

VESTED INTEREST

NEWSLETTER OF THE WEALTH STRATEGIES GROUP AT CANANDAIGUA NATIONAL BANK & TRUST | SUMMER 2009

Maintaining your Financial Fitness during Turbulent Times



by James Terwilliger

These have been, and undoubtedly will continue to be in the near future, unsettling times. The comforting fact is that boom-and-bust market cycles have been with us since records have been kept. On a regular basis, the capital-market system drives itself into periods of excess, followed by periods of correction to re-achieve equilibrium.

What should we do to protect our financial wellbeing during these correction periods?

First, we need to understand what history has taught us - that up-and-down capital-market cycles are normal, that the long-term historical return on equities (stocks) is positive, and that the historical return exceeds inflation,

Second, we need to acknowledge what we can and cannot control. We cannot control the markets. We can control how we design and manage our personal financial strategies in a way that protects us from unnecessary risk and from ourselves in the form of emotions.

Easier said than done! Here are some suggestions:

Stick with your Plan

If you have a sound investment plan - one that has an appropriate stock/ fixed-income-cash allocation, is broadly-diversified, and reflects your investment time horizon, risk tolerance, and goals - the standard advice is to hold steady. Do not let concern lead to fear, which then can lead to panic. Selling equities to avoid further "paper" loss may be tempting, but it is allowing emotion to drive the investment strategy.

It is easy to establish a vicious cycle. For example, when is the best time to reinvest in equities following a bailout? History shows that market recoveries occur in short bursts. Folks who engage in such timing tend to feel comfortable re-entering the equities market only once a substantial recovery has been realized and sustained, thereby missing the major portion of the recovery.

Continue Regular Contributions

If you are in the pre-retirement accumulation phase of your financial life, continue to contribute regularly to your 401(k), IRA/Roth IRA, and other investment plans. Sure, markets may be down. But don't let that scare you. Low stock and stock fund prices mean that you are buying more shares for each contribution dollar.

This method of saving a fixed amount of money on a regular basis is called "dollar cost averaging". With it, your actual long-term cost per share becomes lower than your average cost per share. Yes, that sounds like double talk. But if you go through the math carefully, that is how the numbers work out.

Periodically Rebalance your Total Portfolio

Over time, various asset classes in your portfolio stray from their intended target percentages. Regular rebalancing, say, annually, will shift money from asset classes that have over-performed (on a relative basis) to those that have underperformed. This is a good example of "buying low" and "selling high" and ensures that your portfolio allocation stays true to its intended design.

Consider IRA-to-Roth IRA Conversion

Roth IRAs are tax-free savings vehicles. Subject to income limitations, it makes

sense under some circumstances to convert an existing IRA, or portion of an IRA, to a Roth IRA.

The downside is that income taxes generally must be paid on the conversion of IRA pre-tax dollars. However, if the IRA has lost significant value, now is an ideal time to consider a total or partial conversion at a relatively-low tax cost. Roth assets can then grow tax-free as the market recovers.

Review Other Key Aspects of your Financial Picture

Achieving and maintaining a healthy financial picture involves much more than the savings and investment pieces. Other key elements include cash flow management, insurance, taxes, and estate planning.

If you have a formal plan covering the above, now is a good time to update. If you do not have one, get one ...now. It is more important than ever, given these turbulent times, to develop your financial roadmap and use it to make future ongoing financial decisions.

Work with a Trusted Financial Advisor

Going it alone is always dangerous, particularly these days when it is easy to let emotions overcome reason, potentially subjecting you to irreversible, life-long financial damage. Seek out a knowledgeable professional who has your best interests at heart, not someone whose incentive is to sell you a product.

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Visit us online at www.CNBWealthStrategies.com

Save the Date!

Tune in!



Picnic with Us

CNB Optimum Club and Wealth Strategies Group Customer Picnic

Join us for food, fun, and entertainment on the beautiful grounds of Granger Homestead. While there, you can explore the Homestead, visit the Carriage Museum, and stroll the grounds.

August 19 • 11:30 a.m. - 1 p.m.

Granger Homestead • 295 North Main Street, Canandaigua

RSVP to 585-394-4260 ext. 0 by August 12

Ask the Experts

Tune in to News Radio 1180 WHAM to hear CNB on "Ask the Experts." You will hear our CERTIFIED FINANCIAL PLANNER™ professionals James Terwilliger, Jason Fitzgerald, Donna Cator and others - discuss a variety of personal finance topics that may interest you.

Sunday, July 26, 2009
8:00-9:00pm*

We invite you to call in and ask questions!
(585)222-1180



*Times may vary. Check the WHAM daily schedule.

2010 Travel Destinations: What do you think?

In keeping with our 20-plus-year tradition of offering escorted travel for our Canandaigua National Bank & Trust customers, we would like your input as to those destinations you would like to visit starting in 2010.

The following is a partial list of destinations that have been suggested. Please circle those of interest:

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|---------------------|---------------------------|---------|---|
| Caribbean Cruise | Trans-Atlantic Cruise | Ireland | Washington DC & historic area |
| Panama Canal Cruise | All-inclusive trips | Paris | Southern Charms & Robert Trent Jones Golf Trail |
| Alaskan Cruise | Local musical productions | London | Southern Coastal Tour |
| Mississippi Cruise | Mayan Riviera, Mexico | Aruba | Hawaii |

What other destinations would you be interested in visiting?

How many days would you like your trip to be?

Understanding that value means something different to everyone, please help us understand your price expectations (per person) for a seven-day, six-night trip:

2009 Optimum Travel

Branson

November 5-11, 2009 \$1,384 (per person; double occupancy)

Includes: Airfare, accommodations, transportation, travel insurance, breakfast, 5 dinners and show tickets!

Contact Arlene Stell to book your reservation: 585.554.3781 or stella1@frontiernet.net