



March 11, 2009

Dear Mr. and Mrs. Lund, Client,

The last six months has seen an historic decline in the wealth of Americans and people across the globe. Since January 1st both investment markets and residential real estate have seen a continued decline in value. The underlying causes of the financial crisis will be debated. But certainly there is also a crisis of confidence about the future. But two important questions remain on investors minds. “Is the crisis over?” And, “Will I be able to proceed with my plans, such as retirement?”

Is the crisis over? The short answer is no. We have recently seen a fresh market low on March 9th. Unemployment continues to rise in the private sector. Additional government bailouts of our financial system along with other economic stimulus promise to inject public capital into the private sector. In theory this action should be positive for asset values, however in the short-term it is having the negative effect of deteriorating the public’s confidence.

One positive thing about this market is that valuations of equities and non-government debt reflect these dire conditions and perhaps worse. These low values have allowed for rising yields on equity portfolios that have not been seen for some time. It is also important to remember that the stock market is a discount mechanism of the value of future economic activity. When the market starts to forecast that there is economic growth a couple of quarters out, then it may begin to rally. This may be true even if the economic headlines are not uplifting.

Currently, stocks are valued less than their post-WWII average valuations. Looking forward it is reasonable to expect valuations to return to average levels. However, extreme risk-aversion has driven the yield on perceived safe vehicles such as government debt to anemic levels. Short-term Treasuries yield next to nothing and offer little opportunity for capital appreciation. As a result, depending on such vehicles to repair your losses may be impractical.

The challenge for everyone is to look past the darkness of today’s headlines and remain focused on the long-term. It is easy to be overwhelmed and have the sense that things will never improve. I remind you however, that during the good times it is also easy to forget what a recession, even a severe one is like. The one point to remember is that things never stay the same, there is always change in virtually all aspects of life. We know that economies move in cycles of expansion, peak, recession and trough, and that asset values follow this same cycle. As such try to focus on

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the reality of continuous change and recall that you have made it through challenging times in the past, even if it involved having to make some accommodations to your lifestyle.

Will I be able to proceed with my plans, such as retirement or sending my children to college? After such a difficult year it would be good for us to discuss your plans to see if a reassessment is warranted. These are trying times. Like many important life decisions, it is important not to let emotions cause any impulse financial decisions.

A good financial plan should include contingencies for things such as a job loss, a disability and certainly for negative investment returns. That being said it is prudent to be more cautious during these uncertain times. For many that involves an examination of discretionary spending like going on that high end vacation, or buying that new flat screen television. Perhaps for some it is hanging on to your current vehicle for an extra year or two before trading it in for a new car. Americans have enjoyed prosperous times over the last 25 years which led to an increase in discretionary spending and overall increase in standard of living. The question many people will have to come back to is did that improvement in standard of living necessarily create more happiness and contentment in their lives? Can I be as happy with spending less money? Hopefully the answer is yes, and collectively we return to a more intimate time where spending time, not money with family and friends is just as rewarding and fulfilling as having those extra items. Other people are going to need to reexamine their income requirements in retirement. Does part-time work, at least until economic conditions change play a part in your retirement plan? Is paying for a private college still feasible considering costs are now exceeding \$50,000 a year at some private colleges or does a public education now make more sense. These are difficult questions that needed to be asked and their possible solutions need to be carefully examined.

I want you to know that I am here to help. It doesn't matter if you just need perspective on what is happening to your investments or a more careful review of your overall financial situation, I am available to help you consider and determine the best course of action for you and your family. I am committed to helping you reach your goals in the years ahead. Please call if you have questions or would like to schedule a meeting.

Yours truly,

Christopher Lund, MBA, CFP®

President