

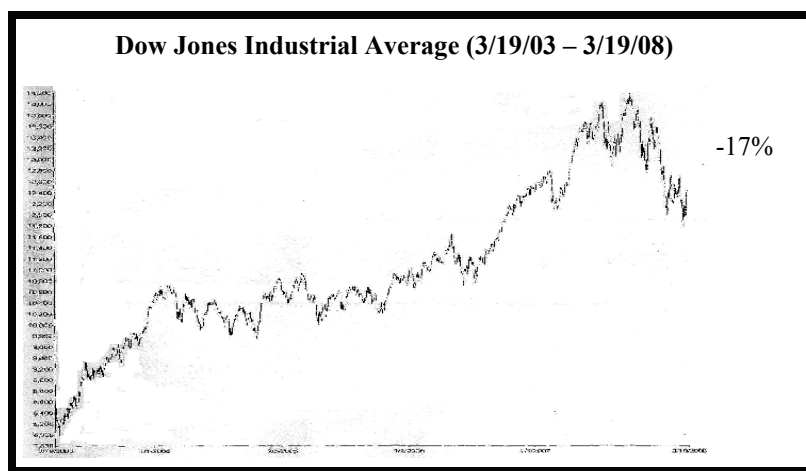
the BENE^{DICT} BRIEF

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Let's check in with our BRAIN!

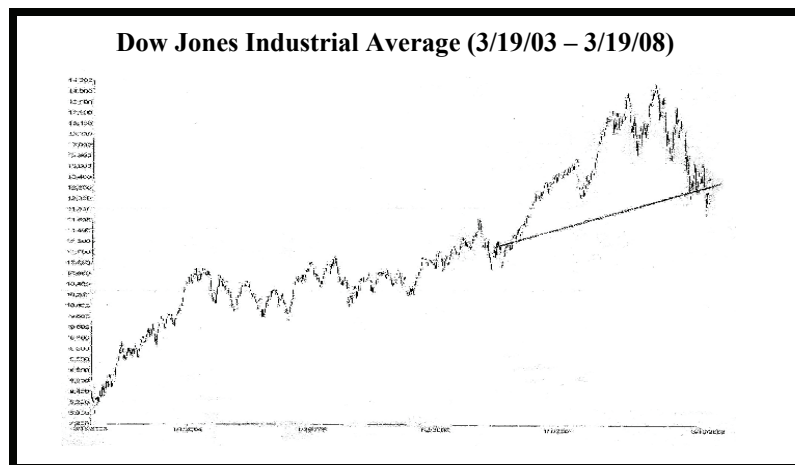
A critical factor to investing successfully is simply understanding how our brain works. As we write this, the financial markets are in very turbulent times. You have obviously seen or heard comparisons to the 1930's to 1987 - and all sorts of other pending doom.

Let's see if we can use this current situation as a mini case-study in how the brain works in this area. First, look at Chart #1, [moneycentral.msn.com] which shows the last five years of the Dow Jones Industrial Average¹ (Dow). The decline from the very peak in October of last year to yesterday's close was a decline of about 17%. That may not sound like as much as is being talked about on television, but a seventeen percent decline is significant. If you had one million dollars invested in the Dow (not actually possible, but for our illustration we will assume that it is possible), your "loss" during that period would have been about \$170,000...not an insignificant amount. This period hasn't felt good to most people.



Now, let's see how our brain works. Look at Chart #2, which is the same chart except we've drawn a straight line from the March 2006 value to the March 2008 value. To us, that doesn't look bad at all. In other words, if we could have sat around a table in March 2006 and known that we would have to endure all the financial headlines that have inundated us the last several months and had to put up with the inane babble of a Presidential election **and** knew back then that the Dow would be at today's level, many of us would have been quite pleased.

Do you get it? The event that is causing us great psychological discomfort is as much the roaring market of late 2006 and into 2007 as much as the decline since last October.



This exercise isn't supposed to make you feel better about your current account value. But, do stop and think for a minute about how you would feel about today's account values if we had gotten to where we are via the route on Chart #2 instead of Chart #1. A lot of psychological comfort and distress from investing is in our own mind.

¹The Dow Jones Industrial Average is an unmanaged index that cannot be invested into directly.

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