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CANDID CAMERA

Pat's 50th Birthday Party



Loren and Pat



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On the Dance Floor



Nicole Hanson with husband
Jeff and client Linda Hamm

A New Year, A New Decade and An Old Lesson

By **Loren Kayfetz**
President



Dear Clients and Friends,

The calendar seems to affect our mood. Seasonal variations, with colder days and longer nights, set off a mixture of emotions. With the changing of a year, the passing major holidays, and this time around, with the changing of a decade, we are particularly attuned to both remembering the past and considering the future. We try to learn from the past and plan for the future.

The people at Personal Financial Consultants are committed to providing personal service that improves your quality of life. We are an investment management firm. We use financial planning tools to help each of you define, refine and clearly enumerate your goals and objectives. While we are clearly attuned to the daily, weekly, monthly and quarterly changes in the economy and the financial markets, we recognize that our overriding concern has to be to allow you to live comfortably, while allowing you to be able to sleep at night.

Headlines and news reports have labeled the last 10 years "the lost decade" in investing. This refers to the fact that had you invested in the Standard and Poor's 500 Index (the 500 largest US Companies) for the last 10 years and reinvested your dividends, you would have had a negative rate of return, about -1% a year. Few people, if any, actually invest in that way.

Most individuals tend to make investment decisions with their gut, not with their brains. We have the tendency to sell low and buy high. If you listen to the commentators and the talking heads today, we are in for a dismal economic period with a slow recovery and many bumps in the road ahead.

Our clients who have stayed invested for the past ten years have done much better than the S&P 500 index. Many have enjoyed an average annual return of between 6 & 10% a year for the past decade. How? By being diversified, with investments well beyond the S&P 500 index. A decade ago, that index had a 35% technology weighting, and the second largest component was Enron. These concentrations led to dismal results, just as the high proportion of financial stocks in the latter part of the decade led to major declines. Investing with your eyes on today or the past is like trying to walk on an uneven path with your head down. You are very likely to stumble!

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Supporting our Community

This March we will enter the 2nd year of our two year pledge to support Kauai United Way's programs in our community. Since the beginning of the market turmoil in 2008, we recognized that important human services and arts organizations would be severely impacted by budgetary cut-backs.

On March 14th Personal Financial Consultants will host an ensemble of musicians from the Honolulu Symphony at a benefit concert. It will be held at the St Regis Hotel in Princeville and will feature our own Loren Kayfetz performing prior to the main concert.

For ticket information, or to make a donation to the Kauai United Way as part of our company pledge, call Pat at 888-557-3272 ext. 4.



Kauai United Way
Serving the people of Kauai since 1943.

Life Insurance: Are you covered?

By Nicole Hanson, Financial Planner



These days when we think about risk we think about the stock market. In reality, there are many forms of risk out there. While the risk of dying prematurely is one that we rarely think of, planning for that possibility can make all the difference to your loved ones.

Why buy life insurance?

People buy life insurance for many reasons; the most important of which is to make sure that their survivors can continue to run the household and meet their basic needs without financial hardship. While spouses typically purchase life insurance on one another, anyone who depends on each other financially should look into life insurance coverage. This may include siblings or unmarried partners who live together and share the household costs.

What type of life insurance should you buy?

There are two types of life insurance: term insurance and permanent insurance. Term insurance only covers you for a set period of time, typically 10 or 20 years, whereas permanent insurance covers you no matter how long you live. Term is best for people who are younger and don't have a lot of income or assets. They have a limited need for insurance (e.g. they have small children at home or they have a mortgage) and that need will diminish over time. In contrast, permanent insurance provides lifetime coverage and can be useful to those who have large estates. For example, it can be used to help pay estate taxes or provide liquidity to heirs. If you have a large estate or have an illiquid asset such as a business or an investment property, we can discuss how you might make use of permanent insurance in your estate plan, but I will not go into that here.

What exactly are you insuring?

When a client needs life insurance, we typically do a needs analysis for them. This involves adding up the debts you would want to pay off and the expenses you would need covered, should something happen to you or your partner. It is also important to consider any changes each of you would make as a result. Would you relocate to a cheaper area or move in with family? Would you cut back your hours at work to take care of children or other dependent family members? Would you hire help to do the things that your spouse or partner did, such as paying bills, cooking and cleaning, or keeping the books for your business? Even though a person may not have earned income, the loss of that person can create a huge financial burden and it makes sense to insure against that. In

addition, if you do not have sufficient funds saved for retirement or for your children's education, you may want your life insurance coverage to be enough to supplement your savings as well. We can help you through the many considerations and calculations.

When to buy life insurance

There are two different schools of thought regarding when to buy life insurance. One says buy it while you are young in order to "protect your insurability". This means buy life insurance before you actually need it while you are healthy just in case you later develop a health issue that would prevent you from qualifying for life insurance when you actually do need it. The other school of thought says to buy it only at the time you need it.

I have found that a balance between the two works best. For example, it usually does not make sense for a 22 year old to purchase life insurance that would carry him or her through young adulthood. When they do, it is rarely enough coverage later on and the premiums are difficult to bear on their starting salary. On the other hand, I have seen couples wait until they bought a house and had kids to consider purchasing life insurance. By then they were too busy to go through the process and were therefore uninsured when they needed the coverage most! I recommend securing life insurance coverage *before* a major life change. Consider purchasing life insurance if you are planning to get married, start a family, start a business, increase the size of your home, or take on other major debts or expenses.

Where do you buy life insurance?

Life insurance is now available from a variety of sources. It can be available at work, through professional organizations and also from independent advisors and insurers. If you are considering insurance, we can help you analyze your options and determine which plan makes the most sense for you from cost/benefit standpoint.

While there is no way to protect your loved ones from the trauma of losing *you*, you *can* ease their burden by making sure they are financially secure should the unthinkable happen.

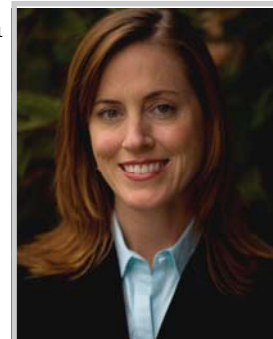
"...anyone who depends on each other financially should look into life insurance.."

"I recommend securing life insurance coverage before a major life change."

"...the loss of that person can create a huge financial burden.."

The Key to Keeping New Year's Resolutions

By Erin Hadley, Associate Planner



Now that it's the New Year and the holiday season is behind us, we find ourselves in a new season -the season of resolutions. Many of us set New Year's resolutions this time of year whether to spend less money, hit the gym on a regular basis or stop eating so much junk food, yet, how successful are we in achieving these goals? Who among us hasn't set a goal only to give up a month later, feeling disappointed and demoralized at our inability to achieve something we'd had such high hopes for not so long ago? Why is it so difficult to keep up with that new savings plan, exercise regime, or quit that certain habit?

The scientists who study our brains have a few theories. Neuroscientist Roy Baumeister has done a number of studies on behavior and motivation. He suggests the mind is like a muscle; it can get overloaded if we add too much extra "weight." When this happens, we have more difficulty resisting temptation. Thus, the problem may not lie in achieving the goals we set, rather, in the setting of them.

"...the problem may not lie in achieving the goals we set, rather, in the setting of them."

Say, for example, you want to start saving money on a regular basis. If you are currently not saving, the idea of putting \$1,000 away every month may sound very exciting; you might think about how that \$12,000 a year will grow over time and allow you to go on that dream vacation, buy that car you always wanted or even retire earlier. Similarly, if the goal is to improve your physique, you might try to start a strict regime of healthy foods (from currently eating whatever desired), and exercising five days per week (from a starting point of no regular exercise.)

It's easy to be allured by the prospect of reaching a lofty goal because of what we believe it can bring us. However, the tougher or more complex the goal, the greater the likelihood we'll stop short or abandon it altogether.

So before you start, try to do a little introspection. Ask yourself how you came up with the specific goal-did you perform a careful evaluation of your budget or did \$1,000 per month just sound like a nice number? Often times, we find ourselves disappointed at not achieving a goal, yet there was little, if any thought put into

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A New Year, A New Decade and An Old Lesson (cont. from pg 1)

By Loren Kayfetz

Nicole, Erin and I design portfolios that look ahead. We have always believed that the World is the place to be, not just the US. We also practice what we preach with our own investments. Personal Financial Consultants negotiated two major recessions in the past 10 years and still provided our clients with quality performance to meet their needs.

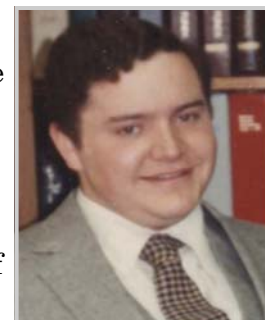
Such performance comes at an emotional cost, though. I know how difficult it is to stay the course during roller coaster markets and through periods of fear and greed. The safest way to invest for the future is to find a middle ground. You must weigh your tolerance for volatility. Then balance it with your need for returns over the period of time you want your money to provide your desired quality of life. Sounds easy, right?! We often tell you that the best way to handle your money is to imagine you have a combination of short term, medium term and long term baskets. That way, you can see that you have your needs met for all periods of time.

When I started working in the financial service field in 1980, we were in the midst of high inflation, high interest rates and a serious downturn. By the end of the 1980's, the country was again in a recession and multiple crises (Savings and loan collapses and the first Gulf War). Volatility rode through the 1990's as well, especially in emerging markets.

2010 marks my 30th year in this field. As you might guess, there is a little more around the middle and a little less hair, but certainly more perspective!

This last year was especially turbulent due to the car accident I was involved in April, 2009. My broken heel has knit, but the shape of the bone has changed permanently, causing the early onset of painful arthritis. I am experimenting with various orthotics to make walking more comfortable, and work out with a personal trainer to help me gain overall strength and reduce the possibility of additional injuries.

I can hardly wait to see what the new year and decade brings. For you, our valued clients and friends, I hope it brings you joy, fulfillment and wisdom.



Loren - circa 1982
early in his career

The Business Behind The Planners

By Pat Pannell, Operating Officer

Personal Financial Consultants is getting a fresh new look! Over the next 2 months we will be giving the company a make-over from logo to website. We are very excited the change and hope you will like it too!

March will be a busy month for us. In addition to sponsoring a major fund raiser for the Kauai United Way, we will also be the host sponsor for the Kauai Chamber of Commerce's quarterly general membership meeting. We are pleased to have money psychologist, Dr. Brad Klontz, whose new book "Mind Over Money" is moving to the best-seller list, as our guest speaker.

All of Personal Financial Consultants staff will be on Kauai from March 10 - 15th. In the event we are not immediately available to answer your call during this time, please know that we will check messages regularly and return calls promptly.

As part of our commitment to continuous improvement, Personal Financial Consultant staff will be in attendance at the following industry conferences:

TD Ameritrade Institutional Conference February 3 - 6 Loren in Florida

Financial Planning Association Business Solutions Conference March 1 - 3 Loren and Pat in Dallas

IAS User's Group Meeting 11-12 Pat and William in Georgia

Financial Planning Association Nor Cal Conference June 3 - 4 Erin and Nicole in San Francisco

TD Ameritrade Elite Advisor Conference June 6 - 8, Loren and Pat in Laguna Beach

Morningstar Investments Conference June 23 - 25 Erin in Chicago

Thank you for your continued confidence in our firm. We truly appreciate the opportunity to provide you personalized advice and service.



The Key to Keeping New Year's Resolutions (continued. from page 3)

By Erin Hadley

the setting of that goal. Ask yourself why you want to reach your goal and what you believe you will gain by reaching it. Also ask yourself how realistic or difficult it might be.

Start small and go bigger over time. Once you've found that you can handle the new challenge. If the goal is to save \$1,000 per month, begin by saving \$100 each month and re-evaluate 3 months later. If it's been manageable, increase it and check in again in another 3 months; if still manageable, increase it again. Similarly, if a leaner physique is desired, try beginning with the goal of exercising once per week and increasing to twice per week after a month, and so on.

Also, make things easier on yourself: find whatever tricks or shortcuts you can. For example, a great time to increase your savings rate is when you get a raise at work, before you have adjusted your lifestyle so you won't notice the change as much, if at all. Enlisting help from others can also be effective: exercising with a partner can help you motivate and encourage each other (and also makes it more difficult to skip out on a workout!)

Breaking the broad goal into a series of steps can help to keep the progress going; if you fall behind or miss a "deadline" of a single step, don't beat yourself up, just keep going. Examine whether the steps are too ambitious and don't be afraid to scale them back so that you stay on track.

Dr. Baumeister's research also points to how real energy is needed for the pre-frontal cortex, the part of the brain that controls motivation and self-control, performs properly. If fatigued, hungry or otherwise energy-deprived, it will be more difficult to keep up with the new goal and more tempting to spend instead of save, or skip that workout. So take your mother's advice, eat a healthy breakfast (and lunch and dinner, for that matter.)

Finally, give yourself a pat on the back for taking on a new challenge. Hindsight is always 20/20 and it's easy to think "if only I'd started sooner" when contemplating your goal. Here's a quote which might help you to keep things in perspective:

"Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending." ~Author Unknown