus on the client and their goals—not what is being sold.

Financial Planning: MFI charges $200 per hour for financial planning services with a maximum charge of $1,000 for a comprehensive financial plan.

Ongoing Investment Advice: Advisory fees are based on a sliding scale depending on the family's total portfolio value. Fees are invoiced quarterly.

Assets Under Management	Annualized Fee
$0 to $50,000	2.00%
$50,001 to $100,000	1.50%
$100,001 to $500,000	1.25%
$500,001 to $1,000,000	1.00%
$1,000,001 to $1,250,000	0.90%
$1,250,001 to $2,500,000	0.80%
$2,500,001 and higher	0.70%

The 6 Basics of Financial Success

1. **Fund Your Future First:** Specific numbers can be calculated, but a rough rule of thumb is to save 10% of your gross income *before* you begin spending for the month. Make your savings deposit and then live on the balance. If you can't pay the bills with what is left over, you need to either increase your income or decrease your spending. Not addressing this will likely result in a much lower standard-of-living during retirement.

2. **Control Your Debt:** For most, the only debt should be a fixed rate mortgage—and that mortgage should be for a house that is appropriate for your circumstances (not too big or expensive). And don't count on your home to be your retirement plan. Pay off your credit cards in full each month, save for a "slightly used" car purchase and pay cash, and encourage your kids to go to an in-state college or secure scholarships for out-of-state tuition.

3. **Wants vs. Needs:** Understand the difference and control your wants so you can be successful at #1.

4. **Invest, Don't Speculate:** Invest for the long-term with low-cost index funds (either mutual or exchange traded). Don't try to time the market or pick individual stocks. Mutual fund managers, who spend millions of dollars on "research", regularly do not outperform their respective indexes. You probably can't either, so don't try. But if you must gamble, use only a small portion of your investable assets.

5. **Diversify & Rebalance:** Diversify your long-term savings into many investment styles (large growth, small value, etc…) and rebalance to keep your portfolio close to your initial targets. If you don't know what investment categories or styles are—seek professional investment advice.

6. **Keep Doing 1 through 5 Into Retirement:** Your stock/commodity/ratio may need to be updated as your circumstances change, but the same basic steps apply.

"If you are not happy while building wealth, you won't be happy once you have it."
~ unknown

Failing to Plan is Planning to Fail

By Nick Murray

Article removed for internet posting. If you would like full version, please email me at timmurray@murrayfinancial.com

Thanks,

Tim

"Temperament is more important than IQ."

~ Warren Buffett, quoted in Fortune,

"Point of view is worth 80 IQ points."

~Alan Kay, pioneer computer scientist

TUITION AND FEES ON THE RISE AT VIRGINIA'S 4-YEAR SCHOOLS

The following is a list of tuition and mandatory fees for full-time, in-state undergraduates for the 2014-2015 academic year. They are ranked based on the percentage change in price from the previous year, starting with the largest increase. These rates do not include room and board costs, which average $9,360 for the year.

INSTITUTION	TUITION AND MANDATORY FEES	MONETARY INCREASE OVER 2013-2014	PERCENT INCREASE OVER 2013-2014
College of William and Mary*	$17,656	+$2,193	+14.2%
Virginia Military Institute	$15,518	+$1,114	+7.7%
University of Mary Washington	$10,252	+$592	+6.1%
James Madison University	$9,656	+$486	+5.3%
AVERAGE 4-YEAR INSTITUTIONS (WEIGHTED)	$10,931	+$544	+5.2%
Christopher Newport University	$11,646	+$554	+5.0%
Virginia Tech	$12,017	+$562	+4.9%
Old Dominion University	$9,250	+$430	+4.9%
George Mason University	$10,382	+$474	+4.8%
Radford University	$9,360	+$384	+4.3%
University of Virginia	$12,998	+$540	+4.3%
UVA-Wise	$8,868	+$359	+4.2%
Virginia Commonwealth University**	$12,398	+$396	+3.3%
Norfolk State University	$7,452	+$226	+3.1%
Virginia State University	$8,002	+$218	+2.8%
Longwood University	$11,580	+$240	+2.1%

*This rate only applies to freshman and transfer students. The rate for sophomores is $15,623, up 1 percent from the previous academic year. The rate for juniors and seniors is $14,274, up 2.9 percent. The college adopted a tuition freeze during the 2013-2014 academic year, effectively guaranteeing new cohorts a flat tuition rate throughout matriculation.

**This rate only applies to freshmen and sophomores. For juniors and seniors the rate is $10,635, up 3.3 percent from the 2013-2014 academic year.

SOURCE: State Council of Higher Education for Virginia

JARED COUNCIL, ROBERT D. VOROS | INSIDE BUSINESS

"Among the four most dangerous words in investing are: it's different this time."

~ Sir John Marks Templeton (1912-2008)

"The only thing new in the world is the history you don't know."

~ Harry S. Truman

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ADDRESS SERVICE REQUESTED

September 2014 Newsletter

Reminder: Do you know someone that might want to receive this newsletter? Please send me their address and I'll mail it out right away!

"Financial planning is the process of meeting your life goals through the proper management of your finances."

~ CFP® Board of Standards

Financial Planning Checklist

Most could use the services of a financial planner or an investment advisor—or at the very least benefit from a second opinion. Not sure if you could? Read through the list below. If you check one 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 (i.e. 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 save each month to reach my retirement goals.
- ❑ I have never considered what my retirement goals are.
- ❑ Market events and financial "news" compel me 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.