

Personal Economic Recovery Strategies



A Roadmap to Recover from Market Volatility



Denver Office

1512 Larimer Street Suite 250
Denver, CO 80202
303.292.1121 303.292.2942 f
1.800.353.0008
www.cascade-inc.com

MEMBER FINRA/MSRB/SIPC

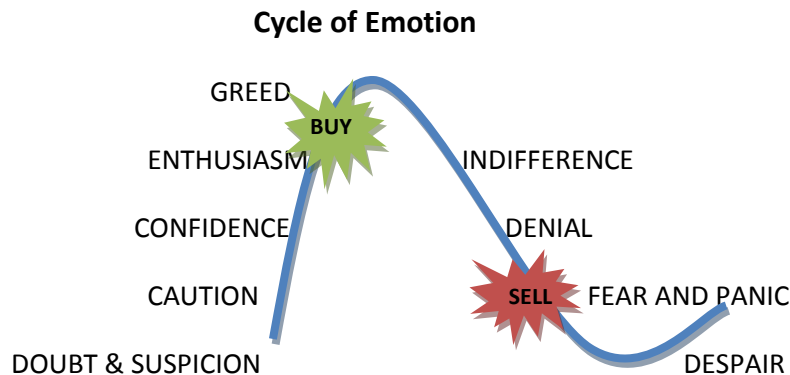
1512 Larimer Street Suite 250 Denver, CO 80220

“Fear has a greater grasp on human action than does the impressive weight of historical evidence.”

-Jeremy Siegel

Letter from Cascade Financial Management, Inc.

Given the recent volatility in the markets, and the precipitous declines over the last several months, it is understandable that individuals may be looking at their current situation and questioning “What should I be doing right now?” As the quote from Jeremy Siegel suggests the cycle of emotion can be very powerful with individuals buying as we near market highs, and selling as we settle into market bottoms. Market downturns are a natural part of the free market system. They have occurred throughout history and will continue to do so. Since 1929, there have been 26 bear markets, in the last 50 years we have experienced 15 bear markets. While they also eventually ended, this knowledge may not ease the pain you are experiencing right now. These sharp sudden downturns may later be recognized as part of a cycle that included years of slow and steady upward progress.



The following paper offers strategies and ideas for those investors that have an optimistic outlook, as well as those that are concerned or have a pessimistic outlook for the economy and themselves. If you haven't already looked at the historic statistics from recent bear markets and recovery periods, let us know and we can e-mail you a copy of “Shouldering A Bear Market” for perspective on recent declines while you review the ideas presented herein in a four step process.

As always, we welcome your comments and questions as you review the Personal Economic Recovery Process.

Personal Economic Recovery Strategies

A Roadmap to Recover from Market Volatility

Four Steps of Personal Economic Recovery

1. Assess your current situation.
2. Stabilize
3. Recover
4. Excel

Outlined below are questions to ask oneself during each step of the recovery process. These questions may seem simple and obvious at first but they are the foundation of moving through to the next step in the process. You may want to have a financial advisor assist with this process and offer insight into your current economic situation. Keep in mind a financial advisor should keep an objective and non-emotional view; providing a sounding board to your thoughts, feelings, and concerns.

STEP ONE: ASSESS

Assess your current financial situation by asking yourself:

- Are my investments appropriately allocated to meet my short term goals?
My long term goals?
- Was I on track to meet my goals before the recent decline?
- Am I still on track to meet my goals? If not, what changes need to be made?
- How do I feel about the markets?
- Has my risk tolerance been tested?

If you have done financial planning or invested to meet specific goals, recheck your plan, you may not be as far off as you think. If you haven't had a plan, now is the time to get one. You should know what you're investing for, and what amount of risk you actually need to take to meet your goals. We also recommend that you understand what impact any changes you make to your portfolio will have on your goals over the short and long haul. We do recommend that clients take only the risk they need to take to have the greatest chance of meeting their most important goals.

STEP TWO: STABILIZE

- Do I have the appropriate cash and cash equivalents to meet my income needs for the next 3 months? 6 months? 12 months?
- Am I diversified?
- Is there a percentage of my portfolio in assets that are non-correlated to the stock market?
- Does my portfolio have any over weighting to individual stocks or sectors? What is the outlook for those holdings?
- What investment opportunities exist for the short term? The long term?
- Are there changes that need to be made to my portfolio to meet my emotional needs in the current environment?

If you feel like you need to have more of your portfolio in cash or bonds, determine what impact that will have on reaching your financial goals. If you plan to get back into the market, set up some parameters for when and how you will get back in the market. Avoid the cycle of emotion by using dollar cost averaging, incorporating non-correlated assets in to the mix, determining the most conservative asset allocation you can use and still have a high probability of meeting your goals, and rebalancing regularly.

STEP THREE: RECOVER

Where are you?

Accumulation Phase, Pre-Retirement, Retired, or Special Situation?

Accumulation Phase: over 10 years to retirement or financial independence

If your outlook is optimistic:

- continue to take advantage of market opportunities
- dollar cost average
- rebalance

If you are concerned or have a pessimistic outlook:

- update your plan and understand what a shift in asset allocation means for your short term goals and long term goals.
- overweight to cash, fixed income, and non-correlated assets

- dollar cost average into equities within retirement accounts first
- rebalance
- determine a plan of action to increase equity exposure if you need to do so to meet your goals.

Pre-Retirement Phase: Less than 10 years until retirement

- Is there a funding gap to meet your retirement goals?
- Are you willing to save more, or spend less?
- Are you willing to work longer to meet your goals?
- Would you consider working part time?

If your outlook is optimistic:

- Determine what changes you will make to meet a funding gap
- Stay the course, continue dollar cost averaging
- Plan your shifts in asset allocation to a more conservative portfolio as you move closer to retirement
- Rebalance regularly
- Take advantage of market opportunities

If you are concerned or have a pessimistic outlook:

- Update your plan and understand what a shift in asset allocation means for your retirement goals.
- Determine your options for meeting your retirement goals
- Rebalance Regularly
- Determine if a shift in asset allocation needs to be made as you get closer to retirement.

Retired: Taking income from your portfolio

If your outlook is optimistic:

- Determine if immediate changes need to be made to stay on track for your retirement: spend less? Work part time? Make portfolio changes?
- What changes are you willing to make for the short term? Long term?
- Determine what options are available to create income?
- Determine what shifts in your asset allocation should be made, if any, to continue to meet your long term goals.
- Take Social Security early

If you are concerned or have a pessimistic outlook:

- Update your plan and understand what a shift in asset allocation may mean over the long haul.
- Determine your options for continuing to meet your retirement goals.
- Determine what is acceptable to you for lifestyle changes and what impact that will have on your overall plan.
- Take Social Security early

Retired: No need for income

If you are optimistic:

- Take advantage of market opportunities
- Review opportunities for gifting and wealth transfer
- Rebalance

If you are concerned or have a pessimistic outlook:

- Determine if shifts in asset allocation will have an impact on the legacy you want to leave.
- Review opportunities for gifting or wealth transfer

Special Situation: Loss of income, unexpected large expense

In all cases:

- Make immediate lifestyle changes
 - Reduce or delay expenses
 - Work part time or at a reduced pay
- Challenge your budget and spending
- Determine what impact withdrawals from a retirement plan will have:
 - Tax wise
 - On your long term plans for financial independence
- Determine what options you may have to liquidate hard assets.
- Review your lines of credit, does it make sense to use credit?

STEP FOUR:**EXCEL*****Congratulations, it's your time to excel!***

While history is no guarantee of future results, we do believe that the economy will stabilize, as it has historically. And, we can celebrate your ability to survive, recover, and excel.

Keep in mind that market conditions are always changing, and market cycles will continue to be a part of investing. Let's use this period to assess your true tolerance for risk in the financial markets and develop a path that will allow you to stay the course and meet those goals that are most important to you and those you love. We then need to continue to monitor your portfolio to stay on that path to meeting those goals, rebalance regularly, update your plan annually, and make small changes as opportunities present themselves.

Disclosure Information: Content contained within this material is for informational purposes only and does not reflect any offer or solicitation to engage in a securities transaction. Neither Cascade Financial Management Inc. nor its registered representatives, offer tax/legal advice or hold themselves out to be tax/legal professionals. The content is intended solely as a general educational aid and self-help tool for your independent use. Please consult a qualified attorney or tax advisor before taking any action that would have a tax consequence.