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# News from the Hill

## An Open Letter to Our Clients

### Thoughts from the Hill

Happy New Year! Thank you for your business and trust throughout the year. Since 2008 proved to be difficult for investors, no one quite knew what to expect in 2009. After a slow start, we began to see positive indicators of an economic recovery. In light of that, I thought it might be worthwhile to briefly summarize where we've been, the prospects for the period ahead and also highlight some lessons from last year.

### Where we have been

The year 2009 was one of those that reminded us what a roller coaster the stock market can be, and also of the dangers of conventional thinking.



After the collapse in global markets last fall and the resulting pummeling taken by stock markets around the world, the consensus in January was that the worst was behind us. That was a sharp reminder of the danger of conventional thinking. By early March, the market was down by 25%.\*

At that point, the consensus shifted and there was growing sentiment that we might be entering a long period of economic stagnation; we heard respected economic forecasters talk about a one in five chance of another great depression. Wrong again. It was precisely at this point that the coordinated stimulus spending by governments around the world finally had a impact and we began seeing signs of an economic recovery. From the markets bottom on March 9 to the end of November, global markets were up by 50% to 65%.\* Thus, 2009 proved that we should always remember it's impossible to predict short-term market movements.

\*As measured by the S&P 500.



### Six lessons from the last 18 months

1. We were reminded of just how volatile stocks can be.
2. The importance of true diversification.\*\*
3. Many investors discovered that they're less comfortable with risk and volatility in their portfolio than they had previously believed.
4. Investors were also reminded of the need to focus on what they can control, understanding cash needs, and

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## Yes, Virginia, There is a Santa Claus

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Eight-year-old Virginia O'Hanlon wrote a letter to the editor of New York's *Sun*, and the quick response was printed as an unsigned editorial Sept. 21, 1897. The work of veteran newsman Francis Pharcellus Church has since become history's most reprinted newspaper editorial, appearing in part or in dozens of languages in books, movies, and other editorials, and on posters and stamps. The following is Virginia's letter and Francis's response.

"DEAR EDITOR: I am 8 years old."

"Some of my little friends say there is no Santa Claus."

"Papa says, 'If you see it in THE SUN it's so.' "

"Please tell me the truth; is there a Santa Claus?"

"VIRGINIA O'HANLON."

"115 WEST NINETY-FIFTH STREET."

VIRGINIA, your little friends are wrong. They have been affected

by the skepticism of a skeptical age. They do not believe except (what) they see. They think that nothing can be which is not comprehensible by their little minds. All minds, Virginia, whether they be men's or children's, are little. In this great universe of ours man is a mere insect, an ant, in his intellect, as compared with the boundless world about him, as measured by the intelligence capable of grasping the whole truth and knowledge.

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## An Open Letter Continued

**"I am cautiously optimistic that the financial climate will continue to improve."**

thinking through how much risk they can live with to fund those needs.

5. As a result of the above, investors began to rethink their retirement plans.

Finally, we were reminded that in today's world we need to expect the unexpected.

### The Outlook Going Forward

So what is the outlook going forward? After conducting research and looking at what our analysts' are projecting, I am cautiously optimistic that the financial climate will continue to improve. As an example, last August "Business Week" ran a cover story called "The case for optimism." The premise: beyond the issues facing the global economy, there are many underlying positives that give cause for optimism if we look out two or three years and beyond. The article pointed out that there are

things happening under the surface that will drive economic growth. Some of the examples that the article pointed out were the positive impact of technology, the recovering housing market, and the energy from the developing world's middle class.

### Our Approach

While my team and I spend a great deal of time focusing on the



big picture, the most important issue is how we adapt that view to each client's individual portfolio. As an example, for older clients we have always been believers in

maintaining conservative, balanced portfolios. We believe that stance helped our clients during the worst of the decline in 2008 and early last year. Overall, we are constantly looking for opportunities to realign portfolios to try to give our clients the best trade off between risk and return.

Over the past while, I've talked to most clients about their portfolios. If I missed you for some reason, or if you would like to discuss your investments in more detail, I am always delighted to have that conversation.

We look forward to continuing to work with you in 2010 to ensure you have the portfolio that is right for you, and thank you again for your continued support. As always, my team and I are available to talk about any questions that you may have.

Happy New Year,  
Terry Hill

\*\*Diversification does not ensure a profit or protect against loss.

## Just for Fun!



"We become what we repeatedly do. Excellence then, is not an act, but a habit"-

**Aristotle**

"Look at this window: it is nothing but a hole in the wall, but because of it the whole room is full of light. So when the faculties are empty, the heart is full of light."-

**Chuang Tzu**

A "jiffy" is an actual unit of time for 1/100th of a second.

The New York Stock Exchange started as a coffee shop.

Coca-Cola was the first soft drink to be consumed in outer space.

Spinach consumption in the U.S. rose 33% after the Pop-eye comic strip became a hit in 1931.

Former NBA All-star Michael Jordan was cut from his high school basketball team in his sophomore year.

"You can have everything you want in life if you'll just help enough other people get what they want." -

**Zig Ziglar**

"Along with success comes a reputation for wisdom."-

**Euripides**

"Success is getting what you want; happiness is wanting what you get."-

**Dale Carnegie**

"Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved."-

**Winston Churchill**



## Yes, Virginia Continued

Yes, VIRGINIA, there is a Santa Claus. He exists as certainly as love and generosity and devotion still exist, and you know that they abound and give to your life its highest beauty and joy. Alas! How dreary would be the world if there were no Santa Claus. It would be as dreary as if there were no VIRGINIAS. There would be no childlike faith then, no poetry, no romance to make tolerable this existence. We should have no enjoyment, except in the sense of sight. The eternal light with which childhood fills the world would be extinguished. Not believe in Santa Claus! You might as well not believe in fairies!

You might get your papa to hire men to watch in all the chimneys on

Christmas Eve to catch Santa Claus, but even if they did not see Santa Claus coming down, what would that prove? Nobody sees Santa Claus, but that is no sign that there is no Santa Claus. The most real things in the world are those that neither children nor men can see. Did you ever see fairies dancing on the lawn? Of course not, but that's no proof that they are not there. Nobody can conceive or imagine all the wonders there are unseen and unseeable in the world.

You may tear apart the baby's rattle and see what makes the noise inside, but there is a veil covering the the unseen world which not the strongest man, nor even the united strength of

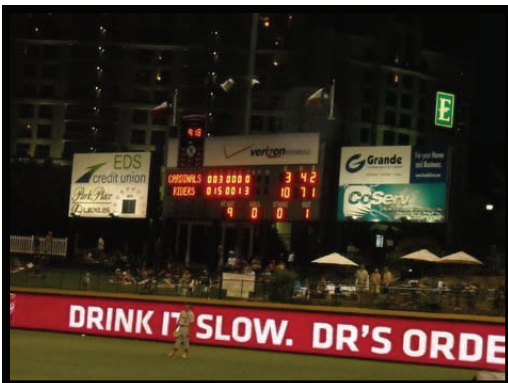
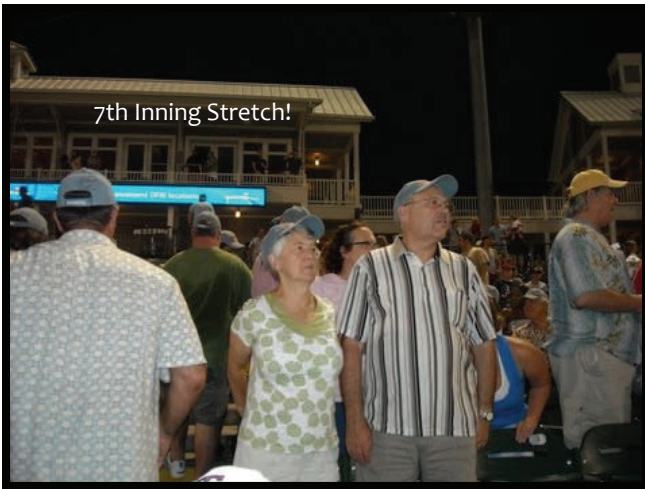
all the strongest men that ever lived, could tear apart. Only faith, fancy, poetry, love, romance, can push aside that curtain and view and picture the supernatural beauty and glory beyond. Is it all real? Ah, VIRGINIA, in all this world there is nothing else real and abiding.

No Santa Claus! Thank God! He lives, and he lives forever. A thousand years from now, VIRGINIA, nay, then times then thousand years from now, he will continue to make glad the heart of childhood.



## Ball Game 2009

On a very warm July evening, Terry Hill & Associates, clients and friends attended the Frisco Roughriders baseball game and watched their victory over the Springfield Cardinals.



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**Please take a moment to visit our new website if you have not done so yet!**

**[www.TerryLHill.com](http://www.TerryLHill.com)**

**Located on the website is useful information as well as a copy of this newsletter. If anyone you know would like for us to send them a copy of this newsletter, please let us know.**

## **NEW GUIDELINES FOR ROTH IRA'S BEGINNING IN 2010**

Beginning January 1, 2010, there is no longer a \$100,000 income limit for Roth IRA conversions. For some people, this might be a good opportunity to convert an existing Traditional IRA into a Roth if it is cost-effective to make the switch. There are many options with this new guideline, and for those who apply, a partial conversion might be appropriate (conversion amounts are generally taxable). Some of the benefits of a Roth IRA is that Roth IRAs allow you to withdraw contributions at any time. However, earnings may be subject to a 10% IRA penalty if withdrawn prior to age 59 1/2. Earnings may also be subject to taxes if withdrawn prior to age 59 1/2 or if withdrawn before 5 years. Another benefit of having a Roth IRA is that owners of Roth IRAs never need to take Required Minimum Distributions (RMDs). There are also some tax incentives that come with having a Roth and might be favorable depending on your needs and the needs of your family. With this in mind, it is best to speak with us so we may guide you with the most suitable advice and plan of action for your current situation. It is important you talk to your



tax advisor to discuss whether this is appropriate given your tax situation. Always remember that even if switching to a Roth IRA doesn't fit your needs, coming in for a review is important because that allows us to introduce you to new strategies that may be appropriate for you and your situation. If

you have any questions about the new Roth guidelines or would like for Terry to go into more detail, please feel free to give us a call. Also, it is portfolio review time again! This would be a perfect time to discuss Roth IRA conversions so please call us if you would like to schedule a review or discuss any questions that you may have.