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# my GUIDE

Quarterly Newsletter – Fall 2008

by Rob Davis, Creative Financial Partners

## 2008: To Do

Resolve to tackle the following items in the third quarter of 2008:

### Review and update your beneficiaries

Beneficiaries are the people that get your life insurance proceeds and certain retirement accounts when you die. Be sure you have correctly listed “primary” and “contingent beneficiaries on all of your accounts, and be sure they are up-to-date.

**Beware:** Naming minor children or individuals and/or trusts incorrectly could result in a delay in your intended beneficiary receiving assets. Worse yet, it could also mean costly attorney’s fees and time in court for your family if you don’t structure your beneficiary designations correctly.

Contact me for a complimentary review of your beneficiary designations. It only takes a few minutes!

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## HOT TOPIC: An Uncertain Market

**No doubt you’ve heard it lately... stories on the news about the market declining, high oil prices and low consumer sentiment. As an investor, it’s easy for it all to add up to an uneasy feeling in the pit of your stomach. You’ve probably even seen your investment accounts take a dip on your quarterly statements. Although there is nothing you can do to control the market, there are some things to think about that might be able to help control your worries and be better positioned in the future.**

### ❶ Don’t sit around and “do nothing.”

If you haven’t reviewed your investments in over a year, you need to do so. With recent market developments and the fact that the “rules have changed” on Wall Street, you need to be confident your investments are appropriately structured and diversified. Contact me for a free, independent investment review. We use independent, third-party research to evaluate the performance of each of your holdings and make sure they are in line with your investment objectives, risk tolerance and time horizon.

### ❷ Don’t make financial decisions based on emotion

According to a 2003 study by Dalbar, “Investment return is far more dependent on investment behavior than fund performance.” The study showed that mutual fund investors who held their investments were more successful than those who timed the markets.

But how can this be? Because many people “get in” an investment when they are happy with performance – usually this is when the market is high and performance has been strong. The same investor may “get out” of the investment at a bottom – when they feel uneasy about the economy or after their investment suffers bad short-term performance.

The term for this behavior is “market timing” and it’s a risky move. Many investors end up “buying high and selling low,” which is exactly what an investor doesn’t want to do!

### ❸ Consider buying more shares at a lower price

In the words of Warren Buffett, “I will tell you how to become rich. Be fearful when others are greedy. Be greedy when others are fearful.” That means buying when everyone else is afraid to.

A recent New York Times article<sup>1</sup> pointed out that bearish sentiment (individuals that believe the market will decline) has hit an all-time high. A whopping 55% of the people questioned in July expected the market to decline over the next 12 months. So why is this good news? Because, according to the article, each time bearish sentiment has exceeded 35% over the past 21 years, the market has done the opposite – and increased the following year by an average of 20.5%.

That’s certainly not a guarantee the markets will rise in the coming year, but if you were waiting for a good time to “get in,” now might be the time.

<sup>1</sup>“Could Bear Talk Be a Contrary Signal?” Published: August 2, 2008



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## **UNIT INVESTMENT TRUSTS: A unique investment option**

Unit investment trusts (UIT's) can be a great addition to an investor's portfolio. They are not "actively managed." That means a UIT typically buys a smaller number of stocks and holds them for a fixed amount of time. Where a traditional mutual fund might hold hundreds of stocks, a UIT might own 10 to 20 stocks or bonds.

### **What are the benefits?**

Typically, UITs will have lower expenses and operating costs than other investments. You also "know what you own" because the investment portfolio of a UIT generally is fixed, and investors know more or less what companies they are investing in. In fact, you can find the list of companies in the prospectus.

### **What are the drawbacks?**

Overall, UITs need more "babysitting" than other investments. Since UITs are focused and less diversified, they can also be more volatile. They also have a termination date,

so if you decide to hold the UIT its the entire period (usually at least 13 months, a few as long as 50 years or more) you need to decide to continue with the investment or change directions. Keep in mind that just because a UIT had excellent performance last year does not necessarily mean that it will duplicate that performance. For example, market conditions can change, and this year's winning UIT could be next year's loser.

### **Unit Investment Trusts**

If you have particular interests, but don't want to be exposed to the risk of investing in a single stock, consider a sector-specific UIT with a "basket" of stocks in a particular sector like:

- **Wind Power**
- **Health Care**
- **Brazil, Russia, India and China**
- **Alternative Energy**
- **Water and Utilities**
- **Solar Energy**
- **Tax-free Fixed Income**
- **Municipal Bonds**

## **Shield yourself from the market**

If the market fluctuations are just too much for you to handle, or you're at the stage in your life where you can't afford the ups and downs of market cycles, there are many strategies that can give you predictability.

Many of these strategies are via products offered by insurance companies, and you won't have access to them if you work with a broker or advisor that isn't appropriately licensed. Since we're an independent company, we can look at the "big picture" and decide what best fits your needs – no matter what company is offering it!

One way to balance your portfolio is to add fixed indexed annuities to your mix. These vehicles can give you a much needed "rudder" to move forward with your investment portfolio. They offer tax advantages and downside market protection that direct investments in the market just don't offer. That means even when the market takes a dip, your account balance could stay level or even earn a few percent<sup>†</sup>. These options weren't available a few years ago. Contact me to see if they are right for you.

*Before investing, carefully consider the investment objectives, risks, charges, expenses and other important information about the plan or investment. The information can be found in the official statement or prospectus. A copy can be obtained from my office. Please read it carefully before investing. <sup>†</sup>Income and account value guarantees regarding annuities are based on the claims-paying ability of the issuing company.*

# ***Is the recent rough ride in the stock market making you queasy?***



***Ask us about our portfolio of  
fixed products that provide  
income guarantees<sup>†</sup> and a  
guard against market risks.***

See the back page of this sheet for a hypothetical illustration of a popular fixed product and important disclosures about the product.

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<sup>†</sup>Guarantees based on the claims-paying ability of the issuing company.

# Take a look at what the *Aviva MultiChoice IncomeXtra*<sup>SM</sup> Fixed Indexed Annuity paired with the optional *LifetimePay*<sup>SM</sup> Plus Withdrawal Rider can do for YOUR retirement assets.

When you purchase *IncomeXtra*<sup>SM</sup> with \$100,000 of your retirement assets and pair it with *LifetimePay*<sup>SM</sup> Plus, your Income Account Value is **GUARANTEED** to grow at 7.2% Compound Annual Interest annually! The following chart shows **GUARANTEED** Income Account Values and **GUARANTEED** Annual Lifetime Income Withdrawals for 10 Years.



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Initial Premium: \$100,000

Minimum Guaranteed Compound Annual Interest in Income Account Value: 7.2%

*IncomeXtra*<sup>SM</sup> Premium Bonus: 10%

*Hypothetical Example*

*9.26%  
Guaranteed*

End of Year	Income Account Value Compound Annual Growth Rate	<i>IncomeXtra</i> <sup>SM</sup> Income Account Value*	Age When Income Payments Begin	Annual Lifetime Income Withdrawal Available
No Wait	NA	\$110,000	70	\$6,600
1	17.92%	\$117,920	71	\$7,075
2	12.43%	\$126,410	72	\$7,584
3	10.66%	\$135,511	73	\$8,130
4	9.78%	\$145,268	74	\$8,716
5	9.26%	\$155,727	75	\$10,122
6	8.91%	\$166,940	76	\$10,851
7	8.66%	\$178,960	77	\$11,632
8	8.48%	\$191,845	78	\$12,469
9	8.34%	\$205,658	79	\$13,367
10	8.22%	\$220,465	80	\$15,432

\*When electing *LifetimePay*<sup>SM</sup> Plus, an Income Account Value is established and serves as the basis for determining the amount of income available for *LifetimePay*<sup>SM</sup> Plus Withdrawals. The Income Account Value is guaranteed to grow at 7.2% compound interest per year prior to Rider Withdrawals. Anytime after Contract issue, and after attained age 50, you have access to these dollars under the Rider by electing income using the *LifetimePay*<sup>SM</sup> Plus Lifetime Income Withdrawals. This hypothetical example assumes no Withdrawals, no additional Premium and no restarts. The Income Account Value Compound Growth Rate consists of the 7.2% guaranteed growth and any applicable Premium Bonus.

This illustration is purely hypothetical and is not intended to predict the past or future activity. Once *LifetimePay*<sup>SM</sup> Plus Withdrawals begin, the Withdrawal percentage is locked in for life; income will not decrease and is guaranteed as long as there are no excess Withdrawals. Income payments cease if excess Withdrawals, Withdrawal Charges, or Market Value Adjustments reduce the Accumulated Value to zero. Excess Withdrawals cause future Withdrawals to be reduced on a pro rata basis. Indexed annuities are not registered securities or stock market investments and do not directly participate in any stock or equity investments. Taxable amounts withdrawn prior to 59 1/2 may be subject to a 10% IRS penalty in addition to ordinary income tax. Withdrawals in excess of the free amount are not credited with index interest for that term, may be subject to Withdrawal Charges and a Market Value Adjustment, may result in the loss of principal if taken during the first 10 years of the Contract. *LifetimePay*<sup>SM</sup> Plus [form MCAIRW (02/08) or state variation], an optional Rider for which an annual Premium is charged, and the *MultiChoice IncomeXtra*<sup>SM</sup> [form MCIX (01/08) or state variation], are issued by Aviva Life and Annuity Company, Des Moines, IA. Product features, limitations and availability vary by State; see the Product Disclosure for details. 08-1884 11732