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Snapshots

It's been an interesting quarter with a lot of moving pieces so I'd like to cover as much ground as possible by moving quickly through the territory—call it "snapshots from our trip through Econoland".

***Q1 Markets:** Q1 2008 equity performance was volatile and negative. By mid-month January the S&P 500 had taken out a double bottom formed last August and November; by late January had risen back over 1375 only to sink again in early February, rise by late February, fall into mid-March and finally rise back to nearly 1375 by the end of March.

Whew! Volatility (as measured by the VIX index) spiked twice in the quarter by 60+% from year-end levels in roughly mid-January and mid-March to highs we achieved in August of 2007. We ended the quarter with the S&P down -9.9%. Interestingly, while we're down 10% for the quarter, we are still down a total of only 11% from this cycle's high of last October.

***Recession:** As I said in last quarter's "Market Talk" I believe that the U.S. economy slowed to a stall and our GDP probably turned slightly negative at the end of 2007. Q1 2008 may turn out to be slightly negative as well, this placing us in the official definition of recession. The press will seize on this, jobs will be lost, there will be a gnashing of teeth and renting of clothes; worst of all politicians will begin to believe they have the wisdom and mandate to "do something."

Remember that the first market crack with high volatility in this cycle was August 2007 when the market briefly fell to S&P 1375, almost exactly where we are today (S&P 1373 as I write this). That was nearly 8 months ago. A normal recession is 12 months+/- and the markets are normally 6-12 months forward looking. When the recession cry is the loudest, be optimistic!



***Real Estate and Banking:** The bubble continues to deflate. While painful, real estate deflation is healthy and a long-term beneficial medicine for our economy. It is deflating in a rational, orderly manner—places like Florida, Nevada, Arizona, and California, poster children for real estate excesses in price and speculation which increased their real estate values the fastest and highest, are now correcting lower at the fastest rates and greatest price decreases. Once again, the headlines you read will point to the biggest losses and the very real pain that many will feel. The press will generally ignore the huge swaths of America that experienced more rational real estate prices before and smaller declines

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Special points of interest:

- Markets closed—Memorial Day (May 26) and Independence Day (July 4)

- Getting a tax rebate? Use it to fund a Roth IRA.

- Spring break—our offices will be closed April 21-25.

First Quarter 2008 Market Wrap

Market Indexes	% Change in Q1
S&P 500	-9.9%
DJIA	-7.6%
NASDAQ Comp	-14.1%
MSCI EAFE	-9.5%
KLD Domini 400	-9.9%

Mutual Fund Yardsticks	% Change in Q1
Equity Income	-7.9%
Large Cap Growth	-11.6%
Balanced	-5.8%
Gen US Taxable	-1.2%
Intermediate Bond	+4%



What is SIPC?

The recent turmoil within the banking and securities firms (e.g. Bear Stearns) have led several clients to ask the pointed question, "how safe are the assets in my Schwab account?" I thought that it was appropriate to talk a bit about the role of the Securities Investor Protection Corporation (SIPC), excess SIPC and FDIC.

First, securities regulations require that broker-dealers deposit client funds in a separate account, distinct from the firm's own money. Securities

are kept in book-entry form with The Depository Trust Company, a national clearing house that is independently audited. They are not held by the broker-dealer itself.

Second, should any securities or cash be missing from an account, the Securities Investor Protection Corporation steps in. They protect an investor up to \$500,000 per account including up to \$100,000 in cash. 99.7% of investors were made whole in the 306 cases of failed brokerage firms over the past 32 years.

Third, most securities firms, including Charles Schwab, offer additional account protection which is called "excess SIPC". Schwab's coverage is with Lloyd's of London. It provides protection of securities and cash up to an aggregate of \$600 million in the event that SIPC limits are reached.

FDIC Deposit Insurance protects customers in the event of a bank failure. Most, but not all banks carry FDIC protection. The limits are \$100,000 per account owner, with IRA's in-

sured up to \$250,000, but FDIC does not cover securities or mutual funds.

We feel confident that your assets are adequately protected with an experienced and financially strong custodian like Charles Schwab. See the enclosed insert for more details.



New Reports have arrived

"We operate the firm conservatively to avoid the kind of investment risks that have troubled other securities firms recently."

Charles R. Schwab

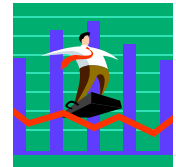
As promised in our October newsletter we have revised our quarterly reports. Our goal was to make them a bit simpler while still providing you with the breadth of information that you have come to rely upon. The new reports feature asset allocation charts, a summary of your portfolio positions, quarterly account transactions, and a

portfolio performance summary. Please note that we have annualized returns to provide easier comparisons.

We hope you like them. Call if you have any questions or suggestions for improvements!

You may have also noticed that the Schwab statements have

been enhanced. The new customized monthly statements include asset composition pie charts and a 12 month value bar chart as well as a market indices table for your comparison. We think that they are intuitive and easy to read.



Snapshots (continued)

today and the millions of families that are not now in default.

While the origin of the real estate mess is obviously non-financial, the financial markets have been hit squarely by the collateral damage of the real estate implosion through their exposure to various mortgage backed derivative holdings. The depth of the mortgage drilldown into the financial system has surprised me. As the saying goes, there's only two emotions on Wall Street—fear and greed. I clearly underestimated the power of greed and its corollary- stupidity. None the less, I feel we are working our way through this mess with the Federal Government, Treasury, and the Federal Reserve clearly in our corner to get us through. Another famous Wall Street saying- "don't fight the Fed!"

***Commodities:** I believe that the recent commodity craze is the same liquidity bubble that has moved from tech stocks in the 90's, to real estate this decade, and now to gold, copper, oil, wheat, corn, etc. I have read lately various estimates that between 20-40% of all daily

trading in commodities is done by hedge funds and institutions that have no use for the actual commodity they are trading, only that the price swings are volatile enough to make a profit in the trade. Commodities may well be the next bubble and we all know how bubbles end.

***Politics:** This is my primary economic fear. The great economic lesson to be learned from the Depression of the 1930's is that the imposition of protectionism (and some would argue the mere serious debate about protectionism) resulting in decreased international trade (the Smoot-Hawley Tariff Act of 1930) and the effort to balance the Federal deficit short-term through increased domestic taxation are precisely the **worst** remedies to apply to a depressed economy. Today, in the face of a severe test of our economy and a depressed real estate environment we are actually having a serious discussion about guess what - increasing all manner of taxes across the board and protectionism.

MARKET TALK

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Wealth Management & Financial Planning

Changes in your financial situation or goals? We may need to change your IPS. Let us know!

Coming to the web! At
www.siawealthadvisors.com



TIAA-CREF Relationship

We are very pleased to announce that we have established a relationship with TIAA-CREF that will enable us to manage existing and new retirement and Vermont 529 plans under the TIAA-CREF umbrella. Just like your Schwab accounts with your authorization we can now access TIAA-CREF accounts. We can initiate trades, get daily updates and copies of their quarterly reports. This allows us to report on the returns and to actively manage the asset allocation for you as part of your overall financial picture.

For those of you who are unfamiliar with TIAA-CREF, here is a brief overview. Andrew Carnegie founded the Teachers Insurance and Annuity Association (TIAA) in 1918 to fund a system of pensions for professors. Reacting to rising inflation and longer life expectancies, the company added an equity portion in 1952, creating the College of Retirement Equities Fund (CREF). Now 90 years old, TIAA-CREF is the leading retirement system for people who work in the academic, research, medical and cultural fields.

Of course, over time their offerings expanded. Now many TIAA-CREF products are available to the general public including education funding, annuities and life insurance. One thing that appeals to us is their strong nonprofit heritage. They offer low fees and a service oriented business model. A very nice service that they offer is a no charge life insurance policy review. Through a third party firm (Resource Insurance Consultants) a comparative analysis is made between your current life insurance coverage and a TIAA-CREF policy. Cost, coverage, features and carrier ratings are just some of the items reviewed. If a switch looks advantageous for you we can facilitate a change in policy.

By establishing this relationship with TIAA-CREF we have expanded the ways that we can service you to include existing 403(b) plans, Vermont 529 plans, life insurance, and annuities. Call us for more information.



Preventing Identity Theft

With the technology proliferation identity theft has become an increasing concern to all of us. Hannaford supermarket recently announced that a security breach resulted in 4.2 million credit card numbers being stolen from their retail stores. I attended a webcast seminar this quarter that focused on ways to keep data safe from online security threats and I thought I might share some of the highlights.

- Install a firewall on your computer
- Use and regularly update your antivirus and antispyware software
- Update your operating system for security patches
- Regularly change your passwords and don't use obvious ones
- Never use unknown or unprotected computers to access secure sites
- Never click links, open attachments or reply to unknown e-mails

If you suspect that you are a victim of identity theft take quick action. Place a fraud alert on your credit reports with the three consumer reporting companies—Equifax, Experian and Trans Union. Close any accounts with suspicious activity. File a police report and report the theft to the Federal Trade Commission (1-877-ID-THEFT).

Finally, consider using Life Lock (www.lifelock.com), a service to prevent identity theft. The service costs \$110 per adult annually and they will cover your losses up to \$1,000,000 if your identity is stolen.