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Obama and McCain vs. Investment Portfolios

Financial Pro Examines How Election Years Affect Investment Portfolios

ATLANTA, GA (October 2, 2008) – It’s an election year and while there’s plenty of speculation how the electoral votes will add up in the red states and blue states, many investors are wondering how the transition in the White House will impact their portfolios. According to independent financial professional Don Patrick, there’s ample analysis that gives investors clues about how the market will react as they and their friends, family and colleagues head to the polls.

“Most investors are shocked to discover that in the last 20 election years, excluding 2008, there have been only two years where the S&P 500 Index had a negative return,” says Patrick. “Those occurrences were in the 1940 election when Roosevelt faced Willkie and the S&P lost 9.8% and, more recently, in the 1988 contest between Bush and Dukakis when the S&P lost 9.1%.”

Patrick points to further research from Marshall D. Nickles, who writes for Pepperdine University’s Graziadio Business Report. “In Nickles’ report, he found that the market reacts to a new president taking office by taking an initial post-inaugural slide which is followed by strong performance,” says Patrick. In addition, Nickles found that in election cycles from 1941 through 2000 the stock market lows have occurred surprisingly close to mid-year congressional elections, or approximately two years before presidential elections. As such, Nickles found that investing on October 1st of the second year of a presidential term and selling on December 31st of year four netted the best portfolio returns.

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“What is clear is that investors have an appetite for this kind of analysis and that their need to identify patterns and cycles will persist,” says Patrick. “In fact, experts in the field of behavioral finance identify this harmful tendency as ‘oversimplification.’ That is, our desire to control our world leads us to identify patterns in purely random events. This false sense of reality can lead us to believe we know which way the market is going.

According to Patrick, the bottom line is that as interesting as the presidential cycle is to reflect on, it is not relevant to your investment decision making. “Should you make decisions based on election year market cycles? No. Should you make adjustments in your investment plan based on who wins the presidential election? Absolutely not. After all, like all theories, the presidential cycle has inconsistencies. For example, although we still have a few months for the market to pull ahead, the presidential cycle marks 2008 as an up year.”

Patrick believes that instead of spending time looking back at historical patterns investors should look ahead and attempt to project how the candidates’ stand on various issues might impact the economy. “There are clues that can help investors determine whether a candidate’s policies would affect the financial markets positively or negatively,” Patrick says. Patrick believes that low taxes favor investment and less government regulation is generally a positive for financial markets because it increases merger and acquisition activity. On the negative side, high budget deficits can crowd out private sector spending and protectionist policies generally erode the benefits of trade and can curb investment in the U.S. Of course, what may be more difficult to predict than the market’s reaction to the election is whether the presidential candidates will adhere to their campaign promises and which policy proposals would be adopted by Congress.

“The election cycle should have little to do with your investment strategy,” says Patrick. “However, if an investor has specific concerns, they should consult with a financial professional. Apart from that, investors should just sit tight, stay informed, enjoy the election analysis, and watch history unfold in the fall.”

About Don Patrick and Integrated Financial Group

Don Patrick, Managing Director of Integrated Financial Group in Atlanta, Georgia, has been serving clients as a financial advisor for over 26 years. Patrick earned his MBA from the University of

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Southern California. Undergraduate studies were completed at Loyola University Los Angeles in the areas of finance and economics. He served as a pilot in the U.S. Air Force, graduating first in his class. He is also a member of the Financial Planning Association, the nation's largest organization of professionals dedicated to championing the financial planning process. He has completed additional studies and passed a rigorous certification examination and is authorized to use the CFP® mark of distinction. Integrated Financial Group, an independent financial planning consortium of advisors, delivers practical, effective financial solutions aimed at addressing the long-term financial planning needs of their clients.

For five years listeners in south Florida relied on Patrick to deliver sound, accurate financial advice as co-host of a radio talk program. He taught financial planning at Georgia State, North Metro Technical College and Gwinnett Technical College. Listed in Who's Who of Investment Management Consultants, Patrick recently authored a book titled *Keep Your Nest Egg from Cracking – What You Need to Know*. He is also a regular contributor to numerous financial trade and consumer publications, including Wall Street Journal, Kiplinger's Retirement Report, New York Daily News, Investment News and Research magazine.

Visit www.integrated-financial-group.com for more information about Mr. Patrick and the consortium of advisors.

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