

September 22, 2008

Dear Clients and Friends,

The last few weeks have seen unprecedented developments on Wall Street that are the latest and most dramatic in a painful process that has been going on for more than a year, and that will take even longer to play out fully. Many of you are wondering what this all means and if you should be making adjustments to your investment portfolio.

During times like these, a long term financial plan is invaluable. Everyone is nervous in the current environment but remember; you have already taken steps, based on our work together, to develop a strategy and position your investments in line with your time horizons and comfort levels. What is happening in the financial markets and economy is unique to today but crises are not unusual.

The equity portion of your portfolio is a long term investment. Even if you are retiring today, the money allocated to equities is there to meet your needs in 5, 10, 20 years. Historically, trying to time the market just doesn't work. In fact, frequent buying and selling reduce overall returns due to transaction costs and the high probability of missing the important days or weeks that add significantly to overall return. During past periods of uncertainty, an extreme response, such as selling and moving everything into cash, has not been successful. The best investment strategy continues to be a portfolio well diversified across many asset classes funded by a regular savings plan.

With that being said I do believe we are in for 2 to 3 years of volatility and lower returns as the financial markets and economy absorb the recent developments. The good news is that bear and volatile markets usually lead to buying opportunities. Warren Buffett is famous for saying "Be fearful when others are greedy and greedy when others are fearful".

If you are 5 years or more from retirement, this is an opportunity to "buy low" with your regular retirement plan contributions or excess cash reserves.

If you are 5 years or less from retirement I recommend allocating your new retirement plan contributions to cash or intermediate bonds during this period of extreme volatility. This money will be rebalanced at your next Financial Check Up.

If you are retired, 2 to 3 years of living expenses normally funded by your portfolio should already be in cash.

Regardless of your life stage, you should continue to review and rebalance your portfolio regularly. Here is a link to a good article on the Wall Street Journal On Line with some

comments from Peter Lynch (Fidelity) and John Bogel (Vanguard)
<http://online.wsj.com/article/SB122221150065369063.html>.

For the longer term I believe higher taxes and inflation are inevitable as a result of the bail out plans. Low cost, tax efficient investments, adequate inflation protection and effective tax planning will continue to be important strategies to achieve your goals.

In closing, I would like you to reflect on the positive changes and decisions you've made regarding your financial health since you began the financial planning process. The markets and economy will always be out of our control, but we can set clear and meaningful goals then make financial choices in our everyday lives that bring us happiness, accomplishment and success.

I will continue to use all my resources to understand the current situation as it unfolds and advise you accordingly. Please call at any time.

Best Regards,

Brooke



Brooke A. Salvini, CPA/PFS

Fee-Only Personal Financial Planning

Member Garrett Planning Network

www.salvinifinancial.com

(805) 543-6622

(805) 888-2814 fax