



Risks, Returns and Recessions: *Keeping your focus in troubled times*

What Really Matters

A key part of managing your money is managing your expectations and emotions during volatile markets. Here are some tips to help you recognize the reality we all face now and how to keep focused on What Really Matters.

Keep Your Cool: One of the most valuable skills to develop as an investor is to be able to remain calm and make thoughtful decisions during times of booms or bust. When the market goes down and account statements show losses, you may be tempted to pull out altogether and seek out fixed-return options with less volatility. But before you leap - make sure you have looked first. For instance, if your initial game plan has not changed regarding your time horizon, remember that making decisions for the long-term while only focusing on this point in time, can end up hurting you in the end. Losses on monthly and quarterly statements are referred to as “paper losses”. No one has removed any money from your wallet! However, if you choose to move your investments while the “paper loss” is reported, you may not have the opportunity to recover in the long term. No one can deny the natural emotional response, but consider carefully the options and the long-term consequences before you make any changes.

Review Your Game Plan: One would be hard-pressed to find a better time to meet with a financial professional than during a recessionary environment. Not only do you have the opportunity to ask questions about your portfolio, but use the time to request information on the underlying

risks in your portfolio, how the current economy is impacting your long-term return goals, if the current set-back in your portfolio will affect your retirement plans, and if there are other investment strategies that might be appropriate to consider for your situation. For instance, should you consider holding a percentage of cash in your portfolio to meet short-term income needs? Would this be a good time to consider adding an alternative investment strategy such as hedging? Should you take advantage of the low prices in fundamentally strong industries by investing more now? Or, do I need to protect a portion of my investments with guarantees? Knowing your plan and your real tolerance for risk is essential in order to stay focused on what really matters.

Step Back and Breathe: There are two things we seem to forget when fully engaged in a bear market. The first is, “everything is relative”. Relative to asset allocation, that is. Studies prove that most of the variance in returns between differing portfolios is how the investments are positioned by percentage between the asset classes (stocks, bonds, domestic, foreign, alternatives, etc.) If you have a well-diversified portfolio, you are in a better position to handle market volatility. Compare your portfolio to the leading benchmarks to see how you match up. You may be pleasantly surprised that while the overall stock market may have slid by 35%, your portfolio may have out-performed with a 20% decline. A well-defined risk budget coupled with a realistic expectation of return will help to see the forest from the trees. Keep your eyes on the long-term, not the day-to-day fluctuations.

Secondly, remind yourself that nothing lasts forever. Ups and downs are common, bears and bulls have cycles, and markets do recover - in time. A word of encouragement: look ahead from this point in time and leave the past behind. Constantly looking in the rear-view mirror and wishing you had taken action prior to this unprecedented market downturn, will only bring more stress to you and your advisor. Remember that we are likely to have other opportunities for returns in the future, so let your predetermined plan and guidelines for buying and selling prevent an emotional reaction of turning the “paper loss” into reality. Every cloud has a silver lining so don’t miss the opportunity to take advantage of close-out prices! Ask your financial professional what you should be buying once the bear is over in order to help increase the probability of a full recovery in your portfolio. It may take some time, but this too shall pass. Remember, worrying too much during the bad times is as detrimental as becoming overly optimistic during good times.

Know What You Own, and Why You Own It: When waters are calm a row-boat with a couple of oars will suffice. But when a storm is raging and waters are rough and unpredictable, your choice of vessel needs to be addressed. Your investment manager should be in risk-management mode when making decisions about your investments during this current economic recession. Make sure he or she understands your tolerance for risk.

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FINANCIAL ADVISORS

You and the “Rescue Plan”

SYMPHONIC FINANCIAL ADVISORS

1504 N. Church Road
Suite B
Liberty, MO 64068
816-781-2200
800-926-1647

www.symphonicfinancial.com

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The Emergency Economic Stabilization Act, referred to by some as the “rescue plan”, was enacted to help stabilize the turmoil in the US financial markets.

The Act allows the Treasury to buy “bad paper” (mortgages and mortgage-backed securities) from banks and other financial institutions.



The hope is that by relieving banks and financial institutions of the burden of carrying this ‘bad paper’, money will begin to flow again.

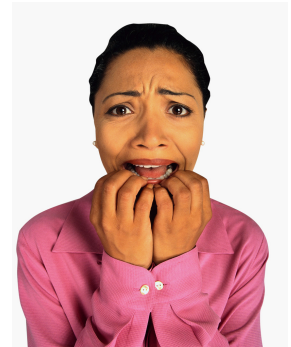
The result of the rescue remains to be seen and there is no telling what the future may hold, but

here are some results Americans may likely see:

- Cash in the bank will be better protected (a temporary increase of FDIC and National Credit Union Share Insurance Fund from \$100,000 per account to \$250,000 per account through December 31, 2009)
- Mortgages, loans and credit should become more available (the Federal Government expects the infusion of capital into banks and financial institutions will ease the credit drought, making mortgages, loans and credit more available to home buyers, employers and other borrowers)
- Unemployment may stabilize (though the rescue will not create jobs), the hope is that employers will have more credit available to them to help stem the tide of unemployment. However, it's unlikely it will improve in the short run - and it may get worse before it gets better.

Consider the “Alternative”:

Our investment world is more connected and correlated than ever before. Ask your financial advisor or CPA about alternative investments and their impact on portfolio risk and return. It may be time to reconsider the “buy and hold” strategy of yesterday, and consider an active-disciplined approach for your investments. Call your Symphonic Advisor today for more information.



What’s Covered If My Bank or Broker Fails?

Insuring Body	What’s Covered?	Limit for Single-Owner Accounts	Limit for Retirement Accounts	Limit for Joint Accounts
FDIC (Banks)	Checking/NOW/savings accounts Money market deposit accounts Time deposits (CDs)	\$250,000 (includes all such accounts owned by the same person)	\$250,000 (includes all retirement accounts owned by the same person)	\$250,000 per joint owner (includes all joint accounts owned by the same person)
SIPC (Brokers)	Investments registered with the SEC, and cash	\$500,000, including up to \$100,000 cash	\$500,000 per account, including up to \$100,000 cash	\$500,000 per account
NCUSIF (Credit Unions)	Regular share accounts, share draft accounts, share certificates	\$250,000 (includes all such accounts owned by the same person)	\$250,000 (includes all traditional and Roth IRAs; Keoghs covered separately up to \$250,000)	\$250,000 per joint owner (includes all joint accounts owned by the same person)

These are some of the most common insured accounts; additional categories of ownership, such as trusts, may offer additional protection and use category-specific ways of determining coverage limits. All limits apply to deposits at a single institution; if you have accounts at more than one institution, you qualify for coverage up to the full amount at each one.