



A Bumpy Road to Financial Success

by **Andrew Mohrmann, Financial Planning Associate**

Recent market volatility has been enough to cause even the most disciplined investors to question whether they have the stomach to handle the ups and downs of the equity markets. All too often, however, investors let their emotions stand in the way of making sound financial decisions.

Investors are rewarded for enduring risk and today's markets face no shortage of uncertainty. The VIX index**, which measures market volatility, is floating at near double its 21 year historical average of 20.4. Unemployment in the US is still hovering around 9% and the political landscape is as divided as ever. Both the US and Europe face sovereign debt crises as leaders in both regions attempt to balance tax and spending issues in order to balance their budgets. To that end, Standard & Poors downgraded the U.S. credit rating from AAA to AA+ last quarter. These were all contributing factors to the 3rd quarter 2011 market performance which was the worst quarter experienced since the 2008 credit crisis and is still very fresh in the minds of investors.

However, this uncertainty is why long-term investors have been rewarded historically for bearing risk. What the near future holds for markets, no one knows; this is the very nature of risk. However, history shows that **long term positive returns are the sum of short term volatility**. Even during periods when investors were rewarded with nice returns, there was only one certainty along the way—it was a bumpy ride. Consider the following examples:

- From January 1970 through August of 2011 the annualized compound return of the S&P 500*** was 9.78%. Yet, over 38% (192 of 500) of the months in this period had negative returns.
- Over the same period, the MSCI EAFE** index had an annualized return of 9.12%, yet over 40% of the monthly returns (201 of 500) were again negative.
- In April of 1999, the S&P 500*** monthly return was 3.9%. Yet, of 21 trading days that month, 10 offered negative returns.
- In 1999, the S&P 500*** annual return was 21%. However, there were 5 months of the year when the total return was negative.
- In 2010, the S&P 500*** offered investors a nice annual return of 15.06%. However, there were 4 months in which returns were negative, including a 7.99% loss in the month of May.

If the equity markets had no risk, long term returns surely would not have been as consistently positive as we've seen throughout history. Those who react to short term market moves and make emotional decisions will enter and exit the market at precisely the wrong times. They buy in times of irrational exuberance, like the technology or housing bubbles of the past decade and sell at times of widespread fear and panic, such as 2008's credit scare. This is essentially buying at a premium and selling in a fire sale—exactly the opposite of what most investors are trying to accomplish.

As Plancorp clients, rest assured that you are equipped with a well-defined, disciplined plan which includes the use of rebalancing to buy stocks during the "sales" and sell during times of unbridled optimism when prices are high.

We refuse to be worked into a panic by the talking heads predicting the next apocalypse or, conversely, the frenzy by those forecasting a market with no ceiling. Ultimately, this means Plancorp clients stand a much better chance of reaching their goals. Together, we will look back on the times of increased volatility and high market anxiety, such as those being experienced today, as mere blips on your road to financial success.

NEW RETIREMENT PLAN REGULATIONS ON THE HORIZON

by **Susan Conrad, AIF® Vice President Retirement Plan Advisors**

The retirement plan landscape is always changing and seems to get more complicated. Whether you are an employer sponsoring a retirement plan or an employee participating in one, it is possible that you feel lost in the woods. The Department of Labor is stepping in with new fee disclosure regulations to clear the trail by providing both employers and employees with greater fee transparency.

Employee Disclosures

Employees will receive additional disclosure through ERISA Section 404(a)(5), which requires employers to disclose information about plan and investment costs to employees who direct their own investments. The new disclosure requirements, effective May 31, 2012, are designed to provide participants with enough information on a regular and periodic basis to allow them to make informed decisions when selecting and managing their investments. At the point of eligibility and annually thereafter, participants must receive information regarding the structure and mechanics of the plan, investment fees and historical performance and any fees that might be deducted from their account for plan or account management. Quarterly notifications must include the dollar amount of fees paid from their account. Participant's viewing plan fees for the first time will need help comparing the fees inside the plan to retail investment options and understanding tax advantages afforded to retirement plan contributions.

Participant notices are required to be provided to all eligible employees, not just those that choose to participate. There are also guidelines governing hard copy and electronic delivery that could significantly change how employers communicate plan related information to their employees.

Employer Disclosures

Disclosure to employers will improve when new disclosure rules under ERISA Section 408(b)(2) become effective April 1, 2012. The plan fiduciaries are required to ensure the reasonableness of fees and make decisions that are in the employees' best interest. The problem is that the information needed to make these decisions is often split into parts, buried in transactions or hidden in multiple contracts.

The 408(b)(2) regulations will require covered service providers to disclose comprehensive information about their fees and potential conflicts of

interest. Covered service providers can include the investment advisory firm, recordkeeper and Third Party Administrator.

Investment advisory firms will have to disclose the services that will be provided, compensation received and their fiduciary status. The compensation disclosure must include compensation from the plan and all other sources including revenue sharing from mutual fund companies.

The new regulations will also provide clarity regarding an advisors fiduciary position or lack thereof. If a broker or investment advisor's agreement states they are a fiduciary, it is very important to understand the type of fiduciary.

- An ERISA Section 3(38) investment manager accepts investment discretion allowing the plan fiduciaries to delegate their fiduciary responsibility for investment selection and monitoring. A 3(38) fiduciary can only be a bank, trust company or registered investment advisory (RIA) firm.
- An ERISA Section 3(21) fiduciary advisor simply makes recommendations. The employer retains the fiduciary responsibility and liability for the decisions.
- If the advisor's agreement does not reference a fiduciary position, he or she is not acting as a fiduciary which means the employer retains all the liability around investment selection and monitoring.

Employers should start preparing for the new disclosure requirements now.

1. Ask your service providers for their 408(b)(2) disclosures.
2. Re-evaluate the reasonableness of plan fees before the disclosure requirements become effective.
3. Use the 408(b)(2) information to compare fees and services with potential service providers.
4. Determine whether your investment advisor is an ERISA Section 3(38) investment manager thereby reducing your fiduciary liability.
5. Document every step to demonstrate a prudent fiduciary process.

Plancorp, as an independent registered investment advisor, guides employers through this process. We help clients limit their fiduciary liability regarding investment selection and monitoring and reduce expenses while increasing service and employee education. Contact a member of our team if you or someone you know needs help navigating the retirement plan landscape.

2011 YEAR TO DATE (9/30/11) RETURNS

(Including Dividends)

S&P 500®:	-8.68%
Russell 2000®:	-17.02%
MSCI® EAFE Equity:	-14.62%

** The S&P 500® Index is an unmanaged index comprised of the stock prices of the 500 stocks with the largest market capitalizations traded in the United States. The Russell 2000® Index is a market capitalization-weighted index that is designed to measure the performance of approximately 2,000 companies with market caps of less than \$3 billion, and is representative of the US small capitalization securities market. The Morgan Stanley Capital International (MSCI®) Europe, Australasia, Far East Index (EAFE) is an unmanaged market capitalization-weighted index designed to represent the performance of developed stock markets outside the United States and Canada. These indices do not reflect the deduction of any fees or expenses. The VIX Chicago Board Options Exchange (CBOE) Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500® index options. This volatility is meant to be forward looking and is calculated from both calls and puts.

PLANCORP CONTINUES TO GROW: NEW ASSOCIATES & NEW CLIENT CONFERENCE CENTER

The summer has been a busy time for Plancorp. To continue to provide for the service needs of our clients, we have added three associates and have expanded the St. Louis office into new space. Dubbed the "Client Conference

Center", the expansion encompasses five new conference rooms and the ability to host meetings of up to twenty participants. It is located directly across the lobby from the building's entry door. Betsy Derringer, our receptionist, has relocated to the new space. All client meetings will be held in the Client Conference Center, while the original space will be used for internal meetings and training sessions. Just a reminder, our Open House of the Client Conference Center is on Wednesday, November 9, 2011, 5:30 p.m. to 8:00 p.m. We look forward to seeing you then and giving you a personal tour.

Joan (Joni) Green has joined Plancorp as a Client Service Representative, with responsibility for facilitating your relationship with Charles Schwab and Fidelity Investments. Joni has worked in a similar capacity for a brokerage firm and another investment advisor in St. Louis County. Her son is a senior at Mizzou and her daughter a senior at Pacific High School. As if that were not enough, Joni is hosting an exchange high school student from Venezuela this semester. Joni and Katie Buckner, our other Client Service Representative, are available to help you with account opening, money transfers and other cashing and account maintenance functions related to your accounts. Feel free to call them directly with your requests of this kind.

Theresa (Tracy) Haden joined Plancorp following her recent graduation from the University of Missouri in Columbia, where she earned dual degrees (Magna Cum Laude) in business administration and international studies. A native of Kansas City, Tracy moved to St. Louis and applied for the position after learning about Plancorp from our website. Proficient in Spanish, Tracy enjoys travel, personal fitness and spectator sports. She will be working as a Planning Associate with the Wealth Management team.

Stacie Turner has taken the newly created position of Investment and Research Associate. Originally from Iowa, she had been working as a financial analyst for the City of Overland since her graduation (Cum Laude) from St. Louis University with a degree in finance in 2010. In her new position with Plancorp, Stacie will work closely with the Wealth Managers to regularly review the asset allocations in client portfolios and recommend trades necessary to perform rebalancing according to protocols established by the Investment Committee. In addition, she will help to maintain the various internal databases that support our trading, portfolio management, and contact relationship management software, as well as assist in research of various investment strategies, both real and hypothetical.

We look forward to the opportunity to introduce you to the three newest members of the Plancorp family.

RETIREMENT PLAN SEMINAR, NOVEMBER 15, 2011

"THE RETIREMENT PLAN TREADMILL" will be presented by Susan Conrad, AIF®, Vice President Retirement Plan Advisors, on Tuesday, November 15, 2011, 8:00 a.m. to 10:00 a.m., at Marriott St. Louis West.

New regulations effective April 1, 2012 will improve fee disclosure for employers sponsoring corporate retirement plans and employees that participate. The new information will require employers to reevaluate their current fees and services and significantly increase disclosure requirements to employees. This seminar will review the new regulations and provide an action plan employers and those working with employers should execute now. Recent research results will also be presented to identify plan design features that can optimize plan performance.

Please RSVP to Betsy (636) 532-7824 or Betsy@Plancorp.com. (This seminar has been approved for 2 hours of CPA Continuing Education Credit.)