

THE MAIN ADVISORY

Third Quarter 2013

Piecing It All Together

www.MainAdvisory.com

Headwinds

“Headwinds” is a term thrown around in the financial media to define a pool of contributing factors that may cause investment markets to slow or stall.

There seemed to be nothing but tailwinds propelling the equity markets higher in the first quarter of 2013. But, the winds shifted in the second quarter. The S&P 500 struggled to produce a positive return of 2.9%. Large Cap Value, usually defined by a lower price earnings multiple or higher dividend yield, outperformed the growth sector for the quarter and for the year thus far.

The major headwind for the second quarter was precipitated by the Federal Reserve President’s hint that he would begin tapering his quantitative easing (stimulus) program. The program entailed the purchase of \$85 billion of U.S. Treasury bonds on a monthly basis. Interest rates on bonds began to rise with a commensurate decline in the market value of bonds. In fact, interest rates rose 1% on the 10-year Treasury bond. Investment statements for June reflected a loss for nearly all bond categories.

The U.S. budget sequester was another “headwind” and was a contributing factor for the International Monetary Fund Chief, Christine Lagarde, to lower her gross domestic product forecast for the U.S. for the remainder of 2013 from 1.9% in April to 1.7% in July. The 2014 growth outlook was also lowered from 2.9% to 2.7%.

The uncertainty surrounding the mandatory enactment of the Affordable Healthcare Act may also have been a “headwind.” Employers began laying off workers to get below the targets dictated for insuring employees. The provisions for large employers has been delayed for one year but the impact may still be felt in the third and fourth quarter of 2014 as many employ-

ers had already geared up for the change.

A total list of “headwinds” is exhaustive. Right now there are 4,062 new regulations at various stages of implementation, of which 224 are deemed “economically significant,” i.e., their economic impact will exceed \$100 million. The 2012 Federal Register—the official directory of regulation—today runs to

78,961 pages. Back in 1986, it was 44,812 pages. In 1936, it was just 2,620. Regulation imposes new costs and uncertainty.

We must be hopeful that the statement about how this regulatory state would suffocate the spirit of free enterprise made in

1833 by Alexis de Tocqueville toward the end of *Democracy in America* does not come to fruition and further stifle free markets. He wrote, “It rarely forces one to act, but it constantly opposes itself to one’s acting; it does not destroy, it prevents things from being born; it does not tyrannize, it hinders, compromises, enervates, extinguishes, dazes, and finally reduces [the] nation to being nothing more than a herd of timid and industrious animals of which the government is the shepherd.”

Investing within the context of “headwinds” can be difficult. Investing doesn’t mean that everything goes up all the time. Diversification, prudence, experience, and dedication are important aspects to obtaining financial goals. One negative month or quarter does not make or break an investment strategy. Don Schreiber, CEO of WBI Investments, has been quoted as saying, “If you bail, you fail.” Stick with the game plan, and be ready when the wind changes direction again. It will.

The views are those of Darla Main and should not be construed as individual investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results. Investors cannot directly invest in an index. ■



Assembling your financial puzzle one piece at a time.

Coping with Solitude

The *New Yorker* magazine recently published an article about the Mars 500 Expedition. On June 3, 2010, six men entered a vaulted hall on the campus of the Institute of Biomedical Problems in Moscow containing a mock-up of the type of spacecraft that could be used to transport humans to Mars. The hatch was sealed shut after the men climbed aboard and would not be opened for a year and a half.

For five hundred and twenty days, the crew lived as if they were in flight, eating Russian space food, moving through the capsule's small rooms via tube-shaped metal hallways, performing scientific experiments to see what was happening to their bodies and minds, sometimes losing contact with mission control, and infrequently hearing from their families.



The astronauts prepared for downtime by bringing several books aboard. The Italian space engineer, Diego Urbina, brought the collected works of Gabriel Garcia Marquez. He found that the stories helped him cope in ways unanticipated as he bonded with the characters through their adventures and emotions. The books' renderings of the natural world helped make the physical reality of living inside the five hundred and fifty cubic meter capsule more tolerable.



Darla D. Main, CFP®

President and CEO
of Main Advisory, Inc.

Urbina also packed the memoir of John McCain and felt some identification with the isolation McCain experienced as a prisoner of war. Before landing back to earth, figuratively speaking, Urbina read twenty-seven books. "That was really important for me," he said. "In the end, what you are doing, it's really cold, really repetitive. You need to stay in touch with your humanity. Books are a really good tool for that."

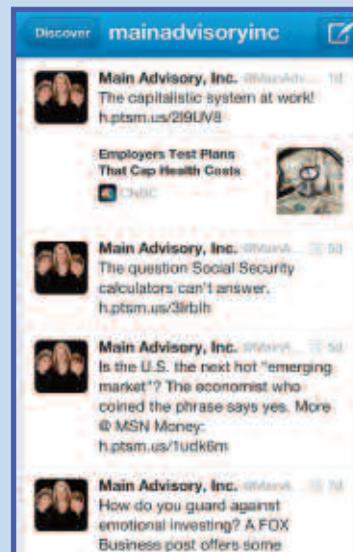
According to statistics released in April 2013, 70% of U.S. adults have not been in a bookstore in the past five years. Thirty-three percent of high school graduates will never read a book after high school, and forty-two percent will never read one after college. In today's culture, books are being replaced by fast-paced snippets of information through social media and technological devices. The constant demand of email, texts, and social media erode the ability to concentrate and become lost in a good plot.

Summer is a good time to "unplug." Meander through the local bookstore or library and find a place of solitude where you can become immersed in the plot of your own adventure! ■

FOLLOW US ON TWITTER!



Follow us on Twitter @MainAdvisoryInc for market updates, timely news articles, and great personal financial content! We frequently come across articles or headlines that may impact our clients and the investment markets. Twitter allows us to disseminate this information in a timely and relevant manner. Twitter also gives insight into topics and people we follow. We encourage you to become a "follower."



◀◀◀
This is what our
Twitter feed
would look like
on your iPhone
or tablet!

The 2013 First Class Patriot Achievement Award Goes to...

We heartily congratulate **James D. Bendel**, a 29-year Navy veteran (and also a longtime client of Main Advisory!) who was honored with the **First Class Patriot Achievement Award** at Soldiers and Sailors Museum, May 21, 2013.



Jim Bendel and Rocky Bleier

The First Class Patriot Achievement Award is given to honor past and present community service by Pittsburgh and area veterans at a free community event entitled “Saluting Service” hosted by the Financial Planning Association of Pittsburgh. In honor of Jim’s service and volunteerism, a \$10,000 donation was made in Jim’s name to Veterans Place of Washington

Boulevard, which provides shelter and services to homeless veterans.

As Jim tells his story, “I had an uncle who was killed in World War II, so when the time came, I thought I should at least be willing to give up a part of my life to serve my country.” Jim joined the Navy in 1960, then joined the reserves and retired as a Navy Captain in 1989.

Serving in the military was as important to Jim as helping others. He worked for 30 years at Adelphoi Village which specializes in helping children and families overcome social, emotional, and behavioral difficulties, and he continues to volunteer for numerous charities.

Jim continues, “I’m not old enough to recall much about WWII, but I was very involved in sports while growing up, and it hit me later on that every one of my coaches was a veteran. When I really gave it some thought, I realized that the need to serve in some way is part of the DNA of our country.”

“Saluting Service” drew over 250 attendees last month and included tours of the Hall of Valor, a picnic, and a concert by the Trinity Jazz Orchestra featuring Adam Brock, a semifinalist from the TV show “American Idol.” The keynote speaker was former Steelers running back Rocky Bleier, a Vietnam War combat veteran.

Ruth Forsyth, the chairwoman of Saluting Service and past president of the FPA explains, “We were looking for a way to give back and realized that we have a large percentage of military veterans in our community. We were impressed by how many veterans continue to serve their community long after they have left the military. These veterans are always looking for ways to help someone else, which we believe is worthy of honoring.” ■



Love to Learn When you Travel?

Road Scholar, the not-for-profit leader in educational travel since 1975, offers educational tours—cultural tours and study cruises to walking and biking—across the US and over 150 countries. Enjoy special behind-the-scenes access to the world’s most fascinating treasures led by RS’s passionate and knowledgeable instructors. Participants (aged 40 and over) come from all kinds of backgrounds and share one thing in common: *a love of learning.*

Here’s high praise from one of our clients, avid Road Scholars:

“The number one thing we love the most is the educational component of RS! You get to see things and go ‘backstage’ and learn so much from educated guides. We’ve actually been on twenty RS trips, and we are just freshmen! So many of our travel mates have been on 50 or 75 trips. I can assure you that the group you travel with will be like-minded, whether it be a hiking, biking, music, or art trip. The second best thing we love is the fact that they do all the planning! All we have to do is pack our suitcases and be sure we are at the departure city—everything else is taken care of, your meals, where you stay, and there are instructors all along the way. In fact, our favorite trip was retracing the steps of Lewis & Clark, an 18-day trip. Every place we stopped featured a guide to tell us everything that happened at that spot. Plus, we had a Lewis & Clark guide with us the entire time. Our friends just returned from their first RS trip to Hawaii, and they can’t stop talking about it! We are leaving soon for an 11-day trip to see half a dozen National Parks. Can’t wait!”

You can choose a trip by **location** (all over the world and the US), **price**, **adventure level**, **popularity**, **pace**, or even **last-minute** trips!

Road Scholar, created by Elderhostel, offers:

- All inclusive prices with no hidden costs.
- When you participate in a Road Scholar program, you will not only expand your mind, you will be in the company of other people who believe that learning is one of the best parts of life.
- Road Scholar experts are both experts in their field and life long learners who are excited to answer your questions, hear your opinions, and share in your experience.
- Road Scholar programs are renowned for being inclusive, warm, and welcoming for solo participants. RS can either match you with a roommate or, on most programs, you can choose to room on your own.
- From expert-led lectures and field trips to comfortable lodgings and meals, RS handles all the details, including the ones you might not anticipate. RS has taken the worry out of planning so you can focus on your learning experience.

Visit www.RoadScholar.org or call 800-454-5768 for free catalog or free e-newsletter. ■



← *Yellowstone National Park*

OUR TEAM!



The Main Advisory Team. Suzanne Campanella, Lauren Peck, and Darla Main.

Darla Main - President, Main Advisory, Inc.

Finishing a game room in our basement seemed like a good idea when it was born soon after learning our family was growing by two more little boys. Elliot arrived on July 8th and Mason is expected in early August. Mac is now almost two. Construction is laden with decisions and DUST, but a bright spot in this project has been my husband's idea to build a custom fort under the stairwell. Our contractor team really jumped on the idea and seems to add a new twist for fun every day. The latest is a "magic" lock that will open the small "3 1/2 foot" custom door by punching in a secret code. My only request is for a small "peep" hole in the door so we can monitor the shenanigans that might be occurring behind the closed door. I have visions of Mac cutting the locks off Elliot's head!

Lauren Peck - Assistant Director of Investments

For Father's Day, I wanted to give my dad a gift that was more meaningful than new clothes (though he got those, too). My father is particularly sentimental about old photos. Over the years, he has amassed quite the collection of old slides, yet rarely takes them out of their boxes. From the Brookstone catalog, I purchased a device to convert these slides into digital photos. Without my dad's knowledge, I borrowed a couple of boxes of slides and decided to experiment with my new purchase. Amazingly, most of the slides were easily converted to clear, digital images. I discovered tons of childhood photos of my parents and their families; but, the biggest treasure of all was the collection of 60+ year old photos of my family's lake house in Canada. It was such a treat to see how this place (that I have been going to all my life) has evolved over the years. I can't tell who enjoyed the surprise more, me or my dad?!

Suzanne Campanella - Client Services

As you may have figured out by now, this Anglophile not only loves to read but generally loves all books British. Hence, my new find, Alan Bradley, who sets his charming mysteries in 1950s England and portrays a protagonist who is spunky, smart, a chemical genius, and utterly delightful named Flavia de Luce, just eleven years old, but oh so wise beyond her years. There are now five books in this mystery series, the first one being *The Sweetness at the Bottom of the Pie*. I recommend reading them in order, if you can. You will be transported to a simpler time and captivated--lovely reading for your porch swing.

JOURNEYS & TRAVELS

...to Tokyo



Last month, I once again had the pleasure of returning to Tokyo, Japan for a quick business trip which included a few hours of sightseeing. I love Japan--its very rich culture, the perfect combination of old world and new, and its delicious food and hospitality service levels that are absolutely unrivaled.

The Japanese culture is all about order, respect, and honor. At work and at home, there is a great emphasis on hierarchy and always paying tribute to the highest ranking individual in the corporate setting, or paying respect to the oldest member of the family in a personal setting. Giving small gifts is also very important in the Japanese culture. The gift itself is not as important as the gesture and how the gift is wrapped. I learned sometimes the cost of wrapping and presentation often exceeds the cost of the

gift itself. We stayed at the Hotel Okura which is a lovely old 5-star property right next to the U.S. Embassy. All of our heads of state make the Hotel Okura their base when visiting Tokyo. A "must see" in Tokyo is the Tsukiji Fish Market which opens at 4:00am. It is the largest fish/seafood market in the world and is a major tourist attraction. At 5:00am, the tuna auction starts, and it is fast, furious, and fun to watch whether you speak the language or not. I promise that you will see creatures from the ocean that you have never seen before! On a calmer note, we also enjoyed visiting Senso-ji, Tokyo's oldest Buddhist temple, which boasts a most impressive five-story pagoda, a beautiful park, and grounds. Finally, what I enjoy most about Japan is their beautiful people. They are the epitome of kind, caring, courteous, and hospitable which makes the long journey worth every minute. ■