



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401K Plans

February 2010



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FINANCIAL PEACE OF MIND:

This is the first edition of our Newsletter. The past few years have been a time of exciting growth for our firm. We would like to take this opportunity, first, to tell you we have changed our name to Davenport Watts & Drake Investment Advisors, LLC to reflect that Hank Drake has become a co-manager of our firm. And, second, to introduce our entire team.

Tom S. (Sonny) Davenport graduated cum laude with a Bachelor of Science Degree in Accounting from Delta State University and has practiced as a CPA and financial advisor for over 40 years. He is the firm's Chief Investment Officer and chairs our Investment Advisory Team.

Jane Watts graduated with a Bachelor of Science Degree from Louisiana Tech University and has practiced as a Certified Financial Planner and financial advisor for over 15 years. She is a member of our Investment Advisory Team.

Hank Drake, CPA/PFS (Personal Financial Specialist) has a Master of Professional Accountancy Degree from Mississippi State University. He served as a Captain and pilot in the United States Air Force. He has practiced as a CPA and financial advisor for over 35 years. He is the firm's Chief Compliance Officer and is a member of our Investment Advisory Team.

Ellen Hazlewood has a Master of Professional Accountancy Degree from Mississippi State University and over 20 years of experience in financial services. She is a member of our Investment Advisory Team. Ellen directs the implementation of our investment strategies for both our individual clients and retirement plans.

Shelia Willis has a Bachelor of Science Degree from East Carolina University with over 20 years of experience in client services. She is our office manager and is responsible for maintaining client records and communications.

Linda Estes has over 35 years experience in client services. She is responsible for maintaining our Fidelity Investment accounts.

Suzie Pooley has a Bachelor of Science Degree in Accounting from Mississippi State University. She is responsible for maintaining our Retirement Plans.

Our goal is to provide financial peace of mind for our clients. We appreciate the confidence you show in us and thank you for your trust.

DAVENPORT WATTS & DRAKE

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Focusing on your future...

INVESTING PERSPECTIVES:

Investing is like flying an airplane. It's simple once you learn how to do it but it does take effort in the beginning to learn. Investing without understanding the basic principles of sound investing is like flying without any instruction—most likely you will crash and burn.

There are several basic principles that help form a sound investment plan. **Asset allocation** and **diversification** are the foundation stones of long-term investing. It is best to own different types of assets in various companies, industries, and even countries. In this way, you are not putting all your eggs in the same basket. Various types of investment assets are affected differently by the changing economy. By diversifying, you will smooth out the ride.

Periodically you must **rebalance** your portfolio by selling your winners and adding to your lesser performing assets. (Rebalancing is counter intuitive and psychologically hard to do. Most investors want to add to their winners and sell their losers).

By using **dollar-cost averaging** you can reduce your average cost of a particular asset. This is achieved by investing a set amount of money at regular intervals of time in a fluctuating asset. An example of this is the 401(k) plan.

Minimizing income taxation of your investment gains is very important. Long-term capital gains and dividend income currently are taxed at 15%. Short term gains and interest income are taxed up to 35%. A simplistic plan is to have your 15% gains in your "regular" account and your higher taxed gains in your qualified retirement account-IRA or 401(k).

Once you have prepared a rational allocation of assets, your investment plan should not change due to market conditions. It's important to understand that crises are inevitable when investing. During these painful periods, it is essential to be financially and psychologically prepared. By avoiding debt and sticking with your investment plan, you can work through these crises and make the most of the opportunities that are created during bear markets.

There are several self-destructive investor behaviors that should be avoided at all costs. Do not attempt to "*time the market*". Do not "*chase returns*" by selecting a fund based on short-term performance. You should judge a fund over at least one full market cycle. Your fund selections should be made with a **long-term perspective**. This helps balance out the element of luck and reveals which fund managers have been blessed with common sense. Again, *avoid debt!* An investor can ride out a bear market if they are debt free.

By using common sense and holding the course of an investment plan based on the principles of sound investing, you will be able to succeed financially no matter what the short term economic market throws at you.

ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as a part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The partners have a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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