

THE SUCCESSFUL INVESTOR

A PUBLICATION OF RUNYON & BOWES FINANCIAL CONSULTING

FALL 2008



Runyon & Bowes understands the wealth management needs of executives, business owners and their families. We simplify our clients' lives, save them time and enable smart decisions.

Time is your most precious resource. Let us spend our time putting the pieces of your financial puzzle together. Our fiduciary advisors are supported by a network of experts. Our mission is to serve your every financial need.

We strive to make wealth management convenient and simple while focusing on the needs of executives, business owners and their families.

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Autumn days brings fresh perspectives

Fall brings cool mornings, new routines and hurried hustle bustle as many people get down to business after the lazy days of summer have faded away.


This autumn is no exception and with the financial markets experiencing stresses not seen in many decades, it has been especially distressing.

We strongly believe in our investment philosophy of extreme diversification, consistent exposure to the market and an emphasis on being tax and cost savvy.

This can be difficult during distressing times as we all wish for an easy answer. But now more than ever our biggest value to our clients is to keep you disciplined and committed to your investment strategy.

Remember your wealth management plans took these types of markets into account, and by staying disciplined you are stacking the deck in your favor for the long term. Trying to make short-term moves in volatile times can put the best plans in danger.

Keep in mind that the foundation of our approach is based on a belief in the resiliency of people, a belief that capitalism will continue to function and a belief that capital markets fundamentally do a good job of setting prices. These principles are what got us through past crises and we remain confident they will do so again.

In this issue's partner column we discuss the turbulent financial markets. We also have posted an interesting in-depth video at www.runyonbowes.com. 



Ed Runyon, Principal



Chuck Bowes, Principal



Gabriel Brenner, Principal

"We can tell our values by looking at our checkbook stubs."

— Gloria Steinem

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Blizzard of bad news left you feeling fearful, numb?

Although markets are uncertain, rash action could produce unintended results



Gabe Brenner
Principal

Last month we drew the analogy of a snowflake to the current economic turmoil. Each snowflake is unique, but not from a distance. Each market crises, economic panic and set of unprecedented circumstances are, in fact, unique.

But the long-term capital markets reaction to these events has been consistent. Wealth creation and the concomitant rise in asset values have always continued their historical trend (for more on what constitutes long term see www.runyonbowes.com/publications).

HOW QUICKLY THINGS CHANGE

Since we penned our last missive and as of this writing — a mere 30 days — the S&P 500 is down another 27 percent (S&P 500 9/19/2008 to 10/27/2008) and the economy has slowed markedly if it is not in an outright global recession.

It is understandable if the blizzard of bad news has left you feeling disoriented, fearful or even numb. Like trekking in an actual blizzard, this is in fact a perilous situation. However, rash action could produce unintended results.

Your wealth management plan, investment policy and cash reserves are your map and compass. They are the tools that will see you home. We would grant the counter analogy that the trail ahead has been temporarily washed out. This happens from time to time. We don't know exactly what lies ahead on this detour, but your plan is in place to navigate it. It's a long trip, but if we stay focused on the destination, we will get there.

YOUR INVESTMENTS

If you are approaching retirement, it's comforting to know that your wealth management plan has been subjected to rigorous stress testing. If you are in retirement, we've worked together to determine

This isn't the first time. . .

"Investors have been frightened of an economy that seems out of control. . . . The stock market has scarcely been so shaky since 1929. . . . A Gallup poll published last month found that 46 percent of adults feared a depression similar to the classic one of the 1930s."

— "Seeking Relief from a Massive Migraine,"
Time, September 9, 1974

"Falling real estate prices and the fragile state of the banking system make this recession unlike any other and extremely difficult to forecast."

— John R. Dorfman, "First Boston's Bear,
Carmine Grigoli, Refuses to Stop
Growling Despite Stocks' Big Rally,"
Wall Street Journal, February 7, 1991

"This economic convulsion is unprecedented in the post-World War II era."

— Robert J. Samuelson, "A World Meltdown?"
Newsweek September 7, 1998

a sustainable rate of withdrawal where sustainable means able to withstand market events such as these.

And don't forget that your portfolio is broadly and globally diversified, which has partially shielded you from the worst of the market. Your exposure to equities is only as great as required to achieve your objectives. And for the vast majority of you, that inclusion of fixed income has further insulated you from market gyrations.

We have steered you away from the "popular" categories that have experienced the most turmoil;

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first trust deeds, direct held bonds of Fannie and Freddie, CMO's, auction rate preferred and high yield bonds.

Your equity investments are constrained to markets that are "open and competitive" and to companies in those markets that have at least four market makers and no corporate actions pending. These common sense restrictions have meant no hedge fund exposure and minimal or peripheral exposure to China and Russia.

NOT A CRYSTAL BALL BUT SOME THINGS WE DO KNOW

If your wealth management plan is the map, your investment policy is your compass. A combination of falling equity prices and stable fixed-income values may have placed your portfolio outside of its proscribed asset allocation.

There is the temptation to "sit out the market" at times like these. The investor who capitulates right here, who cashes out "just until things settle down" may initially feel better than if they had slogged onward. But in the long run they may never recover, and their goals will need to be redefined.

At Runyon & Bowes we have been proactive to determine if your asset allocation indicates it is time to move funds from fixed income to equities. For many of you our investment process has determined the time to rebalance your portfolio by selling some bonds and purchasing some equity, or better yet, using new deposits to accomplish the same goal. We can't say if stocks will go lower or what the markets short-term direction will be, but we do know a few things.

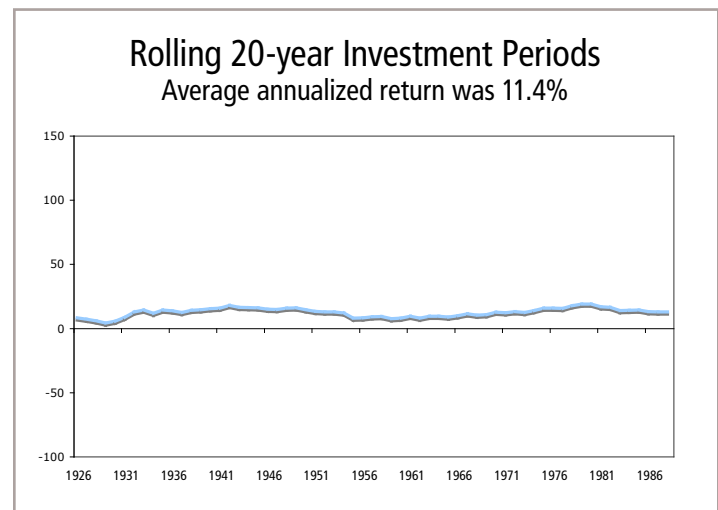
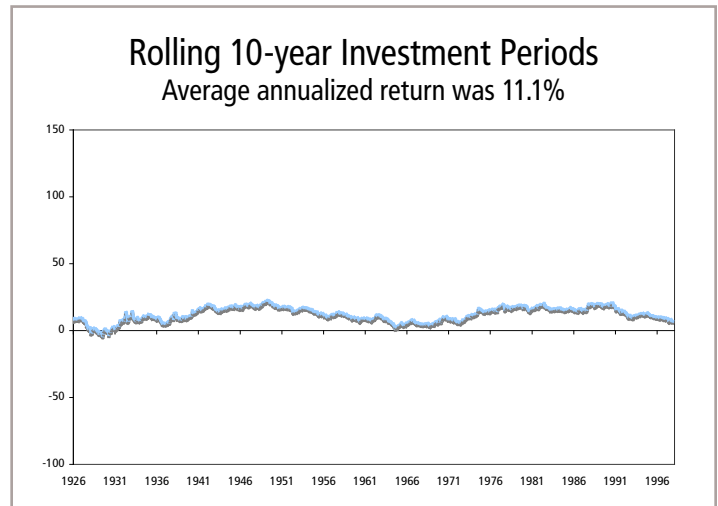
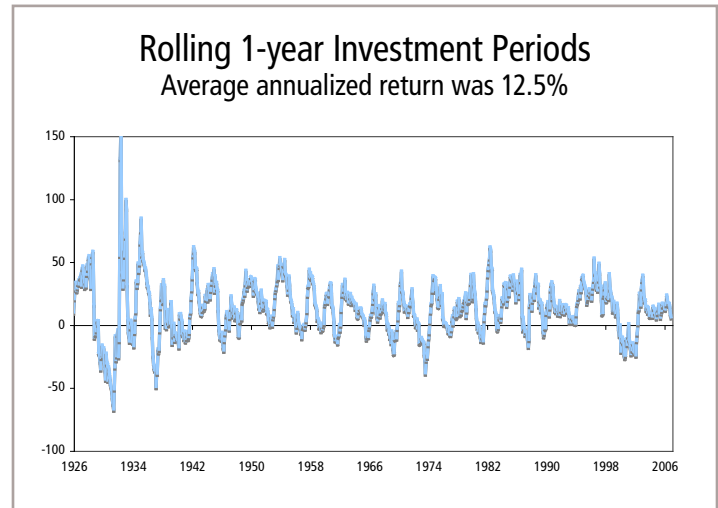
We know that it has historically been wise to purchase more equities during bear markets. Additionally, the stress tests to which we subjected your wealth management plan assume rebalancing. If markets continue their slide, we will rebalance again. Taking the steps we discussed when putting your plan together during these rough times will ensure we make it through this blizzard and into the warmth of the spring — whenever it comes.

Nobody wanted to be caught in this blizzard. We certainly are not enjoying this period of extreme volatility and uncertainty. But we remain confident in the long-term resiliency of capitalism and the capital markets. We acknowledge our feelings, set them aside and recommit ourselves to the plan we have crafted for ourselves and for our clients.

We'd love to hear from you. Your situation is unique and we look forward to discussing specific steps and recommendations with you. [R&B](#)

Long-Term Investing S&P 500 Index

The following charts show the annualized return (%) from January 1926 to July 2008.



From Piedmont to Panama, Marcus family can travel

The Marcus family — Dan, Amy, 9-year-old Sam and 6-year-old Gus — have traveled the world. Not your typical two-week American vacations during the summer but really traveling and living in the world.

Before they had kids, Dan and Amy quit their corporate jobs to travel for a year. They trekked to New Zealand, Australia, Malaysia, Thailand, Hong Kong, India and parts of Europe.

"After living out of our backpacks, checking into some pretty nice hotels as well as \$5-a-day digs, we had very expanded views of the world," says Amy.

So when job opportunities abroad came up for Dan, who works in commercial real estate, the decision was a no brainer.

Dan was asked to open the Indian market for ProLogis, the world's largest owner, manager and developer of distribution facilities.

Their first stop was Mumbai, India in 2006.

"We spent 18 short months living in that exotic, dynamic and, yes, dirty metropolis of 25 million people," remembers Amy.

After the stint in India, Dan was hired to be director of development with London & Regional Panama. Turns out this world-class developer was selected by the Government of Panama and the World Bank to be the master developer of the landmark 2,750-acre former U.S. Howard Air Force Base in the Republic of Panama. Dan is leading this massive project, Panama Pacifico, which calls for the redevelopment of what was once home to 10,000 military personnel into a new city district within the tropical setting of lush forest and hills.

So the Marcus family, once again, packed up and headed to Central America. It's been an exciting adventure for the entire family, especially learning Spanish. The kids are



The Marcus family — Amy, Dan, Sam and Gus — at the end of the dock in Cochin, which is in the state of Kerala in south India.

thriving and have friends around the globe, from India to Great Britain and Ecuador to Japan. They play and interact with other kids who don't always speak the same languages.

But summers are always in English as the Marcus clan has also kept their Bay Area roots in Piedmont. They make it a point to come home each summer, reconnect with family and friends, and make sure the boys attend skateboard and

sports camp.

"It's really the best of both worlds," says Amy, who grew up in Idaho.

After attending the University of Washington, she spent 10 years working as a strategic communications professional both with corporations and public relations agencies.

Dan was born in Madison, Wisconsin, but lived in Piedmont from fifth grade through high school. He attended UC Berkeley, then moved to Washington, D.C., and worked for Fannie Mae before earning his MBA at Yale University's School of Management.

Dan and Amy met in Washington, D.C., and have lived in various cities around the United States, including San Diego, Los Angeles and Chicago before settling (well at least temporarily) in Piedmont.

When they aren't on an airplane jetting around the globe, they enjoy family time around the pool, playing sports and just hanging out.

But one of their favorite pastimes is meeting new people and making friends from all over the world.

"Learning from their experiences and sharing our own is very rewarding," says Amy. [R&B](#)

How to pay less than “sticker price” for college

How high-income families can use specialized college planning to help

When college bills start arriving in the mailbox, many higher income families won't qualify for need-based financial aid and will assume they need to just write a check for the full price of college. What you may not know is that need-based aid is not the only way to pay less for college. In fact, with creative planning, your family may be able to use combinations of academic, cash flow and tax reduction strategies to reduce your college expenses by up to tens of thousands of dollars.

START PLANNING NOW

The most valuable tip I can give you is this: Start planning for college **RIGHT NOW**, regardless of your children's ages. Families who won't qualify for financial aid can especially benefit from proactive planning, no matter your children's ages. Procrastination is a major reason many parents end up paying more than they have to for college.

You spend time and effort planning the purchase of your home, a car or a vacation; paying for college may very well be one of your largest family expenditures. Why is it so important to plan ahead? Because college planning is, in essence, retirement planning. How you fund your children's college education will likely have an effect on when and how you will be able to retire.

WHAT STAGE ARE YOU IN?

Families who still have sufficient time to save are in the “early stage” of college planning, and typically have a child age 13 or younger. If this describes your family, you should have a savings plan that is appropriate for your family's own situation.

If you have a child who has already started high school, “late-stage” college planning can still significantly reduce the cost of college. At this stage you have the opportunity to implement dozens of academic, cash flow and tax reduction strategies that combine to create your roadmap to help you pay for college most efficiently. Let's explore a few late-stage tactics.

POSITION FOR TUITION DISCOUNTS

Many colleges will offer tuition discounts in the form of a scholarship or grant to students who match their freshman profile. More than 1,000 colleges offer students scholarships (from a few hundred to up to \$30,000 per year) based on a student's academic performance, talents or major — and these awards have nothing to do with the family's finances. Students do not have to be “A” students to find colleges that will offer tuition discounts. You or a professional can help your child identify colleges where there is a good match.

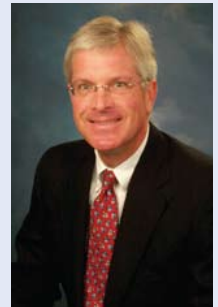
CREATE “TAX SCHOLARSHIPS”

If you own a business or a rental property, you may be able to take advantage of tax reduction strategies that generate “Tax Scholarships” — new found tax deductions that create money you can use to pay for college.

One idea is to hire your children part-time, and pay them a reasonable wage for the work they do (such as administrative duties, Web design or research). With this strategy you have the potential to shift some of your highly taxed wages to your children, who can pay little or no federal or state income taxes on that income by filing their own tax return and claiming the standard deduction.

During college years, they may also be able to use the education tax credits to remove up to an additional \$2,000 per year of federal income taxes. By using the tax capacity of your child, you may be able to pay a portion of your college expenses on a pre-tax basis which, in essence, results in the IRS paying a good chunk! Of course, it is important to discuss your specific situation with a tax advisor.

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Greg Warner


R&B team does more than manage your money



Ed, his wife Lisa and their two kids, Rachelle (10) and Blake (8), spent a week in Lake Tahoe this summer. Their vacation was filled with hiking, boating, fly fishing, biking and quality time with the family.

Ed is a volunteer "game compliance coordinator" with his 8-year-old son's Blake's full-contact tackle football team. He's responsible for checking the boys' equipment, eligibility and weight to be sure it is below the stated limit.

Chuck's opinion on exchange-traded funds compared to index mutual funds was the topic of an article on IndexUniverse.com on June 23. Reporter Murry Coleman tapped Chuck's expertise on this rather dense topic and Chuck was able to help put the differences in perspective for the readers. You can view the article at www.runyonbowes.com or www.indexuniverse.com.

A chicken coop update from Farm Bowes includes a fresh coat of red paint, two very loud roosters and two rounds of chicks thanks to hungry critters munching on the first batch. No sign of eggs yet but the kale, carrots and tomatoes have been tasty. 



Gabe and his wife, Wendy, just celebrated their 10-year wedding anniversary with a quiet weekend in Napa.

Chuck, aka Mr. Soccer Coach, is helping coach both his kids' soccer teams. Seven-year-old C.J.'s team, the Blasters, has hit the soccer field with great enthusiasm and many wins. Five-year-old Genny's team, the Cheetahs, is having fun and learning the art of teamwork while racing around the field.

New quarterly reports from R&B



R&B recently made significant upgrades to our quarterly performance reports. These new reports are straightforward, easy to understand and provide a comparison of your portfolio to a relevant benchmark.

These new reports will be delivered to you electronically via a secure online portal. This portal also will provide you with instant access to view your accounts, daily values and current asset allocation — all at the click of a few keys.

Each quarter you'll receive an e-mail from us letting you know that the reports are ready and how to review them. As always, please let us know if you have any questions or concerns.

Gabe is coaching his 6-year-old daughter's soccer team this fall after attending "soccer coach training camp" this summer. The Fireballs are cheering "Two, four, six, eight. . .who do we appreciate" after one of their games.



Chuck attended the Family Wealth Advisory Council meeting Aug. 6-8 in Chapel Hill, N.C.


Fascinating Financial Facts: 529s

What's a 529?

A 529 plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary (typically one's child or grandchild).

10 million +

Number of 529 accounts opened since their creation in 1996.

 **51%:** Over the past decade, college expenses at public universities have risen nearly this much.

\$130 billion

Amount contributed in 529 plans across the country.

Gift Tax Exclusion: Your 529 plan contribution qualifies for the \$12,000 annual gift tax exclusion.

\$13,500: The average amount in a 529 savings plan in December 2007.

All statistics are from Investment Company Institute and College Savings Plans Network.

Using Commodities to Diversify Your Portfolio

Commodities as an asset class have demonstrated unique characteristics that make them appealing to investors. Historically, commodities have low (negative) correlations to other financial assets, such as stocks and bonds, meaning their performance is largely unaffected by the performance of other assets. This low correlation gives a compelling reason to add commodities to a portfolio — to provide diversification.

The S&P GSCI Commodity Index is a diversified index that allows investors to track commodity futures through a single, simple measure. This Index can be extremely volatile, as shown below in the returns over the past 11 years:

S&P GSCI Commodity Index vs. S&P 500 Index (Large U.S. Stock) Annual Total Returns

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Com-modities	(14.07)	(35.75)	40.92	49.74	(31.93)	32.07	20.72	17.28	25.55	(15.09)	32.67
S&P 500	33.36	28.58	21.04	(9.10)	(11.89)	(22.10)	28.68	10.88	4.91	15.79	5.49

S&P GSCI Commodity Index

Agriculture 13.27%



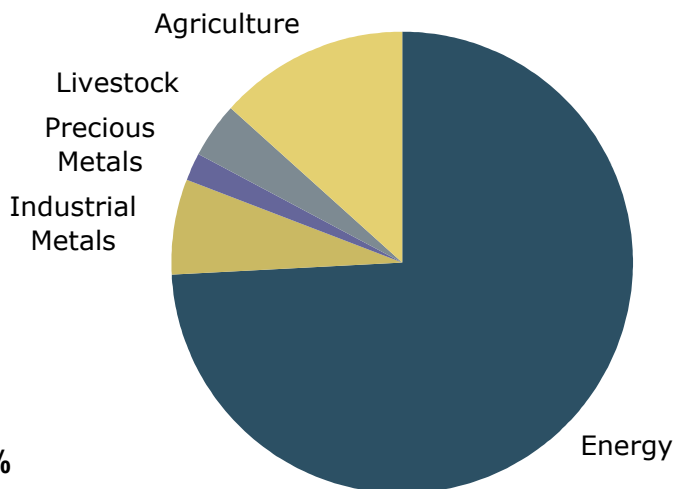
Wheat	3.51%
Red Wheat	0.85%
Corn	3.86%
Soybeans	2.18%
Cotton	0.77%
Sugar	1.22%
Coffee	0.63%
Cocoa	0.25%

Livestock 3.85%



Live Cattle	2.33%
Feeder Cattle	0.41%
Lean Hogs	1.11%

These are the components of the S&P GSCI Commodity Index as of 9/15/08.



Energy 74.13%



Crude Oil	38.92%
Brent Crude Oil	14.12%
RBOB Gas	4.39%
Heating Oil	5.33%
Gas Oil	5.32%
Natural Gas	6.06%

Industrial Metals 6.8%



Aluminium	2.45%
Copper	2.95%
Lead	0.34%
Nickel	0.60%
Zinc	0.47%

Precious Metals 1.95%



Gold	1.76%
Silver	0.19%

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*“Did you know R&B has introduced new
quarterly performance reports?”*

“Has the market turmoil left you feeling numb?”

“Where in the world is the Marcus family?”

“Learn how to skip paying sticker price for college.”

Find Out More Inside...