



presented by  Financial Architects, Inc.

TIMELINES



Winter 2008/2009

“Timing Is Everything”



Well, pretty important anyway.

The title of my last TimeLines column was “Can You?” as in “can you afford to retire.” Well, whatever your answer was in July I’ll bet it has changed a bit as we enter the new year. As I write this the DOW has just finished the worst one year period in its history! October 2008 was brutal on equities and bonds alike.



I cannot recall a time in the 32 years that I have been in this business when the value of having a plan and a planning process was more obvious. The contrast from 1976 is startling. Generally speaking, in 1976:

- There were roughly 250 mutual funds.
- You had to check the *Detroit News* Sunday edition to get closing prices on mutual funds.
- The 401-(k) did not exist.
- IRA’s had been authorized but I did not have any client that used one.
- The DOW Jones was in the middle of a ten year period of yuck! From 1970 thru the end of 1979, the actual total return was 0.12%! For the decade!
- And the average savings rate per capita was almost 8%.

Today we have over 14,000 mutual funds and people are checking the balances daily. We have so many versions of 401-(k)’s and IRA’s that we have a manual here at FAI just to keep things straight in the advisors mind! Oh, and the savings rate per capita? It is a negative number. With all of the products

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Diversification

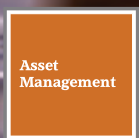
As October and November 2008 have concluded, the market has experienced the most rapid, surprising decline imaginable. And it was not just the stock market, but most asset classes were affected. Unlike the dot com era of the late 1990’s, there seemed no place to hide these past few months, other than money markets. To this end, we have been increasing cash positions as a way to cushion on the downside, with timing being very difficult. When viewing investment portfolios from the Micro-economic point of view, as our management team is forced to do, it can appear that our long term plans and even shorter term income can be put in serious jeopardy. If the Micro-economic investment perspective was our only perspective, this fear and grave concern would likely be a reality.



However, those of you that have engaged with Financial Architects as a Macro Planning client, have the benefit of a different perspective. Intuitively, we know that for any of us to be in a position of financial strength and flexibility, we must coordinate and integrate all of our major financial decisions. This planning process encourages a view from the 30,000 foot level, getting away from all the micro noise we are hearing everywhere. Just as diversification is needed in portfolio assets, this same diversification is needed in the overall plan as well.

One glaring example is the existence of a permanent death benefit through owning substantial amounts of permanent Whole Life insurance throughout retirement. This asset, while maintaining a position of strength at the heart of an effective long term plan, allows us a different look at the markets and the economy. The investment portfolios that have seen declines in value can still be relied on for current income in our retirement years because the retiree has the “permission” to spend principal knowing that at death, the insurance benefit will replace the portfolio with tax free proceeds. This allows the surviving

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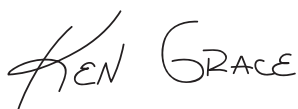
we can buy (mutual funds, IRA's, 401-(k)'s, online brokerage) along with books and DVD's from self proclaimed experts, we find ourselves saying this over and over again: the critical factor in having long term financial success has more to do with the process you follow than in the products you buy.

Process: A natural phenomenon marked by gradual changes that lead toward a particular result. A series of actions or operations conducting to an end. Merriam-Webster Online Dictionary. 2008. Merriam-Webster Online. 1 December 2008 www.merriam-webster.com/dictionary/process

As a client of Financial Architects, Inc. you have been exposed to our commitment to “process over product”. I do not mean to minimize the importance of product selection here. I simply want to help us see it in its proper perspective.

Swing or Clubs? For example, do you think the key to Tiger Woods success lies in the brand of golf clubs he uses, or in the technique (process) he has mastered? While I am certain he has some pretty darn good clubs, he can play the game of golf because he has the swing perfected. He can play well with any set of clubs he happens to use.

Financial Architects, Inc. exists to help our clients develop and protect long term net worth while reducing exposure to overall risk. While the principles of the process remain constant, the ingredients need constant attention. Ingredients such as 401-(k) and mutual funds balances, home equity, money for college and vacations, cash values of life insurance and our estate planning documents Wills and Living Trusts need frequent attention. **Please call us at (888) 466-5453 to set up a review meeting with your advisor. As always, please email me at ken@financialarch.com with any comments, questions or suggestions on TIMELINES.**



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Mortgage Update

Interest rates do seem to be dropping on 30 year mortgages for homeowners who have sizeable equity in their home and excellent credit. But that segment of the market is dwindling.

Nationwide we are seeing what the impact of downsizing and job loss has had on home values. There have been purchases taking place by “investors” who see the sizeable drop in home values as a time to buy.

However, as those lower appraised values are listed in each community the rest of the properties fall in value as well.

Residential
Mortgages

So if you have always wanted to purchase rental real estate or believe you have a good portion of equity in your home call me, Jim Linenger, and let's see what your opportunities may be. **Call Jim Linenger at 248-482-3600 or email jim@financialarch.com for more information.**

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spouse to spend these dollars over another life expectancy. This powerful production of retirement income is the most important result, not just the size of an individual portfolio.

When this “permission” from the death benefit is present, the portfolio can be looked at in the proper perspective, knowing the current environment doesn't affect us as much as we might think. **To learn more about asset management, contact Chris Cousins at 248-482-3600 or email at chris@financialarch.com.**

News

Stull joins FAI Team

Nathan Stull recently joined the Financial Architects team as a financial advisor. He assists his clients through the macro-economic process by first understanding their life's dreams and desires.

His experience in working with high net worth clients in the areas of business planning, real estate and insurance allows him to effectively guide his Financial Architect clients through their planning initiatives.

Prior to joining the Financial Architects, Nathan founded STULL PLC, an estate planning law practice in Detroit.

In 1999, Nathan received his Doctor of Jurisprudence from the University of Michigan Law School and earned a Bachelors of Arts in Political Economy from Hillsdale College in 1996. He also currently holds Series 7, 63, 65, and life insurance licensing.

Nathan and his wife, Marvalinn, reside in Detroit with their four children; Autumn, Grant, Daniel and Broc. He enjoys reading to his children and being energized by participating in their numerous activities, which include dance, art, gymnastics, theatre, and various sports.