

January 2009 – It's a Matter of Trust

I wanted to wish everyone all the best as we have kicked off 2009. For my family and myself, it has gotten off to a fast start. While I am thankful each and everyday that I have the opportunity to help people, I must confess that I am thankful that 2008 has come to a close. It was particularly gratifying to see the end of the fourth quarter, easily the worst three months of the year, that saw unprecedented market volatility and negative returns across the board. No matter what specific moves are ahead for 2009, clearly the restoration of trust and confidence needs to top the list.

For the record, the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) dropped 19.1% for the quarter; for the year it lost 34.3%, measured from 2008's opening bell. The broader indexes were off by even wider margins. The NASDAQ (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) was off 24.6% for the quarter (minus 40.6% for the year), while the S&P 500 (an unmanaged index of 500 widely held stocks) dropped 22.5% during the quarter (minus 38.5% for the year). The MSCI EAFE (Europe, Australasia, Far East) index (a free-floating adjusted market capitalization index consisting of the country indices of 21 developed nations and designed to measure equity performance), finished the year down 45.09%.

The markets finished the quarter up from the year's lows they set in mid-November, when the Dow twice finished under 8,000 – bottoming out at 7,552.29 on November 20 the lowest closing number in more than five years. Analysts found that the Dow had its third worst year in its 112-year history, having lost more only in 1907 (down 37.7%) and 1931 (down 52.7%).

Not all the economic news was so dark. Light crude oil, selling at an all-time high of \$147.27 per barrel on July 11, closed the year at \$44.60, a drop of nearly 70% that translated to gasoline at the pump selling in the \$1.50 to \$1.75 per gallon range, welcome relief for motorists who had paid more than \$4 a gallon in mid-summer. It has been a pleasant way of putting more spending power back into the hands of consumers.

Job and housing-related figures turned a little more cheerful as the quarter ended, with a fall of 94,000 in new unemployment benefit claims for the week ended December 27. Residential mortgage application volume rose 155% compared with the same December in 2007, according to the Mortgage Bankers Association. Mortgage rates have kept falling, ending the year at an average of 5.1% for a 30-year fixed-rate mortgage.

With the financial services business landscape already altered by company failures and buyouts in September, Congress in October passed a \$700 billion economic stabilization bill and the Treasury Department eventually began injecting money into the economy through banks and other firms, although Treasury Secretary, Henry Paulson, cancelled the debt buy-back idea he had originally proposed. Congress balked at bailing out the Big Three automakers, but the Bush administration in mid-December agreed to make available \$17.4 billion of the economic stabilization funds as rescue loans in return for a series of concessions by unions and management.

As Barack Obama was sworn in as our new President, he seems to be wasting no time in reassuring both Wall Street and Main Street that he would place the economy as his highest priority, proposing a number of measures he hopes to have ready after he takes office. As I listened to his inauguration speech, it did resonate with me in that we are all responsible and need to be held accountable making prudent decisions in the face of adversity with the current economy. Maybe it's the Marine Corps officer in me, or through my mother and father, that I learned about getting a job done and to take responsibility and deal with the hand that I have been dealt and march on. I can't remember who said the following quote but it has stuck with me over the years. It goes something like this:

“We are all knocked down in life, it is how we stand back up with dignity and strength that defines ones courage in the face of adversity.”

I hope that this mantra will work its way through the country like my father and grandparents whom pulled themselves up by their bootstraps to create a better life for themselves and their families from worse circumstances than people are facing today. I have always tried to honor what my family went through so that I could have a better life, so I hope as a nation that we can do the same for a better future.

Just as no one knew in advance to what depths the markets would sink in 2008, no one knows what the markets and the economy will look like at the end of the first quarter of the new year. There is a degree of optimism that new, positive economic measures will begin to spur investors to take advantage of the investment opportunities that arise. Watch carefully for market confidence to return in 2009. I have attached a well researched synopsis from American Funds that shows the investment returns over time following different recession periods in our country.

Financial Planning Recommendations – As we have begun the new year, it seems that we all have New Year's resolutions ranging from losing weight to getting our financial house in order. Rather than starting off the year with a specific recommendation, I want to keep it general in nature. What I want everyone to commit to over the next 90 days is to look at any unfinished financial planning that was left incomplete from 2008. It could range from starting a budget to putting into place LTC coverage or examining old insurance policies to make sure that they are up to date or making sure ones wills and trusts or in good order. For each of us, we have our own bucket list. Let's keep attacking the list and focusing on what we can control to make ourselves financially stronger in the short term as well as the next 10 – 20 years. Time has a funny way of slipping by us all. Let's not be caught wishing we had done something because we never seemed to find the time to get it done, especially after it is too late.

How Can I help you? Many people use our investment and financial planning services because we provide prudent and conservative advice to people who value having a trusted client-advisor relationship. Honesty, professionalism, compassion and respect have been the tenets of working with my friends, clients and professional partners for over 14 years now. If you think that others might value this kind of advisor - client relationship, then please let me know how I may be able to help them.

Please feel free to e-mail me at rich.hendry@raymondjames.com or call me at 678-578-2430 or toll free at 877-811-9090 to discuss any market concerns or financial planning that needs to be done for this coming month or year. Visit us at www.richardhendry.net. **We are proud to be part of your wealth management team.**

Sincerely,



Richard P Hendry, CDFP
Registered Principal

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