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October 7, 2008

Trying to Stay Rational in Very Irrational Times

During the past 3 days we attended the Financial Planning Association's annual conference in Boston. Over 3000 planners from around the globe gathered to hear economists, market strategists, fellow financial planners and corporate executives offer thoughts and perspectives on the current market crisis. Although many of the speakers were quite impressive, David Gergen offered a sentiment that really hit home. It was "Don't Count America Out!" We can all agree that we are facing unprecedented turmoil in the financial markets, however, as a nation, we have recovered from many severe crises over the years and we will certainly do so again.

The collective wisdom is that over the long-term horizon, the worldwide economy will continue to grow and prosper. The short-term outlook is not as optimistic. It will take time to sort through the issues in housing and the credit markets, but we can be reassured that the U.S. government and the Federal Reserve are prepared to offer continued support and assistance in this endeavor.

We have experienced considerable volatility and decline in both the stock and bond markets over the past month, so you should expect that this will be reflected on your September statements. We have been diligently reviewing portfolios and positions with our attention focused on your long-term goals and have made adjustments where necessary.

We'd also like to share the following few ideas to help you position appropriately for your financial well-being in the short-term.

1. **Review your emergency fund.** It is important that you have between 3-6 months expenses positioned in a readily accessible bank account to cover your personal financial needs.
2. **Monitor spending.** This is a great time to get a handle on how much money you are spending each month.
3. **Avoid extraordinary expenses** - If possible, try to avoid drawing large chunks of money from your investment account to pay for large purchases such as a new car, major appliance or home repair.
4. **Review your asset allocation** – Make sure that you are aware of your total net worth's allocation of stocks, bonds, real estate and cash.
5. **Consider investing into a down market.** Many folks have been accumulating cash. This may be a great time to buy stock at inexpensive prices.

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6. **Review your homeowners insurance.** As the value of homes have dropped, it is possible that you may be over-insured. Check with you agent to see whether your current coverage is in line with market valuations.
7. **Reconnect with the family** – Nothing helps the woes of a day better than a hug from a child, grandchild or other member of the family.

We continue to monitor the financial situations of our clients very carefully and welcome conversations and/or a meeting with you.

Sincerely,

Marc S. Freedman CFP®

Marion B. Gilman CFP®

We are delighted to share an opportunity for you to hear from Jeffrey Kleintop, LPL's Chief Market Strategist via a pre-recorded 40 minute conference call. Jeff provides a unique perspective about the current financial crisis and is well worth your time on the phone. You can call in at anytime you like. The call in number is as follows;

Market Challenges, What's next?

Replay: 218-936-7903, passcode: 164632#

Agenda:

1. What has caused the market downturns?
2. What has exacerbated the issues?
3. What is positive in the markets right now?
4. Historically, what have market crises meant for investors?
5. Where are the buying opportunities?