January 2, 2004

Dear clients,

Happy New Year to all!!! Well it has taken several years but finally we have completed the latest cycle of bull market to bear market and back to bull again. What does this mean for 2004? If you regularly read my quarterly letter you already know my answer. By the way, a complete history of the quarterly letters can be accessed from the homepage of my website at www.foxfinancialservices.com.

As I was reviewing these archived letters to transfer to the site, it struck me that a good idea might be to create my own "top ten" list of money management and investing ideas. These ideas are timeless and relevant no matter whether we are in an up, down, or sideways market. This list might not be as entertaining as a David Letterman one, but nevertheless I hope you will find it thought provoking. Here goes:

1. Your behavior, and not the market's, is the key to you realizing genuine long-term investment success. This point can't be emphasized more strongly. Of course your portfolio's bottom line value will gyrate with market movements, but how much you put in or take out, and the mix and quality of investments you maintain over time, are far more important determinants of your success.
2. Diversification is one of the rare "free lunches" still left. There is nothing magical here. Reducing risk, while at the same time not necessarily giving up return, is appropriate for all of us.
3. "Beating the market" is not an appropriate or responsible goal for the long-term retirement oriented investor. Determine a relevant benchmark, and if your returns are not keeping up, make changes.
4. Control costs. There is enormous competition in the marketplace today for your investment dollars. One effective way to capitalize on this competition is to choose a low-cost option from the dozens, if not hundreds, of extremely similar investment choices available. This is a rare "sure thing."
5. Don't spend your energy trying to "time the market." Financial markets are far too efficient for this approach to consistently work. Also, if you do engage in market timing, remember you have to make two good decisions each time and not just one. This is too tough a game to consistently win.
6. Make sure you are plan driven and not product driven. A product driven approach usually leads to creation of an eclectic mix of investments which may or may not be suitable, whereas construction of a plan driven portfolio, will create a complementary mix of investments that will work well for you.
7. Be patient and keep a level head during bear markets. Albeit it's not easy to ride-out and endure a bear market when 50% or more of your portfolio is backpedaling, but if your investments have been made as part of a well thought out long-term plan, it is almost always appropriate to look to hold, or even buy more, but **not** to sell, quality securities during tumultuous times.
8. Don't correlate periods of spectacular investment returns with an increase in skill and/or knowledge on the part of the investor or advisor. Remember, a rising tide lifts all boats. When is the last time you heard the term "day trader?" Where did they all go?
9. Less is often more for the long-term investor. Excessive trading in a portfolio rarely does any good but frequently can do serious and irreparable harm. Resist the urge to react to the news du jour.
10. Your long-term portfolio should bore you. Save the roller-coaster ride for the amusement park. Feelings about your portfolio should be the same whether markets are up or down. Think of your investments as loyal, devoted, and trustworthy friends who always want the best for you.

Thanks everyone! I hope you find these "top ten" ideas helpful. Be well and be good to your money!!

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