



September 1, 2008

Dear Client,

Summer's winding down. Children are back to school and some adults are busy preparing for life's upcoming challenges and opportunities. With the last change of seasons upon us, now is a good time to take stock of 2008.

**“Challenging”** describes the investment environment in 2008. Individual investors and financial professionals had to adjust and adapt to a slew of disappointing news regarding the economy and investment markets. Individuals and corporate America deal with challenges from many angles, including the residential housing slump, the associated credit crunch and its impact on many small and large banks, and the increasing costs of fuel. Officially, U.S. equity markets reached “bear market” territory during the summer months, affecting international markets as well.

**Bear markets can affect the psyche** of the individual investor. During this type of investment market, non-stop negative news about the economy, the markets, corporate losses, the struggling consumer and especially how individuals should decide to make some important decisions inundate us. Bear markets feel as if they may never end. They end eventually, and many times hindsight shows institutions and individuals that they over-reacted. Bear markets end because economies and investment markets move in cycles. Bull markets don't last forever and neither do Bear markets.

Most of us live through and experience many bear and bull markets in our lifetimes. Over time and through these cycles, investment markets continued upward in value. One key reason for the ever changing cycle is that behaviors change as we move through the cycles. Monetary policy becomes more accommodating by lowering short-term interest rates, ultimately leading to economic expansion; fiscal policy adapts also, just as the recent fiscal stimulus bill passed to help jump start consumer spending. Corporations and banks always focus on improving their balance sheets and cutting costs, ultimately leading to improved earnings. These conscientious acts lay the foundation for recovery and the next bull market.

The challenge for many investors?...remembering that markets move in cycles and avoiding over-reacting to the doomsday headlines and end-of-the-world mantras from the media.

**Lund Financial Group believes in long-term investing.** Over extended periods of times, stocks historically have been the best investment for enhancing your purchasing power. However, in the shorter term stocks are most volatile. We say we want to “buy low and sell high,” but behavioral science studies find that average investors do the opposite. Can we remember the lessons we learned from prior downturns? In stock markets, what goes up can go down...and then up again. Overall risk is as important a variable in the investment equation as overall return. The value of a stable, disciplined asset allocation process that focuses on risks and return becomes even more important, especially to serious long-term investors.

For long-term growth while protecting principle, we've developed investment portfolios with broad diversification in both asset allocation and investment management styles. Our recommendations consider the investor's time horizon, need for income and growth, as well as their risk tolerance. If the investment objectives remain the same today, this present short-term volatility should not have a major impact on the

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portfolio's long-term performance. Every portfolio reacts to market fluctuations, positive or negative. We attempt to achieve better performance than the relative benchmark in both positive and negative markets. Almost all of our clients have demonstrated much tolerance and patience and we thank you for that; it's wise. Some of you may have to make some adjustments, such as reducing monthly income from your portfolio in the short term. It may also benefit long-term investors to take advantage of current market values and add to your investments. We are always available to help you whatever your concerns or questions.

*Retirement Planning:*

**The first Baby Boomers are starting to retire**, looking forward to two, three or four more decades of happy, healthy living. While the media and organizations try to educate the general population to prepare for retirement financially and personally, the majority of Americans find they are unprepared for this next phase in life. Lund Financial helps. We assess corporate retirement packages, structure retirement income and investment strategies, spousal security, and plans for health and long-term care requirements. Our clients especially like our assistance with life planning issues such as post-retirement careers, legacy wishes and caring for other dependents. We address all planning matters "one-on-one" during your individual reviews. We also pass these important and helpful hints to you for emphasis now. Don't wait!

1. **Be prepared for the unexpected early retirement.** Corporate America will continue to be lean and mean. The result often forces employees to retire prior to age 65. Have you planned?
2. **Write out your cash flow statement regularly.** Determine post-retirement income and fixed and variable expenses. It's too easy to spend more than you have if your credit is good and you don't know what's coming in and what's obligated.
3. **Allocate adequate funds toward healthcare**, even if your employer promises health coverage.
4. **Needing long-term care will be a reality.** Nobody wants to spend later years in an assisted living facility or nursing home. It is prudent to make financial and legal arrangements to deal with these expenses now, in order to avoid undue stress on family and loved ones later.
5. **Review and understand all your life insurance**, both personal and group benefits. Life insurance is an important tool to assure family security. Older policies, particularly those with cash value, should be analyzed to see if they are still your most financially affective solution.
6. **Keep your estate planning documents current**, including trusts and durable powers of attorney. **Educate and inform your children** about their future responsibilities as your successors.
7. **Understand Social Security and Medicare benefits available to you and the choices you have.**
8. **Let us assist you with a detailed pre-retirement review.** Proper planning will help you to achieve a happy and stress-free retirement.

**Chris Lund will be teaching a retirement class at the Community College of Rhode Island and Franklin High School in September. This class will provide an in-depth understanding of all issues related to retirement. You and your friends are welcome to register for any of these classes. Go to [www.lundfg.com](http://www.lundfg.com), the "Upcoming Events" section, to learn about this class and to register.**

Yours truly,

Christopher A. Lund, MBA, CFP®