



The PHYSICIAN'S *Personal* ADVISORY®

EXCLUSIVE ADVICE ON FINANCIAL, INVESTMENT AND OTHER ASPECTS OF THE SUCCESSFUL PHYSICIAN'S PERSONAL LIFE

Investing

What to expect in 2002

Experts paint a hopeful picture

Take anyone who tells you he or she knows precisely what the financial landscape will look like during the coming year with the largest grain of salt you can find. We agree with financial advisor Carl Camp, CFP,¹ who asserts that “forecasting returns for the short run is basically impossible.” Of course, the events of September 11 and its aftermath make predicting the investment future a trickier proposition than usual.

Still, getting sense of what the future may hold from financial experts can help you tailor your portfolio as 2002 arrives. So we sampled the thoughts of financial advisors from various parts of the country.

In 2002, Fullerton, CA-based Camp expects a return of 10% for stocks and perhaps a bit less than 6% for bonds—about in line with historical averages. His keys to achieving reasonable returns:

- Don't shoot for unreasonable results.
- Stay well-diversified *among* asset classes. In other words, in stocks have a mixture of value and growth stocks, international and U.S. stocks, large- and small-cap stocks.

Patience and realistic expectations are probably the most critical factors for investment success.

Taking a longer-term view, expect a more modest return on stocks and bonds during this decade, says Hawaii-based **Harry G. Kasanow, CFP.**² He looks for returns of 7% annually for stocks, 4% to 5% annually for bonds and 2% to 3% annually for cash. These estimates, he notes, are based on the work of Jeremy Siegel from the University of Pennsylvania's Wharton School and coauthor of *Stocks for the Long Run*.

More immediately, **Kasanow** estimates that small- and mid-cap stocks will rebound the most as we come out of the recession in the third and fourth quarter. Here are his model portfolios for 2002:

Aggressive Growth

- **20% Bonds**
 - Intermediate-term corporate, government and municipal bonds for taxable accounts
- **80% Equities**
 - 25% Large-cap growth and value
 - 20% Small-cap growth and value
 - 20% Mid-cap growth and value
 - 15% International growth and value

Moderate Growth

- **30% Bonds**
 - Same as above
- **70% Equities**
 - 20% Small-cap growth and value
 - 20% Mid-cap growth and value
 - 15% International growth and value
 - 15% Large-cap growth and value

Watch bonds and bond funds as the Fed starts to raise rates during 2002 and 2003.


Patience has its rewards

As a physician, you're probably more patient than the typical investor. “Patience and realistic expectations are probably the most critical factors for investment success” notes Utah-based Patrick Christensen, MBA, CPA, CFP.³

With a diversified portfolio, you might expect a return of about 9%, he suggests. You must invest in stocks. “As long as you’re a buyer and long-term investor, you can take advantage of a falling market.” From 1925 to 2002, he notes, larger-company stocks gained an average of 11% per year.

Boyer draws a parallel between the Iraqi conflict and today’s war against terrorism. He notes that the market went 50% from October 31,

1990, to December 31, 1001 (the air assault on Iraq began in January 1991).

The volatility of equities simply represents the price you pay for their higher returns, he suggests. “Don’t let the fear factor destroy your financial future.” 

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