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RE: **Newsletter! February, 2009**

Dear John and Mary,

I am happy to report that 2008 is over! Of course, 2009 is off to a rocky start. Here are the stats so far:

Major Stock Indexes	
Dow Jones Industrial Average	-10.55%
S&P 500 Index	-8.46%
NASDAQ Composite Index	-2.71%
Dow Jones World Index	-12.80%
Russell 1000® Growth Index	-6.16%
Russell 1000® Value Index	-17.45%
	(As of 02/17/2009)
Major Bond Indexes	
Lehman Bros. U.S. Treasury - Intermediate (Total Return)	-1.02%
Lehman Bros. U.S. Aggregate Bond	+0.06%
Lehman Bros. U.S. Corp Bond	+2.13%
Lehman Bros. U.S. Corp Bond Intermediate	-3.05%
	(As of 02/17/2009)
Lipper Mutual Fund Indexes	
Large-Cap Growth	-6.0%
Large-Cap Value	-14.07%
Small-Cap Growth	-8.23%
Small-Cap Value	-14.40%
International	-14.23%
	(As of 02/17/2009)

Source: The Wall Street Journal and Barron's

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

Investments:

2008 was a year of records, or maybe I should call them "not-seen-since." You know, on the news, "the market dropped to a level "not-seen-since." Or, housing starts are at levels "not-seen-since." Or, I ran through the park this weekend and the squirrel population was at levels "not-seen-since." You see, one thing I know about statistics is that with enough data and access to a computer, you can come up with lots of facts you probably didn't even know exist. Like in baseball, every time a batter goes up you hear how this particular batter can hit 30% of the time during the 7th inning of a night game with two men on base and two strikes. 2008 was definitely the year of statistics.

Using the S&P 500 as a gauge for the stock market, this decade has so far been the worst with an average return not-seen-since the thirties. Compounding this scenario was a drop in the corporate bond market and anything to do with debt except for US treasuries.

** The S&P 500 is based on the average performance of 500 widely held common stocks. The S&P 500 is a broad-based measurement of changes in stock market conditions. Index returns do not reflect the deduction of fees, trading costs or other expenses. The Index is referred to for informational purposes only; the composition of the S&P 500 is different from the composition of the accounts managed by the investment manager. Investors may not make direct investments into any index. Past performance may not be indicative of future results.

Where do we go from here? If you haven't seen one of our presentations on "How to Handle Bear Markets," try to make some time to attend one.

We felt that the market bottomed on November 20th. Most stock indexes rose approximately 20% from that point. Especially important was a rise in the corporate bond market. Today (as of this writing) the DOW Jones closed just above the November low. Many Wall Street followers call that re-testing the bottom. We may have a couple of these re-tests before the year is out.

Now the biggest question that everyone is trying to figure out is when will it end? No, not the world, but this economic crisis. Well I'll tell you. It will end when it ends. You see, there are many pundits out there saying it is worse than ever, and of course the statistics we talked about above, and everyone is feeling scared because their accounts are down while housing prices are falling at the same time. John Maynard Keynes made this conjecture about human nature; **people cope with uncertainty by assuming that the future will be like the present**.

Think about that for a moment, "assuming the future will be like the present."

Remember when housing prices were going up and up and up? Many people quit their jobs to flip houses. It was easy money. Remember when all you had to do was buy a dot com stock and you could quit your day job? In both of these cases everyone assumed the future would be like the present. Houses were assumed to only go up. Stocks were assumed to only go up. Today we have the opposite of the same assumption. Today people think the world economies will continue a downward spiral as far into the future as you can see. Houses will go to zero, stocks will go to zero, no one will have a job and the only currency will be gold bars. If no one has a job, and everything is worthless, what do you think the value of gold bars will be? What would you trade it for?

Remember, in the bear market of 1973-1974 the stock market lost 50% of its value. The S&P 500 doubled from the market bottom five years later. At the peak of the 1980's downturn when unemployment hit 631,000 (Don't forget our population has increased significantly since then.) the S&P 500 doubled within five years from the bottom. From the market bottom in 2002 the S&P 500 doubled five years later. Past performance does not determine future results, but can you see where I am going with this?

Next month we will be preparing an update to this newsletter. We will include some ideas on what needs to be done to get our country out of this mess and probably a homework assignment.

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***"Dow Jones Industrial Average**: Often referred to as the Dow, it is the best known and most widely reported indicator of the stock market's performance. The Dow tracks the price changes of 30 significant industrial stocks traded on the New York Stock Exchange."*

"*The **S&P 500** is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.*"

"*The **NASDAQ** composite is an unmanaged index of securities traded on the NASDAQ system.*"

***"Dow Jones World Stock Index**: An index that measures the performance of more than 2,000 companies world-wide that represent more than 80% of the equity capital on 25 stock markets."*

**"*The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. Any opinions are those of Laurence E Menna and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein."*

***International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.*

Financial Planning:

Right now, the best thing we can do is to have you come in, sit down and re-visit your game plan. For some of you we may suggest a few changes. For most, we will probably recommend to stay the course. One of the most important things you can do is to update us on your financial position regularly. That way we are aware of things that may require us to make some changes in your portfolio allocation. Don't forget, right now is a good time to review your life, health, disability, and long term care insurance policies, annuities, and your cash holdings to make sure they still fit your plan. Talk to your advisor about it.

***Allocation and diversification does not assure a profit nor guarantee against loss.*

Personal:

Judy and I purchased a new home at the end of October. We started looking in 2005. If you remember in my August 2005 newsletter I mentioned that, “we couldn’t see the beach from these homes.” And we recommended staying out of residential housing. Well prices fell enough by January 2008 and we decided to start looking again. It was tougher than we thought. The price on our house was falling about as fast as we could place a new asking price. We finally sold our house in July and then moved into an apartment while we looked. We couldn’t wait to get out of that apartment! We looked at lots of houses and it seemed like every time we found something interesting we were out bid. One of the homes we were out bid on came back on the market and we had the opportunity to pick it up. So we’ve been getting used to the new place and adding our personal touches.

In December we hosted a Christmas brunch for our families. It was a lot of fun and there was a traffic jam at the omelet station. We figured out that we needed some larger skillets and a better way handle the omelets. So hopefully next year we will do a better job!

Tori is a whole other story! In November Tori went dirt bike riding with some friends. Not only was she away from home, but it was the first time she was away without her family.   Of course as a rookie she did a “George of the Jungle,” meaning she actually hit a tree! I received a phone call from her friend’s mom that explained she had broken her leg along with a large bleeding gash and she would be coming back to Bakersfield via ambulance instead of the emergency helicopter! Luckily her friend’s mom and dad were very calm on the phone so I didn’t get too worried. It really didn’t hit me how badly she was injured until I saw her arrive at the hospital. After a few nights in the hospital, some screws and a very long cast, Tori was allowed to go home.

Tori broke (in three places) the front bone under the knee of her right leg. She has been in a cast ever since and probably won’t be out of the cast until sometime this summer. So for the next few newsletters you may not hear much about Tori’s adventures since she is currently home bound. She is healing well but “bored to death” as any typical teenager would say.

My family and I thank you for your confidence in us. Please call me if you have any questions or concerns.

Warmest regards,

Laurence E Menna
Financial Planner