

A VOLATILE MARKET

The spreading concern over the sub-prime credit issue has caused a ripple effect across markets around the globe. Equity markets reacted by pummeling any sector with exposure to the financial crisis. As institutional players liquidated perceived risky assets and lenders put the brakes on their loan business, governmental forces like the European Central Bank and the U.S. Federal Reserve have added liquidity by infusing reserves into the international banking system and cutting the discount rate. With volatility increasing along with your blood pressure, how can you calmly think about and act on your investments?

Here are a few points to help frame the analysis:

1. Mortgage defaults may likely continue as borrowers bail on loans and lenders tighten standards.
2. As credit tightens, the economy may slow down, putting downward pressure on corporate earnings.
3. Volatility in financial markets may continue as uncertainty about the economy paralyzes investors.
4. Interest rates may be propelled into a new downward cycle, with the Fed shifting to a "pro-growth" stance method of "anti-inflation." However, since higher interest rates prop up the U.S. dollar, the Fed may want to delay any interest rate cuts for as long as possible. This uncertainty will exacerbate investor paralysis.

What action steps can you take to make sure your investment programs stay on track?

1. Review your portfolios. Is your asset allocation mix the same as when you started your investment program? Should the mix be rebalanced? How much volatility can you really be comfortable with? Work with your advisor to make sure your portfolio is best positioned to meet your long term goals so that you can sleep at night.
2. Reassess your investor profile and revisit your investment policy statement. Is your tolerance for volatility really what you said it was? Or have current events made you realize that you need to reassess your risk tolerance?
3. Review your fixed income holdings with your advisor. Now may be a good time to reposition fixed income portfolios for price stability and risk reduction. It's also an opportunity to match your future liabilities with concrete fixed income solutions.
4. Look at the credit quality of your fixed income portfolios. There are opportunities in today's markets to find attractive yields in a range of maturities from Investment grade corporate bonds and municipal bonds.
5. Are you on track for retirement? If you aren't sure of the answer, you are due for a **Financial Tune-Up**. We can help you better understand your path to financial independence!

Most importantly, let us know how this current environment has you feeling about your financial security. We have the knowledge to answer your questions and address your concerns about the volatility of today's market.