



NORTHSTAR

FINANCIAL
PLANNING INC

APRIL 2009

603.216.9226

2009 Q1 Investment Letter

After a long cold snowy winter, the first signs of spring are upon us! There is something hopeful and energizing about spring in New England. In some regards, the world economies seem to be experiencing an early spring thaw of their own.

The process of healing our world economies, after a significant shock, is making slow but relatively solid progress. We believe that progress will continue throughout 2009, but not necessarily in a linear fashion. The economic recovery is not likely to be rapid, though significant portions of any stock market recovery may, eventually, be rapid. In this newsletter, we'll give examples of what we are doing in the areas of: model portfolios, client communication, and financial life planning to meet the challenges the financial crises have brought all investors.

The first quarter brought Northstar's investment committee together for its regular meeting to discuss philosophy and changes to model portfolios and the securities we hold. At the highest level, we discussed the active versus passive model which is grounded in the belief that there is efficiency and continued prosperity in the capital market system. At a more granular level, we evaluated asset class categories, weightings and the securities within Northstar model portfolios. Like any disciplined approach, our philosophy and many aspects of our investment strategy did not change. For example, our belief in the need for diversification across asset classes, including both foreign equities and foreign fixed income has not changed. Our belief in the efficiency of markets and the futility of market timing has not changed. Our belief and significant exposure to passive investing- with its inherent advantages in the form of low cost and low turnover- has only gotten stronger. We have made some minor adjustments to targets weightings and will be replacing a few of your mutual fund holdings. We will be incorporating these changes into your portfolio with our annual rebalancing.

We will be taking advantage of an opportunity that has come out of the financial crisis. The yields on lower tier investment grade corporate bonds are historically high when compared to other fixed income investments and may offer equity like returns with less risk. Specifically, the DFA Short Term Extended Market Fund is an example of this. The fund is focused exclusively on investment grade bonds, so we are not investing in "junk" bonds. We will be using this fund to replace a small portion of the equity allocation where clients have been hesitant to rebalance through buying more equity in the first half of this year.

If you have been brave enough to open your monthly statements, you know the market losses have been significant. The fact that diversification and fixed income



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exposure insulated you from the full brunt of the market losses provided little consolation for most.

It is important to recognize that you may be feeling a sense of loss and that a range of emotions, fear, shame and anger, usually follow. For most of our clients, a sense of control was lost in the financial crisis, and we feel that it is our job to help you get some sense of that back through sound financial planning and a focus on what is truly important in your life. Our meetings this year will focus on the unique characteristics of your financial life planning with a focus on the variables that Northstar and you are able to control. This process will help guide you to make the right decisions for you and your family for both the short and long term and put you back in the driver's seat.

Northstar's efforts to bring you timely, valuable, and interesting information led us to present two webinars during the first quarter of 2009. In total we had nearly half of our clients participate in at least one of the events. Some of the upcoming topics will include a town hall discussion on investments led by Sean. We will also offer a discussion led by a licensed and experienced money therapist/coach Irene Tomkinson on how people are feeling about their life and money. Future webinars and newsletters will include tax planning strategies as rates increase to counter the looming budget deficit and the impact of changes to Medicare and Social Security on your planning. We would like to continue to improve the content and format by providing an engaging forum for both your concerns and interests. We welcome your comments and suggestions regarding topics you would enjoy learning more about.

Orion Portfolio Performance Reporting

We have completed our conversion to Orion and you will be receiving Orion reports in your next reporting period in July. We are in the process of enabling web access to your account through this system. If you are a current user of web access, you will automatically be sent directions in the next few weeks to get your account information at Orion. If you have not had access or did not want access in the past and now do, please contact Tina and she will get you set up.

Please call if you have and questions.

Warmest Regards,

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