

March 20, 2002

Purchasing power must grow or it will die.

While this statement did not originate with us, we believe it is one of the most important truths for us to come to terms with in our financial lives. Why?

- People are living longer and longer lives.
- Prices increase over time.
- If you don't have a way to increase the dollar amount of your income over time, the value of your income will go down-unless inflation ceases to exist...(and who believes it will?)

How can one grow their purchasing power?

- Over time spend less (by a factor at least equal to the inflation rate) than your portfolio produces in total return. (Example: if your portfolio produces a long-term average annual return of 8%, and if inflation averages 3.5% annually, your "draw" (income) from your portfolio must be 4.5% MAXIMUM! At the same rate of inflation, if your return averages 7% annually, your "draw" can only be a maximum of 3.5%.

This raises the question of how to address this challenge when markets decline.

- One way is to have sufficient cash reserves so as not to "draw" on the portfolio (don't "sell low").
- You could add to the pot through infusions of cash (earned income, or, if you are an endowment or foundation, new gifts)
- Curtail or suspend spending for a period of time.
- Invade principal. This can become a precarious track to take, particularly given longer and longer life expectancies.

A practical suggestion at this point in time: Let's get together to revisit your Investor Profile Questionnaire. It's time to update "the plan".

We look forward to visiting with you soon.

Sincerely,



Daniel O. Corrigan



Mark D. Wickman