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Wealth Management from a Biblical World View since 1978

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3RD QUARTER ECONOMIC NEWSLETTER

So far, 2011 has been a year to forget. The S&P 500 dropped 14.33% in the third quarter and for the year it is down 10.04%¹. Why did the market go down that much? What are we doing about it? What should you do? These are the questions that we are going to address in this letter.

Why is the market going down? There is no simple answer, but we can point to several factors. First, the US government failed to properly lead the nation to a responsible and timely solution to our national debt problems. This, in part, caused *Standard and Poor's* to down grade our credit rating. Second,

the situation in Europe and Greece has continued to develop, with not all of the developments being positive. Finally, we have a 24-hour news media that sensationalizes the negative, scaring people into watching their news coverage. It is sad that only bad news sells.

What are we doing about it? The entire advisory team here at the Life Financial Group is on high alert. There are a few things that we are not doing. First, we are not making immediate decisions based on knee-jerk reactions to every news story and crisis. Not only would this be self-defeating, it would also be unwise. We don't know the whole story and many times news stories take a few days to present all the pertinent information. Secondly, we are not advocating a "one-size-fits-all" solution to our clients. At times like this, it can be easy to panic and make drastic moves out of fear.

Here is what we are doing about the market volatility. For clients in our managed portfolios, we are rebalancing them to reduce our stock holding and increase bonds and cash. For our clients that are not using our managed portfolios, we are talking with the clients that we feel may have a more immediate need for cash and making changes as needed based on each one's individual needs.

Where are we headed? Believe it or not we have been here before. Remember, these downturns are a normal part of investing. There is actually good reason to be optimistic about market recovery and account growth. Our banking system has recovered and is much stronger than a few years ago. America's industry and manufacturing sectors are flush with cash due to belt-tightening and austerity measures. Europe is the biggest culprit causing the malaise in our economy and economic markets. There's good reason to believe this European government debt crisis will be addressed and international markets may rebound in the months ahead.

¹ <http://www.google.com/finance?q=INDEXSP:.INX>



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What should I do about market volatility? There are several things that our clients can do.

1. *Please remain patient and talk with your advisor.* For many it makes sense to simply wait it out. For others, it may be more prudent to make adjustments.
2. *Turn Down the Noise.* The news media love to dwell on the negative which can cause us to see the world as more negative than it really is.
3. *Maintain Proper Biblical Priorities.* Remember that God is your first priority, and family is second. Be generous to God through giving to your church and continue to save for your family.
4. *Reduce Debt.* Indebtedness is a form of bondage. There may not be much we can do individually to improve our economy but we can each improve our personal debt situation.

Is there a better way? Several of our clients have been asking if there is a better way of reaching their financial goals than by using mutual funds. While we still believe that a well-balanced and diversified portfolio of mutual fund is often a key element in reaching retirement goals, a wide variety of investment options is available to address each individual's needs. We invite you to contact your advisor at The Life Financial Group with any questions you may have about specific investment vehicles that can each offer a selection of the following benefits:

- A steady income stream
- Relative freedom from market gyrations
- Potential tax deductions/credits for investing
- Potential tax deductions for charitable estate planning

The bottom line – All investing carries some form of risk! There is no “silver bullet” or fool-proof investment strategy. We believe that our clients who maintain a disciplined investment strategy and a well-diversified portfolio have the best opportunity to meet their future income needs. We will get through this and likely see nice gains in your portfolios in the months and years to come. Again we invite your questions and concerns; feel free to contact us any time.

Sincerely

Roy L. Russell, CFP, Tim Russell, Jeremy Ehst, and Mark Magruder, Advisors