



RETIREMENT FINANCIAL SERVICES, INC.
WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

Weekly Commentary
March 9, 2009

The Markets

As it relates to the financial markets, essentially the only positive thing we can say about last week is that it ended.

The relentless decline in the stock market continued as investors focused on declining earnings, declining jobs, and lingering unhappiness with some of the administration's proposed economic plans. Talk of limiting some deductions for wealthy taxpayers and a cap-and-trade system on greenhouse gas emissions, in particular, seemed to spook investors. Of course, this year's projected \$1.75 trillion deficit doesn't help matters, either.

The Dow Jones Industrial Average touched a 12-year low last week, and that's only the third time it's ever happened, according to a MarketWatch article, which cited a J.P. Morgan Chase analyst report. The first time a 12-year low occurred was on April 8, 1932 and the second time was December 6, 1974. MarketWatch pointed out that, "In 1932, the April 8 crossing of a 12-year-old low came three months before the market hit its bottom, while, 42 years later, the December 6 breach marked the exact 1974 low." The good news is, one year after the December 6, 1974 low, the Dow was 42 % higher, according to data from Yahoo! Finance. We would certainly welcome a repeat of that performance!

The Dow has now dropped more than 50 % since its all-time high of 14,164 in October 2007, according to Bloomberg. Clearly, this is not your typical bear market. Please be assured that we are monitoring the situation very closely and we are doing our best to opportunistically take advantage of whatever this market throws at us.

Returns through 3/6/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrial Average	-6.2	-24.5	-44.3	-15.4	-8.8	-3.8
Nasdaq Composite	-6.1	-18.0	-41.5	-17.3	-8.4	-6.0
Standard & Poor's 500	-7.0	-24.3	-47.2	-18.8	-9.8	-6.1

Sources: Yahoo! Finance, Barrons. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, 5-, and 10-year returns are annualized. Assumes dividends are not reinvested.

AS AN ADVISOR, one of the earliest lessons you learn is that historically, over a long period of time, stocks have outperformed bonds. For example, from 1926 – 2007, stocks had an average annual total return of 10.4 %, while bonds had an average annual total return of 5.5 %, according to The Vanguard Group. As you can see, stocks significantly outperformed bonds during this long period.

However, over the last 30 years, the situation reversed.

According to a March 6, Bloomberg story, the cumulative total return of bonds over the past 30 years was 1,479 %, while the total return for stocks was a bit lower at 1,265 %. This switch of bonds outperforming

stocks over the past 30 years occurred because of the tremendous drop in stocks since October 2007. To confuse things, if we took this measurement at the stock market peak in October 2007, it shows stocks returning 2,845 % and bonds returning 1,156 % since 1979. A bear market sure makes a big difference.

The point we want to make is that diversification, while not guaranteeing a profit or protecting against loss, is a prudent strategy. Stocks may outperform bonds in the very long term, but in the short term—which in this case is 30 years—bonds may outperform stocks. It makes sense to own both because you never know when one will outperform the other.

It's also worth pointing out that there are very few "absolutes" in the investing business. When we have big declines like we've witnessed over the past year, it causes investors to reexamine long-held beliefs about how markets work. This is actually healthy because it forces you to continually upgrade your belief system based on new information. Investors who don't adapt may face major problems.

Weekly Focus – Daylight Saving Time

While it's debatable how much energy is saved by implementing daylight saving time (DST), it's not debatable that DST has an effect on health. A Finnish study last year concluded that DST can disturb people's sleeping patterns and make them more restless at night. Another study published last year found a spike in heart attacks during the first week of DST. The study also concluded that there's a brief, slight dip in heart attacks when DST ends in the fall.

Apparently, the human body does not like a disruption in its sleep pattern.

Best regards,

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
- * The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.
- * The Nasdaq Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Consult your financial professional before making any investment decision.

* Past performance does not guarantee future results.