

DOUGLASBRADLEY LLC

Personal Financial Advisors

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DOUGLASBRADLEY'S MONEYWISE

Financial News and Insight from an Independent Advisor

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Personal Notes

All Work and No Play...

From Doug Robinson - We've joined the ranks of those hit with the Swine Flu. One of the kids brought it home from school and spread it around judiciously. Interestingly, our experience with it has been quite different from the sensationalized media reports. The first 24 hours were the worst, but after that it was quite mild. We simply treated the low grade fever with ibuprofen. After a few days we were fine. Remember to wash those hands!

From Brad Loper - As many of you may know, I've invested in residential real estate for

Unwelcome Validation

The Rest of the Industry Comes Around to Our Way of Thinking

The last few months have been interesting ones for us. We keep seeing signs the media and our fellow financial advisors are coming around to our way of thinking. That is: You Win By Not Losing. A statement that sums up our investment philosophy.

After last Fall's precipitous decline, we kept reading about advisors who were questioning the buy and hold investment strategy. (A little late don't you think?) This is where you buy it - and hold it - regardless of the current state of affairs. It's like playing Russian Roulette with the stock market since we routinely see Bear markets in investing. And yet most of the industry espouses this investment strategy. It's ridiculous.

Now we keep getting bombarded by "Absolute Return" fund advertising. Absolute returns is another way of saying You Win By Not Losing. They talk about how they'll manage the fund to avoid major losses in the portfolio. Some do - some don't. We saw a lot of these come and go in 2001/2002.

The fund industry is always looking for a way to make a buck by coming up with funds that promote the investment du jour. The public eagerly jumps on board for a year or two and then starts looking for the next hot idea. Remember all the technology funds that cropped up at the end of the last decade? Or how about all the target date funds that have been so popular in recent years?

In the November 2nd edition of the Wall Street Journal, there was a big spread talking about the mathematical realities of big losses - a point we've been making for years. How can you have any hope of reaching your retirement goals if you lose a lot and then spend the next few years just trying to get back to square one? A 33% drop in portfolio value requires a 50% return just to get back to even. A 50% drop requires a 100% return. Investors simply can't afford to have losses of this magnitude in their portfolios - and yet by definition, a buy and hold strategy gives you massive losses from time to time.

[WSJ Article: The Cruel Math of Big Losses](#)

So while it's rewarding to see a lot of people validating our investment philosophy, we also know that once the markets recover it will be business as usual. The public will flock to the funds with the highest recent returns. The key to successful investing is having a game plan and then having the discipline to stick with it over the long haul. Unfortunately most of the investing public and the financial industry in general have neither.

Retirement Plan Limits for 2010

Inflation Adjustments Are So Small the Limits Remain Unchanged

Contributions to retirement plans and IRAs are adjusted each year for inflation - but only in \$500 increments. If the adjustment isn't at least \$500, it stays the same as the previous year. The government just announced that this is the case for 2010.

2010 Employee Deferral Limits for 401(k)/403(b)/457(f) Plans

the past 20 years. I've bought houses with both the intent to renovate/"flip" and to hold as long-term rentals. Back in 2004/2005 I sold all my real estate investment properties (properties that I owned with Mahesh). In retrospect, our timing could not have been better. Recently, Mahesh and I have started looking at investment properties again with the idea that we would hold them for 10 years or more. It is impossible to know whether real estate prices have hit bottom, but we are finding returns on investment are certainly more attractive than they were several years ago.

From Mahesh Desai -

I am staying very involved with my children's schooling, but continue to have a great deal of fun coaching. As we head into the final week of the season, the soccer team I lead remains undefeated. My daughter and I will share a feeling of accomplishment if we can end the season with no losses. It doesn't end there, though. As soon as soccer ends, I will be getting geared up to coach basketball. This time I will be coaching teams for each my daughter and son. I am looking forward to it.

- \$16,500 for those under age 50.
- \$22,000 for those age 50 and over.

2010 IRA Contribution Limits

- \$5,000 for those under age 50.
- \$6,000 for those age 50 and over.

Retirement Community Operator Erickson Declares Bankruptcy

Individual Communities Should't Be Impacted

Erickson Retirement Communities got their start here in Maryland. Some of you may have heard of Oakcrest, Charlestown and Riderwood in the Baltimore/DC area. Each community is established as a not-for-profit entity while Erickson is a for-profit operator of the communities. In recent years, Erickson took advantage of easy credit to rapidly expand across the country.

With the collapse of the housing market and credit crunch, Erickson got caught in the middle. Last month they were forced to declare bankruptcy. They say it won't impact operations at their communities.

As part of the bankruptcy, Erickson is being purchased by Redwood Capital Investments out of Hanover, MD.

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