

T H E A D V I S O R



Bill



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THE

ADVISORS  GROUP

Registered Investment Advisor

HELPING YOU PLAN FOR WHAT YOU VALUE MOST

Securities offered through LPL Financial
Member FINRA/SIPC

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YTD Performance 3/31/2008



Dow Jones Inds.	-12.48
NASDAQ	-3.07
S&P 500	-11.01
Russell 2000	-14.95



Fixed Income Indices

Barclays Aggregate	+0.12
Barclays Govt Long	-5.30

Int'l Stock Indices

MSCI EAFE	-13.85
MSCI Emerg. Mkts.	+1.02

The Future of Investing

The title of this outlook, "The Future of Investing", is a theme that will take many years to resolve, let alone the next few days. However, we all would agree that this future will be highly dependent on the evolution of the global economy. The future of the global economy will likely be dominated by deleveraging, deglobalization, and reregulating. It is important to state that we do not envision a return to the mean of the last decade. Rather there will be a new world where players assume different roles and models. Historical models look backward while modern-day finance is being fast forwarded as we speak.

1. **Deleveraging** - Over the last 50 years financial leveraging has created a growth positive environment. Developed countries have seen their economies dominated by asset prices and asset-backed lending (housing markets and mortgages). This rise in asset prices and the ability for consumers to extract this value led to excess consumption, and investment based on this consumption followed. This consumption and a belief that there would never be a "rainy day", caused the savings rates for many countries to fall to near zero. Business and household balance sheets must now be bolstered and these trends must reverse, and as they do, growth itself will slow. Most new growth will come from government spending and not the private sector or consumer.

The term "fighting fire with fire" comes to mind when we think of the government's strategy during this crisis. Can global financial markets and the global economy heal by pouring lighter fluid on an already raging fire? Can too much debt be cured by the issuance of even more debt? Whether this works...only time will tell, but you can bet that we will be watching closely to see the outcome.

2. **Deglobalization** - For at least the last 10 years there has been a push for a globalized economy. China and Mexico have been providing cheap manufacturing for the world, and customer service has been provided by the new middle class in India. This finance driven global trade has allowed for portfolio diversification into a multitude of markets. Yet this wondrous globalized economy with its free trade is starting to show signs of moving the other way. "Buy American", "British jobs for British workers" and a focus of governments supporting domiciled companies (banks, autos and insurance) are now suggesting an inward orientation that is less growth positive.
3. **Reregulation** - As a result of this recent crisis the belief that free markets will self regulate and minimum government regulation is needed, will be a thing of the past. In its place, we will experience less efficient but hopefully less volatile economies and markets - monitored and controlled by government regulation. Government ownership and control of vital financial and manufacturing institutions will move us significantly away from the free market model that has dominated capitalistic countries for the past 25 years.

So now the question needs to be asked, "Where are we in this current deleveraging, deglobalizing, and reregulation process?". The answer is not a simple one, but we think that four areas can be identified that will need to show signs of improvement before the market can begin to move forward. We won't need to see all four of them improve, but at least two and ideally three, will need to happen before the market can achieve some sustained upward movement.

These areas are:

1. Housing - Residential housing prices need to stabilize and establish a bottom.
2. Financial Markets - Banks and financial institutions need to be able to lend freely at reasonable rates.
3. The Consumer - The fiscal stimulus package needs to take hold and the consumer needs to think it is safe to start spending again.
4. Global Markets - Global markets need to stop contracting and start growing again.

At this time we think, that even though the first three areas are improving they have not happened yet. The only one that we see starting to develop is the global markets. China is just now starting to show signs of growth.

We will be keeping a close eye on these four areas as indicators of what we can expect in the markets.

LPL and The Advisors Group

Given the turmoil in the investment banking system, we thought it might be useful to address the situation at LPL Financial and The Advisors Group. LPL Financial has a much different business model than the financial institutions that have been troubled. LPL Financial does not provide loans to hedge funds or other speculators, and does not create proprietary products of any kind. Furthermore, they do not hold any securities on their books that are open to market risk nor do they engage in investment banking. Because LPL Financial does not engage in these practices, it withstands shocks to the markets very well. In early 2000 when the technology bubble burst, the company remained stable with no significant decline in earnings and no layoffs. The focus of LPL has been on you, the investor, and your goals, free of conflicts, hidden agendas, and opaque balance sheets. LPL will not be needing a loan from the Federal Reserve.

As for us here at The Advisors Group, our commitment has been and will continue to be always doing what is in our clients best interest with honesty and integrity. In light of what has occurred in the last six months it seems much of what we have learned over the 50+ years of combined experience in our office has let us down. We have spent considerable time determining how to position The Advisors Group in a way that honorably serves you through these challenging times. The following are a few actions that we believe are in our collective interest:

1. We have added, not cut, staff at The Advisors Group to better serve you.
2. We upgraded our Financial Planning software, making it more comprehensive.

3. We purchased new and better technology via our website for better means of communication and viewing your accounts online.
4. We immersed ourselves in refining our financial models and recommendations to perform in this new environment.
5. We will not raise our fees, even if your account values are below our minimums for our current rates.
6. We are committed to helping you through this and want to make sure you know that you matter to us. Anytime you would like to review your financial plan or investments please let us know.

Over the next few months, in addition to our quarterly newsletter, we will be sending out monthly news flashes via e-mail to make sure you stay informed. Meanwhile, thank you for your trust in The Advisors Group and for allowing us to be a part of your lives.

Survey Results

Thank you to all who took the time to complete our Annual Client Satisfaction Survey. Everyone who put their name on the survey was entered into a drawing to receive a prize package from Omaha Steaks. The winner of the drawing was Don Dodson. **Congratulations Don!**

Website

As you probably are well aware, in this ever changing market environment, it is important to stay up to date on news and events. At The Advisors Group, we continually research the market and its driving forces. One way we communicate what we have learned is through our newsletter; another way is through the use of our website. Recently, we made a few changes to our website to make it more navigable. One notable change is our calendar of events, which you will find a link to from our home page. We encourage you to visit this page regularly to stay informed of current happenings and time sensitive news. In addition, there is a link to "Articles and Documents" from which you can view our monthly newsletters and other articles. So, if you haven't done so already, please take a few minutes to check out our website, calendar, and our articles and documents page.