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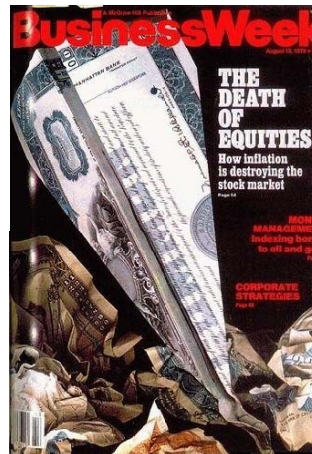
Financial Advisers

Equities down but not necessarily out

A friend recently emailed us the image of a *BusinessWeek* cover proclaiming "The Death of Equities." It's easy to imagine that this was a recent issue.

However, it was actually 30 years ago that *BusinessWeek* pronounced the stock market dead. It was the financial world's equivalent of the famous "Dewey Defeats Truman" newspaper headline, only we didn't know it right away. Not only did equities survive their *BusinessWeek* obituary, but three years later, in 1982, a huge bull market began.

That cover is a reminder that we have been



through times before when the situation seemed dire. Not only did we survive, but ultimately we thrived.

We are obviously in a serious economic fix. More than \$10-trillion in stock market wealth has vanished. We've lost

confidence in banks and other major financial institutions. The economy contracted at a 6.2% annual rate in the fourth quarter and is expected to shrink at a 7% rate in the first quarter of this year. Unemployment was 8.1% in February, the highest it has been in 25 years. And for at least the next six to nine months, things are likely to get worse. The famous "Dr. Doom," New York University professor Nouriel Roubini, says the recession might not end until late next year.

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Ten-year returns have hit historic lows



A recent American Funds study showed that in any 10-year period when the market averaged less than 2.5% for 10 years running, it then returned an average of 13.3% for the next 10 years. (Graphic courtesy of Capital Group Companies)

Stock market returns looked grim in February

After a dismal 2008, investors continued to get slammed through the first two months of 2009.

After falling another 10.7% in February, the S&P 500 was down 18.2% so far this year. Growth continued to hold up better than value, with the Russell 1000 Growth Index dropping 7.5% in February and 12% in 2009, while its value counterpart lost 13.3% in February and was off 23.3%

year to date.

Losses by developed market foreign stocks were similar to those of broad-based U.S. indexes. But emerging market equities held up better, losing less than 6% in February and 12% YTD.

High-yield bonds lost about 2% in February. For the first two months of 2009 they were up 3.7%. Investment-grade bonds were down 0.4% in February and 1.3% YTD.

February 2009 Benchmark Returns			
	Feb	3 mos	1 year
Large-Cap Benchmarks			
S&P 500	-10.65%	-17.31%	-43.32%
DJ Wilshire 5000	-10.04%	-15.84%	-43.15%
Russell 1000	-10.34%	-16.34%	-43.62%
Russell 1000 Growth	-7.52%	-10.38%	-40.03%
Russell 1000 Value	-13.36%	-22.26%	-47.35%
Mid-Cap Benchmarks			
Russell Mid Cap	-9.95%	-13.05%	-46.56%
Russell Mid Cap Growth	-7.61%	-8.52%	-45.81%
Russell Mid Cap Value	-12.49%	-17.70%	-47.66%
Small-Cap Benchmarks			
Russell 2000	-12.15%	-17.39%	-42.38%
Russell 2000 Growth	-10.35%	-12.68%	-41.94%
Russell 2000 Value	-13.89%	-21.65%	-43.03%
Other Benchmarks			
NASDAQ Composite	-6.51%	-10.01%	-38.77%
MSCI EAFE	-10.54%	-14.60%	-51.81%
MSCI Emerging Markets	-5.71%	-5.25%	-57.24%
FTSE NAREIT Equity REITs	-20.82%	-23.80%	-57.29%
DJ Wilshire REIT	-21.85%	-24.65%	-59.36%
DJ AIG Commodities Index	-4.43%	-13.62%	-50.27%
BarCap US Aggregate Bond	-0.38%	2.43%	2.06%
Credit Suisse High-Yield	-2.05%	9.52%	-21.34%
Citigroup World Govt Bond Index	-2.96%	-0.57%	-3.11%
S&P National Municipal Bond Index	0.40%	6.07%	5.80%
Citi 3-month T-bill	0.01%	0.07%	1.31%

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For investors, the gloomy forecast presents a perplexing problem. We'd like to know when things have hit bottom, but we can know that only in hindsight. The one thing we can say for sure is that we're a lot closer to the bottom than we were a year ago.

In downturns over the past 60 years, the Standard & Poor's 500 Index has hit bottom an average of four months before a recession ended and about nine months before unemployment hit its peak. Since 1932, the S&P 500 has gained an average of 46 percent in

the year after stocks have hit a bottom.

American Funds did an interesting study using 10-year-rolling averages of stock market returns, which is a way to smooth out the volatility of year-to-year results. The 10-year period ending in December wins the prize as the worst 10-year period ever, with an average annual return of -1.5%, slightly worse than the -1.3% for the 10 years ending in 1938, which included the Great Depression. The good news is that, in any 10-year period American Funds examined, when

the market averaged less than 2.5% for 10 years running, it then returned an average of 13.3% for the next 10 years.

Over the last 20 years, stocks actually have returned less than bonds. Professor Jeremy Siegel at Wharton says there has only been one 30-year period in history when bonds outperformed stocks and that was the 30 years ending in 1861.

"That tells us that once you are down 50%, those who are in stock markets for 10 to 15 years will get much better returns," he said.

Although we have gotten ourselves in an economic mess, there's also a huge effort underway to repair the problem. We're encouraged that we are likely to end up with much-needed reform of our financial regulatory system that never could have happened otherwise. Our system was broken, but no one had the will to fix it over the objections of banks and brokers who didn't want to be regulated. Some of our country's most important economic reforms, including FDIC insurance, were born from catastrophe. That is likely to happen again.

April 15 is the final day to fund your IRA for 2008

If you've been procrastinating, time is running out to make your 2008 IRA contribution.

You can contribute up to \$5,000 each (\$6,000 if you are 50 or older) for yourself and your spouse if you have earned income at least equal to your contributions. The deadline to make a 2008 contribution is April 15. If you've got an existing IRA, you can simply add to it. If you need to open a new account at Schwab, we can help.

Here are your options:

Traditional deductible IRA

Contributions are deductible upfront and taxed when they are withdrawn. You get a full deduction if you aren't covered by a retirement plan at work or if you are covered but your income is less than \$53,000 (single) or \$85,000 (married filing jointly.) You can get a partial deduction at incomes of up to \$63,000 and \$105,000.

If your spouse is covered under a

retirement plan at work but you are not, then you may fully deduct your IRA contribution if your joint income is below \$159,000. You may take a partial deduction at incomes up to \$169,000.

Roth IRA

Contributions are not deductible upfront but will never be taxed if you follow the rules. This is usually the best choice by far for young people. It's also a great choice for anyone who isn't eligible for a deductible IRA. And we generally recommend it for those who expect to be in a higher tax bracket in retirement. You're eligible to make a full contribution if your income is less than \$101,000 (single) or \$159,000 (married filing jointly) or a partial contribution at incomes of up to \$116,000 or \$169,000.

Nondeductible IRA

Contributions are not deductible, but you get the benefit of tax deferral. Withdrawals will be partly taxable and partly tax-free.



You have till April 15 to contribute to your IRA for 2008. If you have extra funds, you can also go ahead and make your 2009 contribution.

Check your paycheck for correct withholding under new tax credit

The new "Make Work Pay" credit, which will reduce your 2009 income tax liability, will be showing up in paychecks by April 1 in the form of reduced income tax withholding.

The credit is a maximum of \$400 for singles and \$800 for married couples filing jointly. On an annual basis, that's an extra \$33 a month for singles and \$66 for married couples.

If you are married and both of you work, check to be sure that your employers each reduce holding only for the single amount. Otherwise you could end up getting \$800 too much in your paychecks and have to pay it back at tax time.

There's also a potential problem of having too little withheld if you have more than one job. And worst of all, the case of people who have too little withheld because they don't qualify for

the credit at all. Your income may qualify you, but when added to that of your spouse, you may no longer be eligible. The credit starts phasing out at incomes of \$75,000 for singles and \$150,000 for married couples. People who are claimed as dependents on someone else's return also are ineligible for the credit.

If you find a problem, fill out a new W-4 form to increase your withholding.

Holifield Huntley joins national fee-only planner association

Holifield Huntley Investment Advisers is now affiliated with the National Association of Personal Financial Advisors. NAPFA is the premier organization for fee-only planners like us. It promotes high standards for adviser education, competence and ethics. You can read more about NAPFA at www.napfa.org.



NAPFA's Fiduciary Oath

The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client. The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the

engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of the advisor. The advisor, or any part in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product. The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

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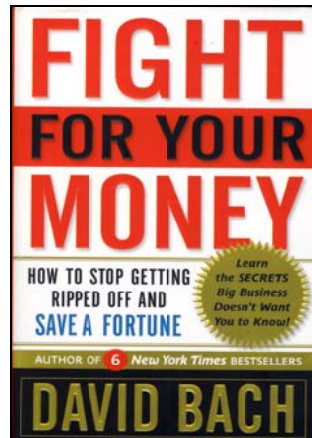
Miss an issue?

Back issues of our monthly newsletter are available on our Web site, www.holifieldhuntley.com, or by clicking <http://tiny.cc/xQJ7w>.

Helen puts her two cents in as researcher for new book

Don't let big companies take advantage of you!

That's the theme of *Fight for Your Money*, a new book by best-selling author David Bach. Helen helped with the research last year as a freelance assignment. You can find her research in the section on retirement. The book, published by Doubleday and available on Amazon.com, features dozens of money-saving tips. Here are just a few:



Always pay for airline tickets with a credit card, no more than 60 days in advance of your flight.

To get the best pricing, search for one airline ticket at a time

instead of the total number you need.

If you lose your cell phone, call your service provider immediately, get the name of the person you speak with and ask for confirmation in writing that your phone has been disabled.

If you change jobs after being vested in a pension, keep the pension plan administrator informed whenever you change your address.

Scrutinize your bills — hospitals, phone service, hotels, credit cards — to make sure you aren't being charged for things you didn't get.

An extended warranty that costs more than 15% of the price of the item for three years of coverage probably isn't worth buying. And before you buy one at all, know what the manufacturer's warranty and your credit card will cover.

About Our Organization ...

Holifield Huntley is a fee-only financial advisory firm. That means we are paid by our clients, who can count on us to be objective and have their best interests at heart. We do not receive commissions or compensation from others for selling their

products. We offer a comprehensive array of financial planning and investment management services.

If you, a friend or family member needs help, please feel free to call or e-mail us.