

REFLECTING ON WAR

Feb 6, 2003 Edition

Steward of Faith, Hope & Prosperity

Advisor News Report = Commentary of the Day

"Prospects of a war with Iraq again weighed on U.S. stocks Thursday, as investors continued to mull over U.S. Secretary of State Colin Powell's speech to the United Nations. Stocks were also hamstrung today by a Labor Department report showing that productivity (the amount an employee produces for each hour of work) fell for the first quarter in six, sliding an annual rate of 0.2% in the fourth quarter. The market had been expecting a gain in the neighborhood of 0.5% to 0.7%. Benchmark indexes dropped for a third straight day. The S&P 500 shed 0.6% to hit its lowest close in almost four months, while the Dow Jones lost 0.7%. The NASDAQ scratched out a 0.02% gain.

Meanwhile, on Bay Street, Toronto stocks also slid on Thursday amid uncertainty and growing tensions between the U.S. and Iraq. The TSX composite index lost 31.75 points, or 0.49%, to close the day at 6489.25. Notable decliners included Air Canada, whose shares briefly hit a 52-week low after the airline posted a steep fourth-quarter loss. Eight of the 10 TSX subgroups, including the heavily weighted financial services index, fell on the day. "

That's the snap shot comments on today's markets.

REALITY CHECK = RISK DECREASES WITH TIME

So above you have read the market report that is feed to me by email every day, morning noon and night, another report. Another short term snap shot of the days events. I like to call it commentary. Commentary is just news. The media always like bad news, because bad news sells media. Just one of those human quirks that has 99% of the world tuned into. What does it mean for our retirement plans, for our long term plans, that will provide or are providing us with an income for the rest of our lives during retirement? Well, it's just commentary, its just a temporary decline that is affecting the current market value of our portfolio. Long term income, I would have to say, will not be effected the same way. With Time, declines become inclines. We often forget that we do not retire off the value of our investments but the income they are able to generate. That income has to last a long time, for most people just retiring that is over 20 to 30 years. If you are 5-10-20 years from retirement, then you are looking at 30 to 50 years of Time. That is a long time and that is long term. I know everyone's situation is different, this just gives us all some target ranges to give perspective. Temporary declines in the market value of our investment portfolio during retirement, doesn't have a large impact on our planned retirement income. There is a number of ways to make certain of that.

WAR = CLOUDS OUR EMOTIONS

We all know that the prospects of a pending war is providing a great deal of uncertainty in the markets. This is not surprising news, and frankly it seems that the markets have discounted this possibility for quite some time now. To what extent no one really knows for certain. My advice is to wait this out, and see it through. There will be volatility on the day to day trading, this should be expected. The thing we must loose track of is the future. War and market turmoil is not something new to the world. It's been around for a long time. I think most people would agree, that forever might be a safe estimate.

A HISTORY OF WAR = REFLECTION

I have posted on my web site a very interesting commentary on "The History Of War" , AIC Funds compiled a series of articles that will perhaps shed some light on this subject. The positive and negatives are reviewed. Go to <http://www.timothyross.com/letters/History-of-War.pdf> for the file, it is in pdf format. I think it will give you some comfort from a financial view point and enhance your education in history.

Which has great potential for us going forward. I encourage you to take the time to get this file and read it and let it sink in, and draw comfort from it.

HISTORY OF MARKETS = A GREAT REASON TO HAVE HOPE & FAITH

The interesting current history that we have to look back on, demonstrates the faith that we have in our economy, in our country and our neighbors. The pressures that we have been experiencing through 1999 to 2003 are very real, and have had a negative effect on most people. Most people are at an emotion low right now, and that is probably a good thing going forward. Why, you might ask, because typically when people are at their lowest point emotionally in the market, that is when things begin to turn around. It is at this point that true long term investors reap their greatest rewards, buy holding and adding to their portfolio, they are able to break through this emotional roller coaster and stay stable. Wealth is right now being transferred from the people who are selling in desperation to the investors who are holding in anticipation of the return to normality. They will be greatly rewarded for their patience and perseverance. I'm reviewing an article today that shows each year since 1934. (If you are interesting in receiving a copy of this, please send me a email requesting it) It shows some good reason not to invest, (But really they were actually good reasons to invest, as the people invested & held then, actually reduced their risk and were able to buy more shares of great companies at low prices, and when the share prices returned to normal prices, they made very profitable gains) going back to 1934, the Great Depression, every year since then, and I'm certain, every year before then, there was some event, some catastrophe going on in the world, that demonstrated that it was not a good time to invest. The encouraging news is that after every temporary decline (that is right, these are Temporary declines) , resulted in a positive gains that have historically restored and gone on to further heights that has resulted in gains that have exceeded fixed income returns.

FAITH & HOPE = THE ONLY REALITY

Simply put, business's rallied to the challenges presented to them, re-organized, re-prioritized, re-focused and started improving profits, expanding their business's, bringing more value to the market place and eventually the shareholders were pleased once again, because they seen the hope for the future again, and these factors contributed to the gains that we see in the market. I would say that this too shall pass and things will be restored once again and we will see an advance. The challenge is to always stay in, especially now when everything in us begs us not to. It is impossible to know when exactly to time the market, so we do not practice that philosophy. We continue to rely on the fund managers, the professional money managers to make the decisions about what they will buy, sell, or hold. We do not try and second guess their efforts. There is all kind of evidence that prove that by just being out of the market for 3 days you can miss some of the permanent gains that the market can experience, and those 3 days can have a very significant impact on your long term investment returns.

PROSPERITY = PLANNING

The important factor that we need to focus in on, is we need a plan, we need a well diversified portfolio of equities, spread across various management styles, and we need TIME. Time is the greatest asset we have, and we all have it, time is also our greatest treasure, Lord willing we will all be given a fresh supply tomorrow. Time not timing is the golden key to our plans. If we do not give our plans enough Time, we will not do well, and when we give our plans the long term time that is required, the miracle of compound interest will unfold. Einstein, called it the 8th wonder of the world. He understood time, and he understood that speculation with time was a foolish thing to do, and that compound interest would and could be achieved with great certainty with time. Planning helps us recongize these natural financial laws of wealth.

ACTION PLAN = GOOD STEWARDSHIP

If it has been a while since you have had your financial plan done, this is a good time to do so. Many people have only had a partial plan completed, I encourage everyone to consider having a full comprehensive plan completed. By reviewing where you are at and discussing your plans for the future we

can take steps today to make sure you are on track. The benefits this provides in peace of mind is well worth the effort. We often find that this also re-establishes the certainty that you are on track and that things will work out fine. Dealing with our emotions and recognizing where we are at. In some cases the planning process reveals areas that are weak and need improvement. That is a great benefit as well. Taking control of your future through the planning process helps to make changes, to help you, reach the goals that are important to you and your family. I would be please to invest the time to review these areas, simply contact me and we can arrange a suitable time to make sure your goals will be made.

"WHERE CLIENT GOALS BECOME OUR GOALS"

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Family Advisor, since 1988

"Steward Of Faith, Hope & Prosperity"

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