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Fairfield County, CT | **Leading Wealth Advisor**

LLBH Private Wealth Management LLC
Kevin Burns, Partner, Bill Loftus, Partner
Bill Lomas, CFP®, CIMA®, CRPC®, Partner
Jim Pratt-Heaney, CIMA®, Partner

"How do I survive the catastrophe du jour?"

By Jim Pratt-Heaney

You wake up early and turn on the television. The Middle East is imploding, gas hits $4 a gallon, a major earthquake strikes Japan, followed quickly by a tsunami killing thousands. Dow futures are down 280 points, Japanese stocks have lost 10 percent of their value overnight, and the talking heads are jabbering excitedly. And this is before you even have your coffee.

Is this the start of another recession before we have even exited the economic collapse of 2008? Is inflation rearing its ugly head? What should I do with my investments? My safe municipal bonds are now making headlines and have become less liquid; stocks that have finally come out of the decade-long swoon are just starting to feel better, and now this?

A historical perspective might be helpful here. Looking back, the Russian economic meltdown and Long Term Capital implosion were big market-moving events. So were 9/11, the subprime crisis, the two Gulf wars, and the Internet bubble, to name a few. While each event, especially given the current saturation of cable television's 24-hour coverage, can be very scary and seem to be "the worst ever," our response as advisors to wealthy families has remained consistent and is as relevant today as it has been in the dozens of high-profile, market-moving tragedies of the past decades.

Principle one: Have a family blueprint in writing, showing how your assets are optimally positioned to meet your short-, intermediate- and long-term goals. LLBH's "Family Goals Based Planning" article in the August/September 2010 issue of *Worth* is available at llbhpwm.com.

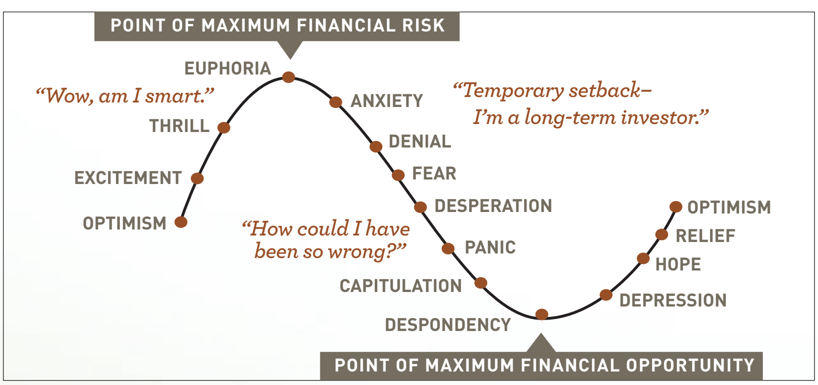
Principle two: Rebalance your investment assets by risk category, asset class and management style. After major moves in various asset classes it is important to rebalance to your target allocation. If stocks are supposed to be 35 percent of your portfolio and drop to 30 percent in stressful times, have the discipline to increase that asset class to meet your family plan. In the same way, you should be reducing stocks in great markets when they rise to 40 percent of the portfolio versus the plan's 35 percent target. We typically recommend rebalancing annually, but in very volatile environments you should do so more often.

Principle three: Remain calm. Well-prepared investors should have plenty of liquidity in very safe, cashlike instruments to sustain their current lifestyle for a minimum of a year and perhaps as much as 10, depending on personal objectives and risk tolerances.

SET EMOTIONS ASIDE

Why do investors typically underperform an index? Assuming an appropriate asset allocation plan is in place (diversification in styles, geography and managers and appropriate weightings for each security), what is the dominant problem for most investors? Emotion.

Robert Schiller wrote in the 2003 edition of the *Journal of Economic Perspectives* that market bubbles are caused in large part by the irrational exuberance exhibited in the mass psychology of investors. Individuals process feedback from recent events, which in turn causes systematic biases in their judgment of future events. With the onset of more information and media, Schiller argues that markets may become more volatile as investors respond to world events and adopt strategies that are either too optimistic or pessimistic.

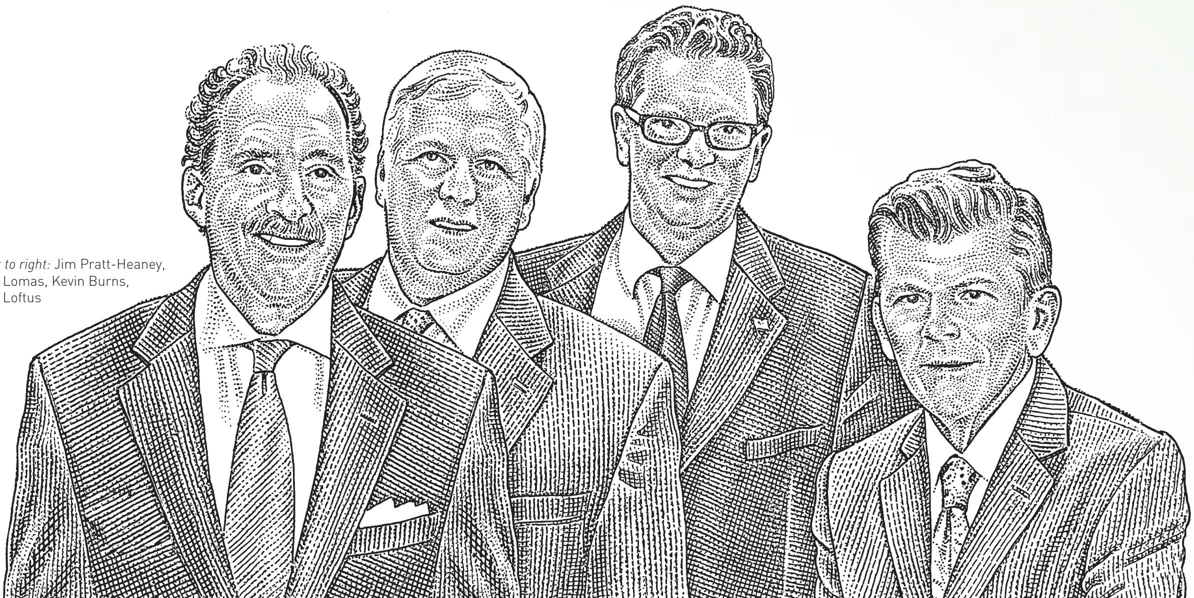


"Is this the start of another recession before we have even exited the economic collapse of 2008?"

– Jim Pratt-Heaney

How to reach Jim Pratt-Heaney

I look forward to discussing how I can help you reach your financial goals. I can be reached directly at 800.700.5524.



Left to right: Jim Pratt-Heaney, Bill Lomas, Kevin Burns, Bill Loftus

About LLBH Private Wealth Management

After 15 years teaching, Jim Pratt-Heaney joined EF Hutton in 1986. He became a vice president at Smith Barney before moving to Merrill Lynch in 1998. He is a Certified Investment Manager Analyst and leads LLBH's asset management. Bill Lomas started with PaineWebber in 1981, spent 18 years as a senior vice president at Prudential Securities and Smith Barney and joined Merrill Lynch in 1998. Mr. Lomas, a Certified Financial Planner™ and Chartered Retirement Planning Counselor℠, leads LLBH's holistic investment planning process. Kevin Burns, whose career began at PaineWebber in 1981, became a senior vice president at Oppenheimer & Co. and Smith Barney before joining Merrill Lynch in 2000. He leads LLBH's new client asset acquisition and client service and contact operation. In 1986, Bill Loftus joined Merrill Lynch and then spent 10 years as a senior vice president at Smith Barney before returning to Merrill Lynch in 1998. He leads LLBH's corporate executive advanced wealth planning, lending and alternative investments.

Assets Under Management
$750 million (team)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
$10 million (for investment services)

Largest Client Net Worth
$500 million

Financial Services Experience
120 years (combined)

Compensation Method
Asset-based

Primary Custodian for Investor Assets Pershing

Professional Services Provided
Planning, investment advisory, money management, advanced wealth transfer planning and corporate services

Association Memberships
Investment Management Consultants Association

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