

SUMMER 2008

Dear Clients, Friends and Colleagues,

I hope you're having a great summer. We're all fine and working hard to help you in all ways financial. I know; you'd like some answers as to what's going on. Many are worrying that it's different this time, and it is. Oh it's the same circus.... just different clowns.

It's beyond our scope of comprehension that so many influential people in positions of power have let us down so drastically. What were they thinking? Or weren't they? I brushed off my old copy of *The Peter Principle* by Dr. Laurence J Hall & Raymond Hull. The main theme is that people will rise to their own level of incompetence, and I do believe that many of our CEO's, politicians and decision makers were probably well over their heads. Every day exposes another sordid tale of corporate or government misfeasance. What's that about? Kudos to Andrew Cuomo and others who are stepping up and demanding accountability. I'm confident and grateful that there are other "knights" waiting in the wings that "won't take it any more."

Life as we have known it these past many years is changing, and it starts with shrinking amounts of leverage for one and all. Automobile companies are tightening up their leasing criteria, if they'll lease at all. Home equity lines are being shortened or even withdrawn, as values are no longer there. Hopefully, the credit card companies will follow suit and give credit only where it can be paid back. No more free lunch.

As an optimist, the silver lining that I see is that this pain has got to knock some sense into those who were running willy nilly along the high living path that wasn't affordable to them. Perhaps psychology can change and we can go back to more conservative days when we actually saved for what we wanted; didn't live on credit cards, home equity lines and loans but actually sucked it up to live within our means. (Remember the stories our grandparents told? Remember casseroles? Coupons?) Most of us who live well within our means are actually doing fine, albeit moaning over the investment drubbing we've experienced this year. But many are sitting in the midst of ruins, wondering where they went wrong. Comeuppance is a painful lesson, but it does debunk the fairy tale that you don't actually have to afford all the fine things you have. Huh? It's an awkward silver lining, I know, but it does bring some much-needed humility and sensibility back into our world. It had gone missing. The sadness I feel is reserved for the many who did it right, but are sorely affected by the recklessness and yes, silliness of others, or the many who were never taught the lesson at all and are now learning it the hard way. Ouch.

Speaking of ouch, these soaring oil prices have created opportunity along with the pain. The search for alternative energy will be akin to the industrial revolution, and it's about time. Obviously, since we've done nothing since the 70's oil embargo except get bigger and bigger gas-guzzlers, we needed this kind of oil jolt to get us focused. T. Boone Pickens and Al Gore are stepping up, and here I'm very hopeful. Everyone wins, as we get cheaper and alternative energy, millions get jobs in this new industry, we reduce our carbon footprint, and we're cooking once more. Hold on to your seatbelts. When I hear General Motors consorting with many of the major electric companies to bring us electric cars, sooner rather than later, it makes my heart sing.

We embrace the world and corporate America in becoming more aware of the need to be Green. (Ok, get your jokes out. We already are Green. ☺ ) So here, in the spirit of helping to save as many trees (and corporate dollars) as possible, we give you an easy way to stop all the unwanted catalogues you might be getting in the mail. It's a free service. My catalogues had multiplied over the years until I feared for my postman's back, and all I was doing is tossing most of them out. Pounds of them. Well, no more. Here's the website: [www.catalogchoice.org](http://www.catalogchoice.org). It might take as long as three months to see most results, as many mailings are planned way ahead of time. Have patience. It does work, and it's a win- win- win. We like those.

Here's another little goodie for you to perhaps make your life a little easier and to save a few pennies. Google is offering a very intuitive, efficient and free business information service. Simply dial 1-800-Goog411 (1-800-466-4411) to ask for a business number anywhere in the country and off you go. We have no affiliation; we're just impressed and wanted to pass it along.

You'll find Todd's thoughts enclosed to give you all a little investment "fat to chew on". We hope it will be helpful to you in activating your intellect to deal with your emotions. Knowledge is power, although we know that all forward thinking is pure supposition. And nothing is black and white.

As always, we welcome your calls and look forward to our update meetings. We're here, watching over your portfolios and keeping up on your planning issues constantly. Keep in touch. Lets us know how we can help. We couldn't resist bragging about our standing in the nation, as you'll see in a reprint of the recent Baron's article enclosed.

And that's it for now. Here's to no big storms, weather wise, financially or worldwide. Calm and easy does it for now. And I couldn't resist one very pertinent quote from Epicurus, a Greek philosopher, BC 341-270: "Wealth consists not in having great possessions but in having few wants." Think about that!

On behalf of all of us, I send you our warmest regards.

A handwritten signature in black ink, appearing to be 'T. Boone Pickens', written in a cursive style.

P.S. Please find enclosed our 2008 Privacy Policy

## Todd's Investment Thoughts

The downturn in both the economy and the markets is generating a general malaise, and once again, we pull in our belts, take deep breaths and know that this too will run its course. After 5 low volatility years with positive returns, we have quickly been reminded about what market risk feels like. For new investors, this can be a very confusing and difficult time as you have not had the privilege of riding the good waves of the markets, but rather have been swept up into what feels like a rip tide. For all of you who may have a knot in your stomach or find yourself tossing and turning at night, here are some things to consider as we put these past few months and what lies ahead into perspective:

1. Expectations – Disappointing returns can try the patience of even the most seasoned investor. Keep in mind that typically investors make poor decisions when fueled by strong emotions, fear and greed being the driving forces. To help keep your emotions from potentially derailing a solid long-term investment plan, prepare yourself in advance for the likelihood that returns and volatility will be challenging in the short run. The markets are trying to interpret the impact of so many current and near-future events, such as, the presidential election, the credit and housing crisis, inflation, conflict in the Middle East, etc. What effect will it have on this economy? Another shoe may have to drop before we can reach a bottom and begin to glimpse over the mountain of uncertainty. A patient and committed investor gives his or her portfolio the time it needs to heal after down cycles, by keeping it in position to build during the next growth phase. Time has been the key to good long-term returns...not timing!
2. Tax-Free for Free? - Good investment opportunities are often uncovered in this shakeout process and the municipal bond market is one place to look. Not since 1994 have we seen such opportunities in municipal bonds, when investors drove down prices of these bonds by fleeing to the "safe" haven of CDs. The following year they had an impressive rebound (MorningStar). The same drubbing is happening today during this credit crisis, and it's likely they've thrown the baby out with the bathwater. In many instances, tax-free yields are equal to or greater than taxable bonds with comparable maturities, making, we believe, the tax-free feature on some munis "free" (Tom Metzold, manager, Eaton Vance). When you throw in the potential for appreciation, munis are poised to really help protect and preserve wealth, tax sensitively over the next several years.\*

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\* A portion of income from municipal bonds may be subject to some state and/or local taxes for certain investors and may be subject to capital gains taxes, and interest income may be subject to the alternative minimum tax (AMT). Consult a tax advisor for more information. Return of principal is not guaranteed in a bond fund due to fluctuations in net asset value.

3. Stocking Up For Inflation - Stocks are looking appealing now too. The market is down over 20% from its recent highs. While there could still be more downside in stocks, it certainly is a lot more comforting to be buying at current levels if you have the ability to do so. Also remember that stocks have historically been one of the better ways to hedge your assets against inflation, whose presence is now being felt every time you fill your tank or go to the grocery store.
4. Exporting boom – One economic bright spot is the boom we are experiencing in exports. Fueled by both a falling dollar and rising costs in foreign markets, exports have risen over 20% in the last 12 months. On its own this surge has added almost a full 1% to our GDP, (pretty significant when you consider that the economy grows at about 2.5% annually on average). Even if the dollar were to rebound soon, it is so depressed right now it will take a long time to reverse this trend and rising costs in foreign markets seem likely to persist. This is good news for the economy and for job growth in the US (Milton Ezrati, Sr. Economist, Lord Abbett)
5. Safety First – Now is not the time to take FDIC insurance on your bank accounts and CDs for granted. We feel you should be careful not to keep large amounts over the FDIC insured maximum of \$100,000 (\$250,000 for certain self-directed retirement plans). If you are interested in the risks associated with your accounts with us and/or FDIC guidelines, please contact Mallory at our office (Mallory@meggreen.com) and he'll be happy to send you the details. We're here to help with your cash management needs.\*\*

Please have confidence in knowing that we are here to help you understand and get your hands around how your portfolio, and in some cases your cash flow, might be impacted in these market. We have over 100 years collectively as a firm in the investment business and have seen our share of booms and busts. Lean on us for help and reassurance if needed. Know that your money managers are actively positioning investments to take advantage of developing opportunities. We too are staying active as we review everyone's portfolios this summer to endeavor to keep you in line with your goals and objectives. If we feel changes need to be made, you'll hear from us. If you feel like you're getting pulled into the rip tide, give us a call. We're here!

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\*\* Non-deposit investments are not FDIC insured, not guaranteed and involve risk including the possible loss of principal.

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