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Celebrating
20 Years!

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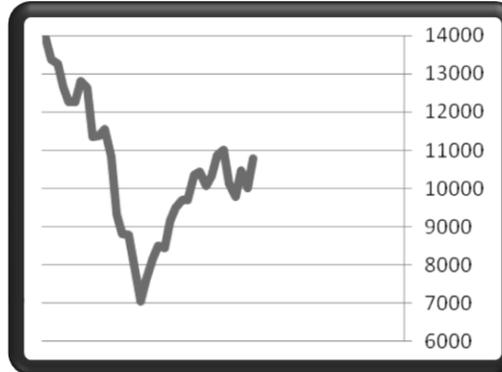
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Investment Directions

Fall 2010

Human Nature

Have you noticed it is hard to do what we know we should do? Successful investing is like that too. Intellectually we know what we should do but emotions or other motivations get in the way and we may want to do something else.



may even have a history of going up in value but they can go down as well.

Bank deposits, government bonds, corporate bonds and loans to deadbeat relatives are all examples of loaning. The interest we earn may be meager or marvelous and the chances we will get

our investment back when the loan ends may be solid or slim.

Retirement Made Uneasy

Actuaries say a non-smoking couple age 62 have a joint-life expectancy of 30 years -- they expect one of the two will live to be 92 years old.

That is a startling statistic. If that couple retired at age 62 they would have to plan for 30 years of food, clothing and housing. Not to mention doctor visits, utility payments, automobiles and the chance that at least some of these items may increase in cost over the decades.

So what is a potential retiree to do? Simple: first, save for the future and second, arrange for an income that will last for life and increase over time.

Choices, Choices, Choices

Ok, so that is not so simple. When we invest we have to choose between owning and loaning. Should we buy something and hope that it goes up in value, or loan our money out and earn interest on it?

Stocks, gold, real estate and a collection of mint condition beanie babies are all examples of owning. All have the potential to go up in value, they

What we should do

Recent stock market gyrations have caused many to fear ownership-type investing. Some have gotten entirely out of stocks. In my opinion the fear of a single devastating event like the great depression is overblown. It is possible but unlikely. More likely in my view is the resurgence of inflation and our potential inability to buy what we need in year ten or twenty of retirement.

Investing for retirement is a long-term proposition. In my opinion, what most people should do is to invest for some growth potential and arrange for dividend or other income that may increase over time. Bonds and other loans have their place and many financial product companies offer hybrids that help, but I believe it is time to face our fears and embrace ownership both before and during retirement.

Chart Data Source: Historical stock prices provided by CSI, Inc. Dow Jones Industrial Average monthly prices (Sep. 2007 to Oct. 2010). The DJIA is an unmanaged index of 30 stocks which does not accommodate direct investment. Past performance does not guarantee future results.



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**Life lessons by
Regina Brett, cancer survivor**

"Life is not fair but it is still good."

"When in doubt just take the next small step."

"Life is too short to waste time hating anyone."

"You don't have to win every argument."

"Cry with someone. It is more healing than crying alone."

"Save for retirement starting with your first paycheck."

"Believe in miracles."

Josh Nicholls Returns!

Josh Nicholls now graduated from Brigham Young University and married has returned to Compass Advisors.

He brings expertise in technology as his degree is in Information Systems and we have already seen improvements in our computer processes and systems. We hope you will have a chance to speak to Josh in the near future.

"Oh no, I totally understand. I was in the middle of a successful acting career when the accounting bug bit me too..."



"It's ok to let your children see you cry."

"Take a deep breath. It calms the mind."

"Get rid of anything that isn't useful, beautiful or joyful."

"When it comes to going after what you love in life, don't take no for an answer."

"Always choose life."

"Forgive everyone everything."

"What other people think of you is none of your business."

LET'S TALK ABOUT...

SAILING THROUGH ELECTIONS

One reason we care about changes in our government is because what our representatives do may impact our investments. Following our most recent election I believe we can expect a few changes which may impact how we invest.

Gridlock

Anticipate gridlock. I don't expect significant legislation to pass from either the right or the left. Wall Street will likely feel quite good about the lack of change, gridlock may be good for stock prices.

Taxes

It is decision time on taxes. The current congress is faced with a big decision by year end: should the Bush tax cuts be extended, allowed to end, or something in between? I believe we'll get a temporary extension and some relief on estate taxes. Wall Street may like this too.

Regulation

The executive branch still holds the reins of regulation even if legislation is stymied. We may see changes in the rules for banks and mortgage lenders, the environment, big business and immigration. Wall Street traditionally does



not respond well to increased government regulation but the devil will be in the details.

Inflation

If the economy improves we may see the resurgence of

inflation. Economists have been predicting this for some time. Cynics would say it is the only way to pay back the national debt – by using inflated future dollars. In the short term Wall Street may react negatively to inflation.

Our Response

So what is an investor to do? Using a sailing analogy I would say set a prudent course, mind the sails and have a steady hand. When storms come we adjust our rigging and sail on; seasoned sailors expect the sun and stars will eventually return.

Aboard at a Ship's Helm By Walt Whitman

Aboard, at a ship's helm,
A young steersman, steering with care.

A bell through fog on a sea-coast dolefully ringing,
An ocean-bell--O a warning bell, rock'd by the waves.

O you give good notice indeed, you bell by the sea-reefs ringing,
Ringing, ringing, to warn the ship from its wreck-place.

For, as on the alert, O steersman, you mind the bell's admonition,
The bows turn,--the freighted ship, tacking,
speeds away under her gray sails,
The beautiful and noble ship, with all her precious wealth,
speeds away gaily and safe.

But O the ship, the immortal ship! O ship aboard the ship!
O ship of the body--ship of the soul--voyaging, voyaging, voyaging.



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New Tools for New Times

Those Were the Days!

My how the years can change things! Back in 1982 Microsoft was not yet publicly traded, M*A*S*H was on TV, ET was in the theaters and a \$1,000 computer

which could store ten typewritten pages was named Time Magazine's man of the year.

In the 8/14/82 issue of the Seattle Times, a 4-bedroom home with a view of the sound was advertised for \$100,000 and banks were promising rates over 11% on three-month cd's and were still losing deposits.

On a more familiar note, the Mariners were ten games back of the California Angels and a month later a computer geek came up with the emoticon to express how we feel about that :-(-.

Anticipating Change

1982 was less than 30 years ago yet the changes seem monumental. It would be hard to predict what changes might happen in the next three decades but chances are pretty good many of us will be around to find out. Ready or not the world is changing; of those two choices I prefer ready.

In thirty years I do not expect to work for Spacely Sprockets like George Jetson or have a robotic maid named Rosie but I hope to be buying groceries, paying bills and living comfortably. I suspect that will require some investments on my part.

A Plan

Having a plan helps us avoid having an attack. When unexpected events occur a plan helps us deal with them and move forward rather than panic and freeze. Personally, my investment plan does not rely

heavily on predicting socio-economic changes or technological advances; I just have no

accurate way of forecasting them.

Instead I plan to create what seems to me to be a prudent

investment plan and stick with it. I expect to make adjustments to my plan as events unfold, I may even get surprised occasionally but I intend to stick to my plan. What I don't plan to do is put all my cash in a coffee can or fall off my saddle reaching for a brass ring. A good plan is not built on greed or fear, a good plan is built on saving for the future and wise investment choices.



"That fabled institution called the Dow Jones Industrial Index, which monitors the stockbeat of 30 major corporations, ended eight straight losing sessions in a massive way, leaping 11.13 points to end the week at 788.05 up 3.71."

Greg Heberlein,
Seattle Times Economy section
August 14, 1982.

