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FOCUS
Finance:
Your Money

Quarter-century of ups, downs

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On Oct. 19, 1987, Mark Redfield was one year out of Grand Valley State University with a finance degree, working as a financial advisor. It would be another three years before he launched his own company in downtown Grand Rapids, Redfield Financial Group, but first he was in store for more education.

On that day — Black Monday — stock markets began crashing in Hong Kong and then Europe, then the United States. The Dow Jones Industrial Average dropped by 508 points to 1,738 — a drop in value of more than 22 percent.

"You get a perspective after 25 years," said Redfield.

Today, Redfield Financial Group serves about 230 clients, mostly in West Michigan, from Kalamazoo to as far north as Traverse City. When the firm started in 1990, Vicki Favreau was the office manager — and she still is. The support staff now numbers four, including Nicolle Rumsey, and RFG manages assets of about $120 million, with three financial advisors, counting Redfield himself. One of those advisors, Dave Teroller, has been with RFG for 21 years. The third advisor is Scott Nicholson.

"We work as a team," said Redfield. "That's pretty key."

Redfield is also one of the principals of Wealth Advisory Group, which has 50 advisors working in other states. He is a registered representative of INVEST Financial Corp., a member of FINRA/SIPC. Securities are offered through INVEST and advisory services are offered through INVEST and Capital Asset Advisory Service LLC.

A native of Manistee, Redfield's first job in the industry was at Zuilhof & Associates, located in the Commerce Building, where he also learned about insurance. After five years, Henry Zuilhof retired and "everybody kind of went their separate ways."

When Black Monday hit in 1987, Redfield had been steering clients into diversified portfolios that included asset classes not exposed to the stock sell-off.

"By the next morning, it was apparent that computer trading had oversold the market and created a buying opportunity," he said. Urging his clients to buy stocks the next day wasn't well received, but Redfield said it proved to be the right move, and by the end of that year, the markets had rebounded.

The dot-com bubble was the next big train wreck in the world of investment. Everybody was starting an Internet company, with the speculation from 1995 to 2000 pushing the Nasdaq to more than 5,000 in March 2000. Then came the crash; today, Nasdaq is trading at only about half that high point, according to Redfield.

While the run-up was underway, he said he kept rebalancing client portfolios, selling some stocks that had reached "unreasonable prices" and replacing them with value stocks and bonds. But some clients were dubious regarding Redfield's conservative approach.

"I vividly remember one client complaining that he was only up 22 percent one year," he said.

After the crash, he urged investments in depressed stocks available at bargain prices.

The attacks of Sept. 11 caused stock prices to fall and paralyzed the nation with fear.

"One of the money managers we used at the time was killed when the first plane flew into his window," said Redfield.

The 2008 real estate crash was "the only time in my career that just about every asset class lost significant value for a protracted period," he said. He advised clients to buy municipal bonds and bank loan funds at severely reduced prices — "70 and 80 cents on a dollar," he said.

Redfield

"All they had to do was mature, and they were paying a decent yield. So if the world didn't end, we were going to have some good profits in those positions without a lot of downside risk at that point.

"They did very well," he added.

"When we have these downturns and people want to jump, that's the best time to actually purchase the securities," he said.

In light of today's persistent volatility, Redfield urges investors to always remember that "this, too, shall pass."

"There's a tendency to believe that this time it's different, especially during investment climates that are either exceptionally favorable or poor," he said. "It's far wiser to stick to the proven principles of consistent investing, regular rebalancing and prudent diversification."

However, he noted that there has been a big change over the years. Twenty-five years ago, investors were pretty much limited to stocks, bonds, mutual funds and variable annuities. Now the options include exchange traded funds, low-cost institutional mutual funds and equity-indexed annuities. It's also easier now for investors to access commodities, precious metals, real estate and oil and gas programs, according to Redfield.

"Right now, it's the retirees that I feel for the most," he said, "because they're trying to live on dividends and interest rates, and each year those yields have fallen."

However, he noted that, lately, stock dividends have started to go up, "but if you're dealing with interest rates, obviously they have continued to stay very, very low, historically."

Federal Reserve Chairman Ben Bernanke's pledge to not raise interest rates until 2014 has pushed even more people out of bank CDs and money markets and into municipal bonds and bank loan funds, noted Redfield.

"I guess if you get down to it, to me it's all about the dividends," he said.

Since the first of the year, things have continued to take off in the stock market, he said.

Recently, he attended a seminar at which Professor Jeremy Siegel of the Wharton School at the University of Pennsylvania, and Craig Alexander, senior vice president and chief economist at TD Bank Financial Group, argued that stocks are a buy now, having low price-to-earnings ratios, "from a historical standpoint." The also agreed that the economy would probably grow about 2.5 percent this year.