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Investment Directions

Winter 2008

Three Pictures, Three Points.

POINT ONE: Time matters. The charts at right illustrate that the Dow Jones Industrial Average is down over the past 5 months but up over the past 5 years and significantly up over the past 50 years.

In answer to the common question “Are we making money or losing money?” I answer “Yes.” When calculating gains or losses, time matters and I recommend focusing on the longer term.

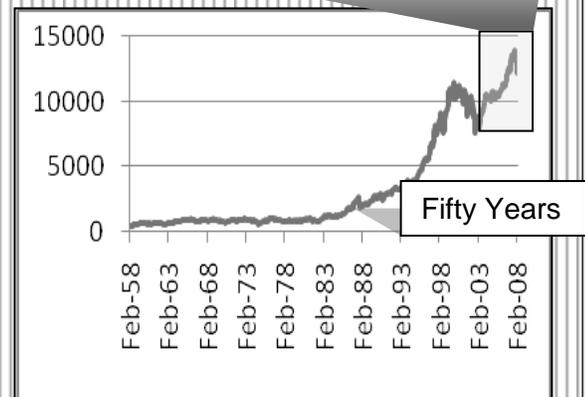
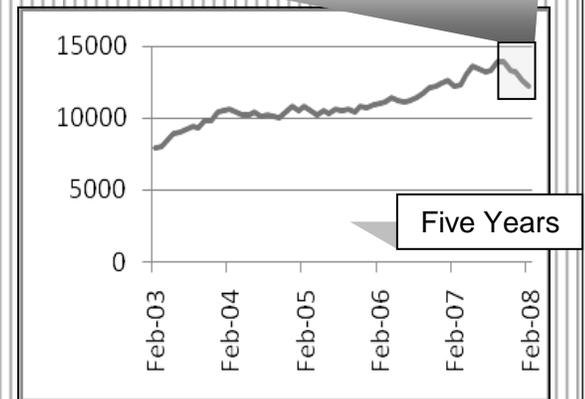
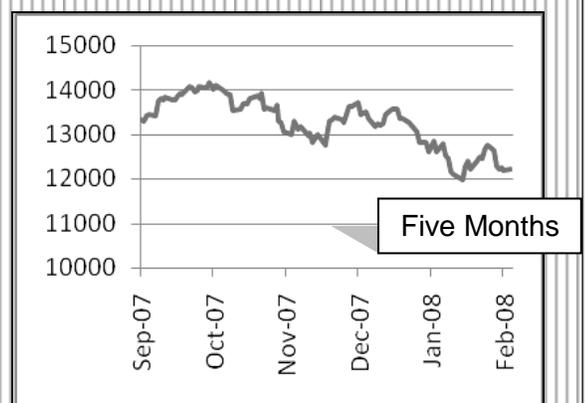
POINT TWO: Perception can differ from reality. If you watch too closely, minute by minute or hour by hour, volatility may *seem* much greater.

We don’t usually consider the price of a loaf of bread to be volatile but if we had a Bread News Network, with BNN news anchors providing earnest commentary and on-site reporters dramatically covering each delivery and price change at stores around the globe, we might get genuinely worried. I recommend you relax and have a sandwich.

POINT THREE: Recessions are rare. A modest downturn does not indicate serious calamity. We have endured much worse and come out fine.

Housing prices have gone soft, credit is harder to get and the price of a barrel of oil has remained stubbornly high but Disney is still reporting record earnings. In my experience most folks do not pay to have their name written in sparkly letters on funny hats with their last paycheck. I recommend a Zen approach: find your inner investor and ponder earnings as lotus blossoms... ok, I have no idea what Zen is but I think it has something to do with patience.

On October 19, 1987 the Dow Jones Industrial Average fell over 20% in a single day. Three days later the CEO of Bear Stearns & Co., a prestigious Wall Street firm, was asked about the implications of “Black Monday.” His wise response was “Stocks fluctuate. Next question.”



Source: CSI, Inc., Media General Financial Services. Data shown is for the Dow Jones Industrial Average for the periods ended 2/11/2008. The Dow Jones Industrial Average is an index of 30 blue chip U.S. Stocks. Past performance does not guarantee future performance. All indices are unmanaged. It is not possible to invest in an index.



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political wrt and wisdom

We hang the petty thieves and appoint
the great ones to public office.

Aesop

The ballot is stronger than the bullet.

Abraham Lincoln

A politician is a statesman who
approaches every question with an open
mouth.

Adlai Stevenson

A politician should have three hats. One
for throwing into the ring, one for talking
through, and one for pulling rabbits out of
if elected.

Carl Sandberg

When I entered politics, I took the only
downward turn you could take from
journalism.

Jim Hightower

Ninety-eight percent of the adults in this
country are decent, hardworking, honest
Americans. It's the other lousy two
percent that get all the publicity. But
then, we elected them.

Lily Tomlin

The price of apathy towards public affairs
is to be ruled by evil men.

Plato

I love a dog. He does nothing for political
reasons.

Will Rogers



Upcoming competition

Brittany, our Director of Document
Digitalization, will dance at a National
Youth Ballroom competition in March at
Brigham Young University. Her
team will perform standard and latin
formation dances. Good luck Brittany!



Simplifying ... your ... Life

Most of us have a recessive organization gene. We have a hard time putting things in proper order and throwing things away. Occasionally we need to look around us and assess our “stuff.”

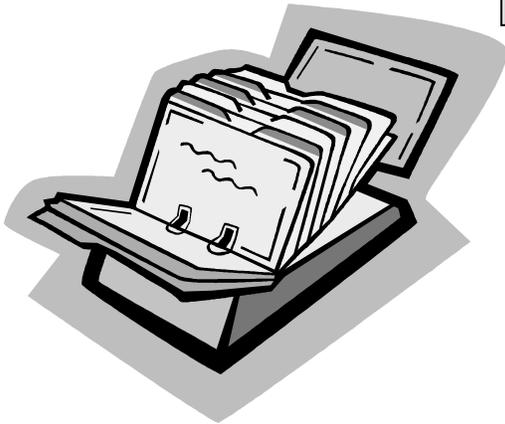
If you have stuff gathering dust, stuff in storage and stuff cluttering countertops or even floor space, you are not alone.

The problem is clutter can distract and even depress you. The good news is you don't have to be burdened with it!

Simplifying your life can uplift, cheer and motivate you. You might find you have more room, more time and more focus. You could feel free!

I recommend you lighten your load in a three-step process:

- 1- Reduce what you keep,
- 2- Identify what is valuable,
- 3- Get rid of the rest.



Reducing What You Keep

I once heard of an ancient Chinese test to determine the sanity of an individual. A person is shown a stream of water flowing into a stagnant pond. He is given a bucket and asked to drain the pond. If he first dams the inflow to the pond, he is adjudged sane. If, on the other hand, he ignores the

inflow and tries to empty the pond bucket by bucket, he is considered insane.

If our goal is simplicity and organization, we must first stop adding to the pile. Since we can't keep and remember everything we need to prioritize. I find the following ideas to be helpful:

Organizational Tips

- 1. Handle each piece of paper once.**
- 2. Have a place for everything you keep.**
- 3. Organize: calendar items on a calendar, tasks on a to-do list, etc.**
- 4. Recycle or throw things away.**

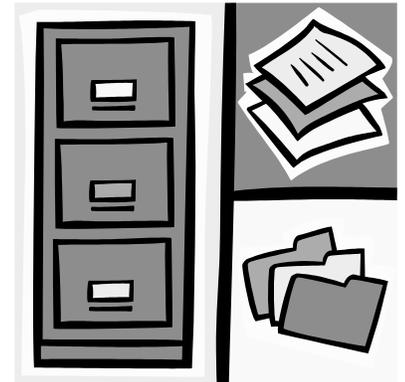
Identifying What is Valuable and Acting

This process requires judgment. I ask myself: What do I *need* to keep? What do I *want* to keep? What about all the other stuff?

Some of that other stuff would be useful and valuable to others and in our family we give that stuff to family members or to a local charity.

My wife has explained to me that some of that other stuff is junk. She has a keen ability to discern such things. I regularly take trips to the local dump and I admit I have to box up some of the stuff to avoid bringing it home again.

I have never seen a hearse with a trailer hitch, I realize that I will



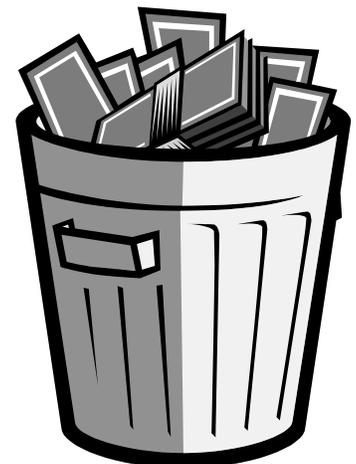
be leaving my stuff behind when I go, but it is still hard.

I am ok with throwing away the jar of specialty olives we got for Christmas three years ago and electric bills from 1997 but that old computer just seems like it might be useful someday...

At some point in our lives we come to the realization that life is not about acquiring stuff. I believe he who dies with the most *JOY* wins.

Order is a lovely thing;
On disarray it lays its wing,
Teaching simplicity to sing.
--Anna Hempstead Branch

You might start with today's mail, or a pile or a whole room. It may take some courage but it may also lighten a burden you didn't notice you were carrying.





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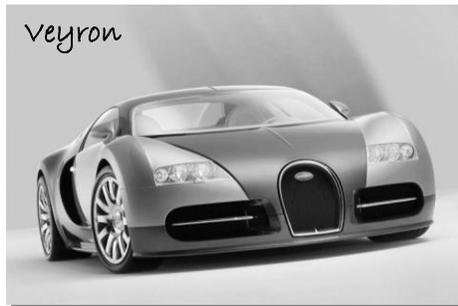
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Investments in securities
involve risks, results cannot
be guaranteed.*

CHART ◆ NAVIGATE ◆ ARRIVE

Strategies You Can Use

Tailoring Your Investment Portfolio to You

With its 1,001 horsepower, the Bugatti Veyron is the fastest production car in America. It has been tested to a top speed of



252 miles per hour and the list price starts at \$1.5 million.

A Corvette Z06 on the other hand tops out at about 198 miles per hour and costs around \$70,000. That is less than 1/20th the cost of the Bugatti.



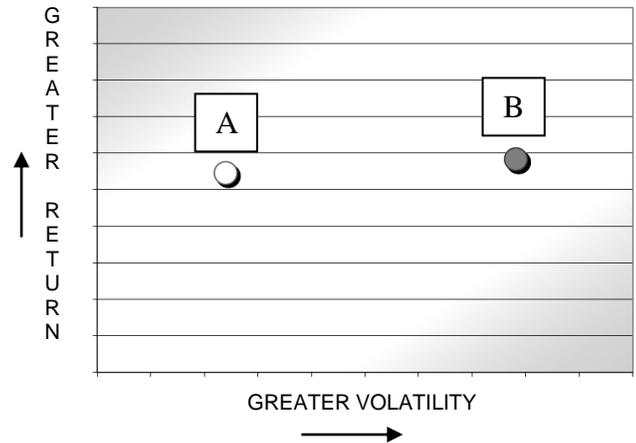
If speed were the only consideration, the Bugatti would be a top seller but it is not. Dozens of Corvettes are sold for each Bugatti produced. Economists would say buyers are doing a cost/benefit analysis and favoring the Corvette.

Weighing Investment Choices

Wise investors weigh costs and benefits too. The cost of an investment may be considered to be the potential uncertainty of the investment; the benefit may be the potential for return.

We all like to get great returns but how much volatility do we have to endure to get a shot at those returns?

The chart below illustrates this point. Investment A is a 3-index mix, investment B is a stock index. The chart shows average annual returns and volatility over the past ten years.



Both the stock index and the 3-Index balance have similar returns as measured on the left scale but the stock index experienced more than three times the volatility as measured by the bottom scale.

Just as smart car buyers do not focus on speed and ignore price, wise investors should consider both return and volatility.

In the end it comes down to personal preference: some folks do buy Bugatti's and some investors choose B over A. The key is to make an informed choice.

Return is the mean annual return, volatility is measured by standard deviation. Source: Morningstar Principia. A= 1/3 each of the S&P 500 stock index, the Lehman Brother's Aggregate bond index and the 3-month treasury bill index. Mean return for the ten years ended 12/31/2007 5.47%; standard deviation for the same period 4.80%. B=S&P 500 stock index for the ten years ended 12/31/2007. Mean return for the ten years ended 12/31/2007 5.91%; standard deviation 14.72%. You cannot invest directly in an index and past performance does not guarantee future performance.