



🕒 A VIEW OF THE MARKET: *Making Sense in Insensible Markets*

Are our markets insane? Especially if you pay too much attention to daily headlines, it certainly can feel like it, leaving you to wonder if there is any sensible way to participate in the markets – or why you may want to, to begin with.

The good news is that the markets aren't as crazy as they seem. Investing in them is like grinding sausage. Close-up the process looks messy, with no rhyme or reason. But viewed from a more comfortable distance, you can glimpse a higher purpose.

At their essence, markets represent the proceeds of capitalism: Human enterprise applying capital to produce real things – goods and services – which generate earnings, dividends and more capital.

But *which* company stocks, industry sectors or sovereign debts are going to shine or disappoint next? The academic evidence has clearly and repeatedly demonstrated that the overwhelming majority of those who seek to accurately make these kinds of granular calls generally spend more in taxes, costs and effort than they can hope to consistently overcome. In contrast, those who simply expose themselves to the long-term forces of market nature (in relation to their tolerance for market risk), can expect to capture the market's overall upward growth.

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Slow and Steady With Dimensional Fund Advisors

Go ahead. Take a guess at what the chart at right depicts. Is it the mood of investors for the past few years, with and without plenty of anti-anxiety medication? Well, maybe it would work for that, but it actually tracks the assets flowing into Dimensional Fund Advisor (DFA) funds compared with U.S. equity fund outflows from January 2008 through June 2011. The shadow-mountain in the background tracks the value of \$1 invested in the S&P 500 during the same period. Turn the page to learn more.

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A VIEW OF THE MARKET (cont.)

But enigmatically, most investors devote a great deal of energy trying to predict the unpredictable. Tune into the daily news, and you'll see any number of gurus and amateurs alike seeking to:

1. **Pick individual stocks** that they think are about to soar and sell the ones that seem headed for a breakdown.
2. **Time the markets** in general (or components within them) in an effort to pursue predictions of upcoming gains or imminent losses.

In lieu of engaging in these sorts of expensive and too-often frustrating pursuits of "crystal ball" strategies, we recommend that you focus on factors that are more clearly within your control: **minimizing costs** and **managing market risk/reward** in accordance with your **personal goals**.

One of the reasons these factors are so important to your investment experience is because, unlike more typical, hyperactive strategies, you actually have some control over them. YOU decide to favor low-cost investments and minimize cost-generating trades. YOU decide to eliminate individual security risk through diversification, and to purchase investments that expose you to more or less market risk and expected reward. YOU choose your personal goals. On these points, you can – and should – call the shots to your own benefit.

∞ PATIENT INVESTING ∞

"If I have noticed anything over these sixty years on Wall Street, it is that people do not succeed in forecasting what's going to happen to the stock market."

– Economist Benjamin Graham

"The idea that a bell rings to signal when investors should get into or out of the stock market is simply not credible. After nearly fifty years in this business, I do not know of anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently. Yet market timing appears to be increasingly embraced."

– Vanguard Founder John Bogle

"Even the most brilliant of mathematical geniuses will never be able to tell us what the future holds. In the end, what matters is the quality of our decisions in the face of uncertainty."

– Financial Author Peter Bernstein

"We believe that according the name 'investors' to institutions that trade actively is like calling someone who repeatedly engages in one-night stands a 'romantic.'"

– Warren Buffett

These are the ground rules by which we build and manage your low-cost, custom portfolio. We combine our forces with fund managers like Dimensional Fund Advisors, who apply similar strategies within their funds, to complement your applying them within your portfolio. (See "Slow and Steady With DFA.") The sum goal is to form

wealth by having the patience to see the process through. Patience isn't always easy, but it can have an enormous impact on your investment experience. It's the equivalent of swimming with, rather than against the vast current of our global markets.

SLOW AND STEADY WITH DFA (cont.)

We would suggest that the sagging, industry funds line illustrates why so many investors fail to earn returns comparable to what the markets offer over time. Markets change quickly – too quickly to respond by cashing in or out after the fact. For example, consider how unsettled the markets continue to feel even as we draft this newsletter in early November. And yet, for reasons we'll let other analysts wrangle over, U.S. stocks enjoyed their best month in years this October. The broad Wilshire 5000 index gained 11.5 percent, representing its best month since 1987.¹ Also for October, the Dow Jones Industrial Average gained 9.5 percent and the S&P 500 Index was up 10.8 percent.²

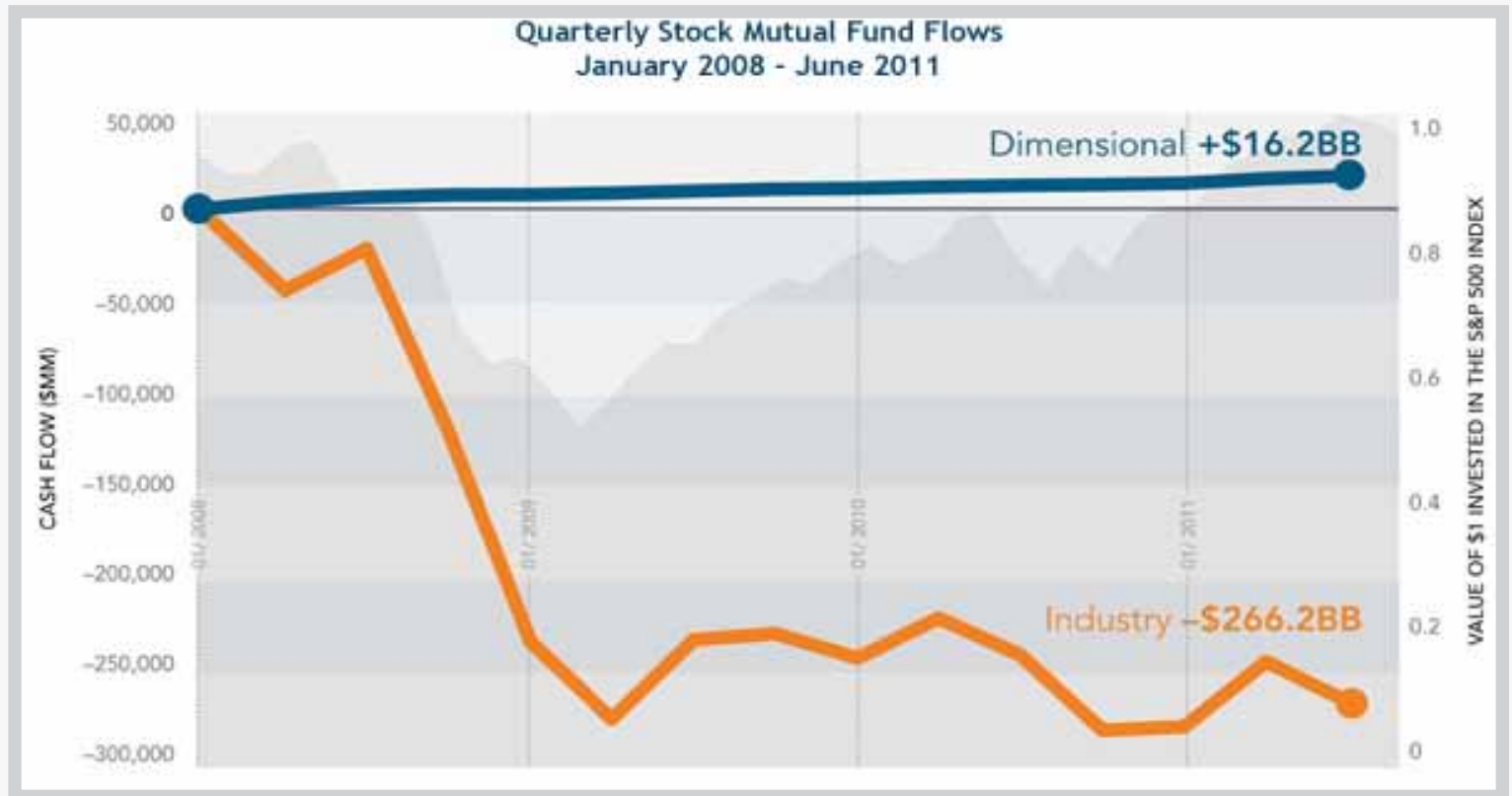
Who would have seen that coming?

But to capture these sneaker returns (which, over time, contribute greatly to long-term market growth), you

must already be there, ready and waiting when they appear. That's where our strategy comes in, largely implemented with DFA funds. Slow and steady as a group, DFA investors strive to maintain discipline and avoid fleeing stocks en masse.

Why have DFA fund investors behaved so dramatically different than the status quo? One reason

might well be the education, encouragement, and discipline that Align and our like-minded advisors offer, especially during difficult times. By limiting fund availability to clients of a select group of fee-only advisors, DFA is better positioned to filter out the costly impact of hyperactive trading in which most individual investors otherwise engage.



1 Allan Roth, "Stocks Have Best Month in 24 Years," *CBS Money-Watch*, October 31, 2011.

2 Matthew Craft, "Wall Street Halts Ugly October Jinx," *The Oklahoman*, November 1, 2011.

Chart is for illustration purposes only. Industry net new cash flow data for US-domiciled equity funds provided by Investment Company Institute ©2011. Quarterly cash flows are estimates that are adjusted to represent industry totals, based on reporting covering 95% of industry assets. Dimensional's figures are based on net new cash from financial advisors in US-domiciled funds. Industry and Dimensional data reflect investment in US and international equity markets and do not include funds of funds. S&P 500 Index performance is based on monthly returns data. The S&P data are provided by Standard & Poor's Index Services Group. The S&P 500 includes 500 US stocks chosen for market size. Past performance is no guarantee of future results.

YOU AND YOUR MONEY: *What Have We Done for You Lately?*

Right-Sized Rebalancing with ETFs – Recent markets again warranted rebalancing processes to keep client portfolios in line with their target goals. We added a new twist this time by introducing the use of select, commission-free Exchange-Traded Funds (ETFs) for accounts under \$100,000. We are likely to continue this practice whenever comparable, commission-free ETFs are available and transaction costs for our traditional rebalancing selections may no longer represent your highest interests. We hope this serves to demonstrate our disciplined approach to portfolio management with a keen eye on minimizing costs and risks while maximizing expected returns.

Calling All Retirement Plan Sponsors – We recently released our October 2011 Retirement Report newsletter, offering specialized insights of interest to plan sponsors and fiduciaries of defined contribution plans. In addition to a third-quarter market review, we offered commentary on Department of Labor activities as well as some telling studies and pointers on improving plan participants' investment experiences. Contact us if you would like to receive a complimentary copy of the report or if you would like to know more about www.alignmy401k.com.

Going the Distance for Our Clients – The Align team has been out and about lately to ensure we

are still applying best practices in client service. To remain current in portfolio management operations, Darlene and Dennis attended the Orion Advisor Services conference in Denver. Brian and Dennis also participated in the Retirement Plan Advisory Group annual conference, a Los Angeles gathering of some of the world's foremost 401(k) colleagues, and the entire Align team attended a separate 401(k) coaching conference in Chicago.

Align in the News – Size isn't everything, but our business activities have continued to provide gratifying inclusion in a couple of well-respected financial trade journals' annual advisor firm rankings. For the sixth year in a row, we were included in the *AdvisorOne* (formerly *Wealth Manager* magazine) list of top wealth manager firms, as measured by total year-end assets. We also appeared again in *Financial Advisor* magazine's "RIA Ranking," based on asset and client number levels.³

Like Us on Facebook, Win a Prize – We continue to post timely news and interesting reads on our Facebook profile. You can "Like" us to learn the latest by searching for "Align Wealth Management" on Facebook. (Or just give us a call and we'll send you a Like request.) As if that's not prize enough, when we reach 150 "Likes" we'll be holding a drawing to give away an iPad 2.

³ Neither *AdvisorOne* nor *Financial Advisor* rankings are indicative of advisors' performance and are not representative of any client's experience.



CLOSER TO HOME *Getting To Know Your Team*

Darlene Eisel

We have been busy this quarter, but what else is new? Luke started middle school this fall and it has been a huge adjustment. Finally, after nine weeks, I think he is getting it figured out, knock on wood. Soccer, of course, is always at the top of our list of activities, taking us to Kansas City and Tulsa five times during the last two months.

Outdoor soccer is about to wrap up with a tournament in Norman – and then we start indoor soccer plus basketball.

My Mom had knee replacement surgery in September. We always knew we depended on Mom – to transport Luke, throw in a load of laundry or start dinner – but I never realized just how much we depended on her until now. She seems to be doing okay, but the recovery has been rough for her. It has been an adjustment for me, my brothers and especially my dad, since his blindness prohibits him from driving. We’ve all jumped in to take care of each other.

Debbie Stanley

We are off to a good start this school year at our house. Sixteen-year-old Heather just passed her driving test with a score of “96.” No thanks to my teaching skills! I’m just glad I only have one left to teach, because I don’t think my nerves could handle any more. Twenty-year-old Kimber began working this week as a stylist for the Anthony David Salon in Quail Springs Mall. If you are looking for a stylist or you know someone who is, you might keep her in mind. As for our other children, 23-year-old Lauren, has officially moved out on her own (for the third time) and is scheduled to graduate from UCO in May. Matt has finally settled into college life at Arizona State and seems to be adjusting well. Fourteen-year-old Kallie is anxious to get through this year of middle school so she can move on to high school.

As I’ve said before, there’s never a dull moment being the mother of five.

Dennis Packard

These past few months have flown by, probably due to the amount of flying I have actually done. After attending some informative and insightful advisor conferences, my family took a vacation to Disney World, where we were lucky to have great weather and relatively small crowds. Kaitlyn, Keri and I had a blast, but I don’t think my feet have ever hurt so bad after covering all four parks in under three days! Back at home, Kaitlyn continues to run her profitable and rewarding duct-tape business. She has started creating all sorts of new accessories, although she seems to be so proud of them that she is having second thoughts about selling them. Her soccer season is about to wrap up; she continues to work hard and improve.

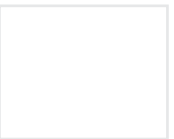
Brian Puckett

So, Jay is almost halfway finished with his final year of high school. And, boy, do I feel pressured to do everything I can to help him make the best choices for his future. It’s interesting to see my son going through this turning point in his life. From living at home as a high school student to deciding where to attend college, it’s both an exciting and scary time for any kid. Deep down, I know I need to back off and let Jay make his own decisions. And, in my heart, I have little doubt that he will make the right ones. Perhaps I should heed my own advice: *Be patient.*



Dennis and Kaitlyn at Disney World

We also have a new companion at home. Crash, a very friendly Westy, has come to live with us – again. (Yes, “Crash” is also the name of the Barcums’ dog and, yes, I did ask permission to borrow it.) For the past few years, Crash has lived with my grandmother “Mema.” However, Mema has moved into Tealridge, an assisted living facility in Edmond, so Crash has, well, crashed our home. It’s a lot of responsibility, but he’s a good companion who always seems to have a smile underneath his whiskers! It’s nice to have Crash around.



CLIENT FOCUSED. PERIOD.



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At Align Wealth Management ...

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As a fee-only firm, our wealth management services are rendered on a commission-free basis. This means you never have to worry about conflicts of interest based on a third-party agenda. To learn more, give us a call or visit us online.

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