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MENTOR
C A P I T A L

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Mentor Monthly Missive

Lack of investment plan hurts returns

Morningstar reported that in September, investors withdrew an estimated \$47.5 billion out of mutual funds. This was the largest amount of monthly net redemptions in the history of the mutual fund industry. These withdrawals came at a time when stock prices had already dropped to levels not seen in quite some time.

What happened in September shows that once again, many investors let their emotions dictate their investment decisions. They tend to pour their money into funds when prices are high (during bull markets) and to pull out their money during bear markets like the current one we're experiencing. This "buy high and sell low" approach is the opposite of a well-thought out investment strategy.

A recent study by Dalbar, Inc. revealed that while the S&P 500 earned an annualized 11.8% return from 1988 through 2007, mutual fund investors earned only an annualized 4.5% during the same time period. Why was there such a discrepancy? Because of what we discussed in the previous paragraph. Rather than staying in the market during good times and bad, many investors try to time the market – and they usually pay a steep price in the form of much lower returns than they could earn with a more patient approach.

The Dalbar study, the recent large outflows from mutual funds, and the overall current panic by many investors show that many of these people would benefit greatly by hiring a qualified financial advisor to manage their investments. If you are not a client of Mentor Capital and have suffered large investment losses and sleepless nights over the past several weeks, now is a good time to call us so that we can help you develop an investment plan that is right for you. It's time to let a proven fee-only firm like Mentor Capital help you to avoid the investment mistakes you've made in the past.

Likewise, those of you who are clients of Mentor Capital probably know people who need our services more than ever. We hope you'll help them out by giving them our information and suggesting they call us for a no-obligation meeting.



Gift tax annual exclusion to rise

The Internal Revenue Service has announced an increase in the amount taxpayers can give away without triggering a requirement for filing a gift-tax return.

Beginning in 2009, the exclusion rises to \$13,000 per year. This is the amount that any one taxpayer can give to any one other person before gift-tax considerations set in.

The exclusion amount had been \$12,000 for 2006-2008, \$11,000 for 2002-2005 and \$10,000 from 1998-2001.

Annual gifting is a technique used by taxpayers who want to reduce the size of their estates.

The unlimited exclusion for direct payments for medical and education expenses remains.



We're in this together

As turmoil in the financial markets continues, it's important to point out that associates of Mentor Capital are personally following the same advice they give their clients: Buy stocks for the long term and rebalance when necessary to restore asset classes to their targets.

Members of the Mentor Capital team have their wealth invested in the same models and in the same assets as their clients. When markets move, our associates experience the same results as their clients.



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