

WHERE TO FROM HERE?

10-05-08

After yet another punishing week on Wall Street, it is obvious that the majority of investors are dazed and confused. Long-term investors who have ridden the roller-coaster known as the stock market are left questioning their investment philosophies. Investment professionals are staring at their computer screens, bleeding red on the majority of their clients' investment holdings.

We at FFA are no different. We feel embarrassed to be part of the financial industry, angered at the entities and people charged with oversight, and saddened by the entire state of affairs in our financial system. But times are too turbulent to sit and do nothing, therefore we choose to act and thus have prepared some thoughts as to how to pick up the pieces.

First, for clients with accounts at TD Ameritrade, your statements will be arriving shortly and for almost all clients, the picture will reflect one of the ugliest months on record. We at FFA recognize the pain and frustration of seeing losses month after month. For clients who have assets both at TDA and elsewhere, please remember that we manage portfolios on a "household" basis and that the TDA accounts only represent a slice of your overall investment portfolio.

Our first words of advice are not to panic and sell out of your investments. Buying high and selling low is the type of guarantee you don't want to take advantage of, meaning a guaranteed loss. Historically, it is during these very tough times that investors either act on emotion and ruin their chances for inflation-beating returns or remain stoic in their belief that the markets will generate wealth over time.

Second, know that we still remain confident in the investments we have used in each of your portfolios. Yes, the majority have taken significant hits. Yet, on a relative basis compared to their peers, the vast majority of our investments have performed above-average. Know that the asset allocation tenets we subscribe to at FFA have worked in this crisis, preventing losses of much more consequence.

Third, we encourage all to focus on controlling what you can control. If you feel you can no longer emotionally handle the mounting losses, please let us know. Perhaps the risk tolerance you felt you had at the beginning of our relationship is truly not the risk tolerance you can handle.

Fourth, during these difficult economic times, focus on the fundamentals:

- strive to continue reducing debt
- do not incur more debt
- seek insured products for your emergency money
- increase savings
- shop the sales and hold off on big-ticket purchases
- be cognizant of your weekly and monthly spending habits
- lean on FFA

Finally, don't give up on the stock market. There is a saying that the best time to invest is when there is "blood in the streets". Well, Wall Street is bloodied, beaten, battered, and dazed. Now, to us, seems a smart time to increase or maintain contributions to your investment accounts. Years in the future, we will all look back at this time as perhaps an once-in-a-lifetime investment opportunity.

We want all of our clients to know that we stand by your side during these very difficult times. We are humbled and saddened by what has occurred on Wall Street, and we feel sick at the values that will be reflected on some of your statements. However, we are also encouraged to see that the FFA asset allocation process has held true to its history; the losses we have experienced are significantly lower than what could have been. (A small reward, we know, but it sure beats the alternative.)

Now, more than ever before, we greatly appreciate your trust and confidence. These challenging times too shall pass.

Best Regards,

Craig & Berthann