



2011 Quarterly Client Letter

Your Money and Your Life

If you stop and think about it, it's curious that the common expression is "your money *or* your life." For most of us, for most of our lives, the far more common challenge isn't having to choose one or the other; it's in figuring out how to bring them closer together. How do you synchronize your money *and* your life?

As we hit the refresh button on another calendar year, now is as good a time as any to reflect on that question, and what these last few years have meant to you and your financial goals. The biggest take-home is that the alignment you seek is best achieved by making your life, not your money, the determining factor in decisions that affect your financial well-being.

Let's explore this concept a little further in light of recent events.

Financial Transitions

The last three years have clearly represented "interesting" times in our markets and economies, haven't they? As you no doubt remember, 2008 witnessed a world financial crisis. Even after our financial system resumed relative normalcy, we have continued to experience disquieting financial news. Several European countries are struggling with high debt and serious economic woes. Closer to home, we felt the aftershocks of a one-day Flash Crash last spring and likewise are facing difficult questions related to our own deficit amidst a major shift in the political climate. During most of the period, investor sentiment frowned on stocks in favor of perceived "safe harbor" investments. For example, according to Morningstar, retail equity fund flows were a negative \$414 billion during the 36 months ending in November 2010, with \$132 billion of these outflows occurring during the last 12 months of that period.¹ Then, the mood abruptly shifted, at least temporarily, and early December 2010 saw a mass exodus from bond funds in the face of rumors and speculations about expected future interest rates.

There's no telling which way the winds will be blowing by the time you're reading this letter, nor whether the stampede will continue, abate or reverse direction. That's how it goes for those willing to allow continual economic uncertainty and the whims of the market to push them around when it comes to their personal investment decisions.

You deserve — and can expect to achieve — better than that. The first step is backward, so you can view the big picture. Yes, the markets plunged a sickening 40 percent in 2008. But afterward, they continued to perform as markets are expected to perform, providing long-term premiums for those who remained steadfastly invested in stocks in general, and in riskier stocks in particular. For example, in 2009, the markets as a whole were up over 40 percent from March–August. Looking at 2010 annual returns, US large value stocks were up 16.10 percent; emerging market stocks yielded a satisfying 19.2 percent; and most markedly, small company stocks rose an eye-popping 26.85 percent.²

In other words, if you had taken the financial equivalent of a Rip Van Winkle nap between 2008 and today, you'd be awakening to an investment portfolio that has ultimately stayed in alignment with the wealth accumulation we helped you plan right from the beginning.

Notice the significant difference in the way we help you think about your wealth. Compare it against what you see going on in the popular press. Instead of enticing you to react to today's biggest, most exciting headlines, we want you to focus on your own portfolio, and how it's been custom-built to reflect your own investment plan. In light of the continual uncertainties of our world, we think that's a lot saner way to go.

¹ Morningstar, US and international retail equity fund flows.

² Russell 1000 Value Index, Eafe Emerging Markets Index, Russell 2000 Index

Personal Transitions

When we helped you build your Northstar portfolio, we deliberately planned to capture greater or lesser amounts of market risk in accordance with the individual goals you'd set for yourself and your family. Because, in the end, expected market returns are the flip side of the market risk coin, even in light of risk that was as severe as that felt in 2008. Its levels of risk, not the economy that drives your future expected returns.

So when you became a Northstar client, we planned accordingly. Were you primarily risk-averse by nature or need? Then it made sense to tilt your portfolio toward holdings that were valued more for stability than for likely growth. On the other hand, if you needed to accumulate significant additional wealth to achieve your personal goals — *and* you felt you could tolerate the associated risk — then we tilted your portfolio toward riskier investments (dampening the risk through diversification) and their higher expected returns.

Building from this solid base, if you haven't done so recently, today is an excellent time to consider you and yours in a refreshing new light. After all, isn't that what new years are for? Regardless of global events, chances are good that events in your own life have continued to expand and evolve as well. You may have welcomed or mourned the loss of beloved family members, experienced a dramatic career change, faced a healthcare challenge, or reached an emotional milestone such as retirement or sending the kids off to college.

Have you let us know about these important events? Our ongoing mission at Northstar is to provide you with the coaching, strategies and solutions you need to successfully address your money *and* your life. That's why we call it financial life planning, not financial planning. Take a few moments to consider: Do the most recent assumptions we made about your long-term goals remain accurate today? Has anything changed in your personal circumstances that might warrant adjustments to your portfolio? If so, don't hesitate to be in touch; we want to be a part of your transitions.

Northstar Transitions

Speaking of annual reflections, we wanted to remind you about several enhancements here at Northstar that began in 2010 and continue into the New Year. We are excited that **Kristina George**, who joined our team last summer, has now fully transitioned out of her tax practice, allowing her to focus exclusively on assisting you with your comprehensive financial life planning needs. And our year-end physical move to a **new address** fulfills one of Robin Young's personal lifelong dreams to own her own office space.

Last but not least, we are particularly excited to be launching our new **Women, Meaning & Money®** coaching program, a nationally acclaimed year-long path to help women move past their personal barriers, and gain confidence and control in their financial lives. To explore whether the program might be a good fit for you or someone you know, we hope you will join us at our complimentary introductory reception on **Tuesday, January 18, 2011, 1 pm–3 pm or 4 pm–6 pm**. You can visit our new office space at the same time — and bring your friends or family along with you!

Warmest Regards,



Robin and your Northstar Team