



FINANCIAL FOCUS

A Newsletter from
Fleishel Financial Associates

An Independent Registered Investment Advisor

Fall 2008

Financial Markets Update

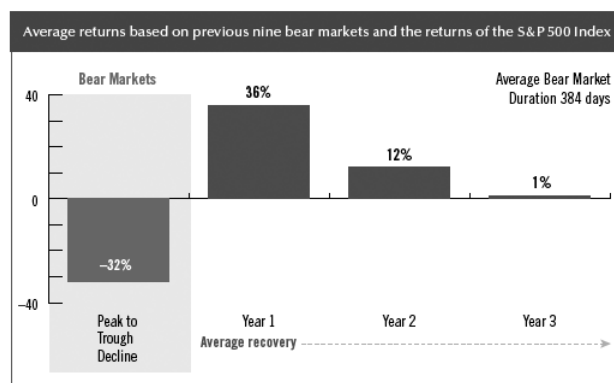
As you are aware, the capital markets and global economies are experiencing a tremendous shock. What was isolated to certain segments of the marketplace has spread to other areas. Naturally, this has translated into lower investor confidence—a phenomenon with which we can all relate.

September and October have proved to be one of the most tumultuous periods for the financial markets in history. A \$700 billion Federal economic rescue plan, bank and brokerage failures, frozen credit markets, record foreclosures, political maneuverings, increasing unemployment are all symptoms of colossal governmental and free market mismanagement, greed and perhaps even malfeasance. There is the usual finger pointing and blame game. Many feel this is a different beast and once could argue that the global economic malaise may last for a longer period than ever.

Still, this is not completely uncharted territory. Time and again, the American economy has proven itself diverse and resilient in the face of widespread financial difficulties. Remember, it has recovered from depressions, numerous recessions, world and cold wars, oil crisis, nuclear threats, terrorist attacks and poor governmental leadership, just to name a few. Perhaps reassuringly, the U.S. government, particularly the Treasury Department and the Federal Reserve, has demonstrated that it will actively move to ensure the banking and insurance sector remains well capitalized and solvent.

As of the date of this letter, the major US stock indices are down approximately 40% over the last twelve months from the high in October of last year. You may intuitively believe that being on the sidelines is more advantageous to your portfolio, but it is very difficult to identify the exact time to buy and sell. Even missing a few days of big gains can be detrimental to your portfolio over the long term. Historical studies of markets have shown that a significant portion of

the recoveries have taken place in the first few months after the market has finally bottomed. Given the emotional and financial sting of selling your investments now, it may take you longer than you would expect to rebuild the confidence



The S&P 500 Index is a weighted, unmanaged index composed of 500 large-cap stocks. It provides a broad indicator of stock price movements. Investors cannot invest directly in an index. Past performance not guaranteed.

Chart from JennisonDryden® *The Cost of Missing a Market Rebound.*

to reinvest. While the past does not guarantee the future, experience informs us that this waiting period is when many investors miss important opportunities.

What should we keep in mind as we endure this difficult period?

First. Focus on the goals that were set when we established our relationship. Do you remember the goals that we established for your financial plan? Have those changed? If not, then there is no reason to change our strategy at this time. If you were on a cross-country flight and you encountered turbulence at 30,000 feet, would you jump out of the plane to avoid the rough ride?

Second. For many Americans, their home is their single largest store of wealth (the current environment notwithstanding). What do you believe your home is worth right now? If someone knocked on your door today and offered

On a Personal Note

We encountered a shock in July when the school where Marcus and Vika were attending decided to close their doors after serious enrollment declines. We had to scramble quickly but we found a great school, St. Barnabas here in Deland. Vika started Kindergarten and is really engaging in the lessons and thriving in her new academic environment. She is spending time after school at dance and gymnastics and beginning to resemble one of those muscular little Russian gymnasts. She's lost so many teeth without new replacements that she'll be all set for Halloween—without a mask.

As a third grader, Marcus has completely embraced the new teachers at school and is making top scores on all his exams, as long as he isn't distracted by the flirting young girls in his class. Apparently, he has three or more young admirers who are already chasing him around the playground- coy thing that he is. He has been enjoying learning tennis and is developing quite a top spin forehand. We'll see how his talent develops but I was hoping for a key slot on the Georgia Bulldog football team in the not too distant future.

Speaking of Georgia, Sarah is working and earning her residency in Georgia and so she can complete her degree

at UGA in Athens. She has become quite the DAWG fan and we enjoyed a long weekend trip recently to Athens with some friends to attend the homecoming Vanderbilt game. She is still pondering the career path options but seems to be inclined toward graphic design, at least for the moment. We're proud of her independence in moving up to Athens, renting a home, finding a job and sticking to a budget, not an un-daunting task in today's economy.

Just when I thought we were escaping little things running afoot, Becky added a third dog to the household- a little dachshund mix, who, at first glance, was unquestionably named Lucky by Vika. He may stay rather small so we have to be extra vigilant when he's out in the yard as we have a family of red tailed hawks lurking overhead. He hasn't learned the "come" command yet so it usually takes two to corner him and remove some contra-ban object in his mouth, like some kid's shoe. The two older dogs already had their unvoiced but obvious objections when we brought the kids home, but their growling disdain for the nipping, jumping puppy is just too much. Let the chaos rein!

Staff Profile: Tim Foli

What are your responsibilities at Fleishel Financial Associates?

My current role as a Financial Analyst involves preparing portfolio review reports for client meetings, assisting Tom in analyzing and modifying investments and allocations, and researching mutual funds. I also perform account maintenance activities such as rebalancing accounts, placing trades, and monitoring cash flows. Tim is also a Financial Advisor for Raymond James.

What was your professional background prior to joining FFA?

I graduated from the University of South Florida with a BS in Finance in 2002. I first worked in the financial industry with Morgan Stanley as a Financial Advisor and later worked with Bank of America as a Personal Banker and then Banc of America Investment Services as an Assistant Financial Advisor. I received my Certificate in Financial Planning from Florida State University in August, 2007 and plan to sit for the CFP® exam in November.

How do you enjoy spending your personal time?

I enjoy spending much of my free time with my wife and 15-month-old son. Working, studying for the CFP® exam, and chasing down my son have definitely kept me busy lately, but I like to exercise and play sports. When I do have some extra time, I'll usually play a few sets of tennis or a round of golf. I also enjoy watching movies and reading.

What are the most rewarding aspects of your job?

I find it rewarding to assist clients in organizing their finances and achieving their financial goals. Getting to know clients and helping them prepare for retirement, college for their children, or other important goals and life events certainly brings a sense of accomplishment to my work. Also, having an interest in business and the financial world makes my job and the associated continuing education more enjoyable and rewarding.



you 40 percent less, what would your reaction be? Would you sell right away, no questions asked? Chances are you would slam the door in their face!

Let's put this in perspective, ultimately, the value of anything you own is simply what another person is willing to pay for it at any given time. Just because that person (or other investors, in the case of the stock market) is behaving irrationally, it doesn't mean you have to! I can just hear my mother now: If all of your friends jumped off the bridge, would you do it too?

Third. History is replete with examples of financial failures and market crises, all of which seemed dire at the time, but none of which derailed the U.S. or the global economy. In fact, the market recovery after many of these events was strong, swift, and unexpected. Of course, the market may not perform in a similar manner under similar circumstances in the future. A few examples:

- At its height, Drexel, Burnham, Lambert was the fifth largest investment bank in the country. After a series of federal indictments against the firm and some high-profile employees (e.g., Michael Milken), the firm filed for bankruptcy in February 1990 after the government refused to step in and bail it out. DJIA: 2,627
- In the late 1980s and early 1990s, more than 1,600 savings and loans failed or were closed. Ultimately, the Resolution Trust Corporation was created on January 1, 1989, to clean up the mess. DJIA on January 1, 1989: 2,753
- No other time period comes close to the Great Depression. In 1930 alone, 1,000 banks closed their doors, and a total of 9,000 did so throughout the entire decade. On March 9, 1933, Congress passed the Emergency Banking Relief Act, which led to a national four-day "bank holiday." This nationwide bank closure provided for a reopening of banks after a federal inspection had declared them to be financially secure.

Ultimately, we must remind ourselves that "this too shall pass" and that we should remain focused on your long-term goals. On average, 47 banks have failed each year since 1934. For those with money on the sidelines, ask, "What would motivate you to invest?" Most investors are "waiting for the situation to improve." Translation: I am waiting for higher prices!

The ultimate questions: Do you think this is the end of the line for the U.S. economy? Are we finished forever? If the answer is no, then by definition you believe in recovery, and what better time to invest than when the rest of the world seems to have such a negative outlook?

A timely quote from Warren Buffett: "I will tell you the secret of getting rich on Wall Street. You try to be greedy when others are fearful, and you try to be very fearful when others are greedy." Of course, right now he is having a bargain buying hey day.

A lot of people may be feeling anxiety because they never created a financial plan for their retirement in the first place. But if you have one, and if you have properly allocated your portfolio with the right mix of assets, you should stick with that plan. Your time horizon toward retirement hasn't changed this week.

Even if this market meltdown is fundamentally different than others, riding out the storm, and counting that history will repeat

itself and stocks will eventually rebound. That's been the case with every market tremor from the Great Depression to the dot-com bubble and terrorist attacks. The tendency is for people to say this is different, and we will never recover. But each time, historically, the market has been resilient. I don't know if this is a different one.

Fourth. For those with taxable assets, let's make lemonade out of lemons and harvest losses this year that can be carried forward to subsequent years when gains will be on the books again.

I ran across an article about a 90 year old gentleman, Steve Blauvelt who lived through the Great Depression, and he's betting this time around that markets will eventually rebound. The retired chemical engineer from Wall Township, N.J., has recently shifted investments in his \$1 million portfolio to oil, coal and uranium stocks, and he enjoyed a gain of 3 percent in a week as the Dow Jones industrials finished down about 0.3 percent, 33.55 points. Early in the week, Blauvelt even invested a couple thousand dollars in an exchange-traded fund that tracks the solar energy business. Of course, individual strategies will vary based upon suitability.

"It was a buying opportunity," Blauvelt said. "I don't think we're out of the woods yet, no matter what the government does with its bailouts. My attitude is this thing is going to be here a little while longer, and I will see a lot of ups and downs, but I have a firm conviction in the stocks I'm holding, and I'll stick with it."

There are many studies based on historical returns that indicate that selling out of your investments now might be unwise. However, if you feel that the current level of market volatility is too much for you to tolerate, there are options:

- Remain fully invested, but move to a more conservative investment objective that would have lower expectations of ongoing market volatility.
- Liquidate a portion of the assets to meet your required level of expenses for the next year while the market stabilizes and eventually recovers.



continued on the back page

continued from page 3

- Liquidate the account in full and move to a 100% cash position, which we don't recommend based on how recoveries can occur in rapid succession in a short period of time.

Given those choices, I do want to emphasize the importance of staying focused on the long-term plan we developed before the current turmoil hit. I understand and appreciate the anxiety that is created by falling investment values. Yet historical-return studies suggest that staying the course may result in better long-term returns than if you try to time the market.

Selling your investments after you have already experienced significant negative returns might preserve your current portfolio value but will also ensure that you lock in losses. Worse still, you run the risk of not being a participant in a market recovery.

TIME NOT TIMING

S&P 500 (1978-2007)	AATR*
Buy and Hold Strategy	9.60%
Missing 5 Best Days	8.52%
Missing 10 Best Days	7.65%
Missing 20 Best Days	6.23%
Missing 25 Best Days	5.57%

Total market days between 01/03/1978 and 12/31/2007 is 7,571 days ¹

* Average Annual Total Return

Past performance not guaranteed. You cannot invest directly in any index.

If you would like to discuss your options and learn more about the current market environment, please call me at your earliest convenience to schedule an appointment

How to Reach Us

Please note that we are not able to initiate security or investment purchases or sales via e-mail or voice mail. You must speak directly to a representative of our office for any trades to occur. For other communications, our email addresses and phone extensions follow. Our phone number is 386-738-1800.

Thomas B. Fleishel, MBA, Certified Financial Planner™
Tim Foli, Financial Analyst FFA – Ext 302
Cyndi Rabey, Director of First Impressions – Ext 301
Mary E. Leone, Operations Manager – Ext 306

thomas.fleishel@raymondjames.com
tim.foli@raymondjames.com
cynthia.rabey@raymondjames.com
mary.leone@raymondjames.com



812 N. Woodland Boulevard
DeLand, Florida 32720-2709

Change Service Requested

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. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing materials are accurate and complete. Any opinions are those of FLEISHEL FINANCIAL ASSOCIATES and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date 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. Investments mentioned may not be suitable for all investors. Past performance may not be indicative of future results. You should discuss any tax or legal matters with the appropriate professional. Keep in mind that there is no assurance that the recommendations or strategies mentioned will ultimately be successful or profitable nor protect against a loss.

Election Selection

Campaign promises are very different from the reality of running a country. So, a certain amount of discounting need be applied. As we head toward the election season, I want to take a look at some of the influence a president can have on the economy and what an election may mean for the economy. Keep in mind that past performance does not guarantee future results.

1. The president can have a large amount of influence over the economy. The U.S. economy is not a command economy. Economic cycles are long lived and have their roots in a combination of factors, including trade and demographics. But because of a series of interventionist laws, the president has broad powers to help extend expansions and accelerate the ending of recessions. The acts include the Budget and Accounting Act of 1921, the Reorganization Act of 1939, the Employment Act of 1946, and the War Powers Act.
2. Historically, we have seen the following market reactions in an election cycle:
 - average market gain: 8.4%
 - average gain if Republicans win: 10.6%
 - average gain if Democrats win: 5.6%
 - average gain if incumbent party wins: 13.9%
 - average gain if incumbent party loses: 1.2%
3. Defense, health, and financial services industries could be favored by a Republican win. Alternative energy, wind, water, and solar power industries could be favored by a Democratic win. Along with increased globalization, greater world competition, and the shrinkage of the U.S. economy as a percentage of the world economy, the power of the president to influence the U.S. economy is lessened.
4. I expect we will see a return to greater regulation after the Bush years and the most recent economic and banking problems. The bottom line is that the financial system and amount of outstanding credit have become too important to ignore.
5. The three biggest issues that the next president – Democrat or Republican – will face are: Increasing Federal and trade deficits, divergent interests of those who wish to protect U.S. jobs and those who seek greater trade freedoms, Energy policy and maintenance of national infrastructure.

Remember: Historically we have seen that election years bring uncertainty for the markets. As a citizen, by all means focus on the platforms, the speeches, and the excitement of the campaign. But as an investor, distance yourself from the rhetoric and hype. Remember that the long-term trends in company earnings, worker productivity, and competitiveness, as well as sensible diversification and common sense, all probably matter more to good returns than elections.

Source: MFS research

New Changes to Heritage check writing and Elite check writing

Starting in January 2009 clients with Heritage check writing will no longer be available and current clients with this feature will have an opportunity to open a Capital Access account as long as your client relationship (aggregation of all your accounts) is larger than \$25,000 you will have the fee waived for the first year. Relationships larger than \$500,000 (this has been changed from \$250,000 to \$500,000) will continue to have the account fee waived after the grace period. All clients with Elite check writing will be replaced with a Capital Access account. Further information on this will be forthcoming. Another option for those of you with Heritage check writing, would be to set up an ACH so that cash can be easily moved from your Raymond James account into another checking account or to a third party. There is no charge for this feature. Please call our office and Cyndi will be happy to assist you in setting up this feature.

Qualified Charitable Distributions from IRAs are Back

The Emergency Economic Stabilization Act of 2008, which was signed into law on October 3, 2008, contains a provision that again allows eligible IRA participants to take Qualified Charitable Distributions from their IRA accounts for 2008 and 2009. IRA owners must have attained age 70 1/2, must make the distribution directly to the charitable organization from a traditional or Roth IRA, and may use the QCD to satisfy their RMD for the tax year. For anyone interested in more information about this, please contact our office.

