

T H E A D V I S O R



Bill



Mark



Joe

THE
ADVISORS  **GROUP**

Registered Investment Advisor

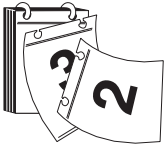
HELPING YOU PLAN FOR WHAT YOU VALUE MOST

Securities offered through LPL Financial
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YTD Performance 9/30/2008



Dow Jones Inds.	-16.59
NASDAQ	-21.13
S&P 500	-19.29
Russell 2000	-10.38



Fixed Income Indices

Lehman Aggregate	+0.63
Lehman Govt Long	+4.04

Int'l Stock Indices

MSCI EAFE	-28.91
MSCI Emerg. Mkts.	-35.37

Economic Update

Recently, we have been enduring a full scale global financial panic. The main stock market indices, the Dow and the S&P 500 were down 18.2 last week. It is a cold comfort that international markets fared worse, with the EAFE index falling 21.7%. This selling was indiscriminate; all of the major S&P sectors were down by similar amounts. Oil and other commodity prices were also down sharply. While declines in oil prices provided a rare piece of good news for U.S. consumers, emerging nation stock markets were down sharply, especially for commodity producing nations like Russia and Brazil.

We expect to see further emergency actions on the part of the Federal Reserve (the Fed) and the Treasury. We will be shocked if the Fed does not take additional action, such as cutting the target fed funds rate again. We have already seen another expansion of the Treasury Auction Facilities program which allows financial institutions to park troubled assets at the Fed, and this change will likely generate another huge expansion of the Fed's balance sheet. Ben Bernanke, the chairman of the Fed, is determined to meet surging demand for precautionary liquidity by banks as well as non-financial companies, using whatever sums may be required. The Fed has the ability to expand the money supply without limit and is doing just that. We view this monetary policy to be doing the right things to quell this panic, evidenced in part by the stability in the U.S. Dollar's exchange rate. It has actually been moving higher during this crisis.

We believe the Emergency Economic Stabilization Act (EESA) is a necessary measure and will work over time. If the \$700 billion proves insufficient, more money will likely be authorized to help resolve the crisis. Although this program has the

potential to increase taxpayer risk due in part to expanded deposit insurance limits, the increased limits will help stabilize the current environment. Along with this, the EESA includes about \$150 billion in tax breaks and calls for changes in accounting rules. Taxpayers could, however, be on the hook if another large deposit insured bank fails down the road.

One of the many unfavorable outcomes of the credit crisis has been a major expansion of the large, deposit insured, commercial banking system through various mergers and acquisitions. This has resulted in a deeper integration of commercial banking with investment banking, insurance, and other financial operations. This interdependence is not optimal. The extreme stress of recent months has exposed serious weaknesses in the structure of large, highly integrated financial companies. We have seen them fail to control risk and cut and run on their proprietary securities. In addition, security issuers have demonstrated a willingness to steer depositors into investments they never should have owned. Taxpayers have been put at sizable risk by the "too big to fail" integrated financial institutions. We think it is critical that we take a hard look at these structures that are clearly fraught with serious risks and conflicts.

There is a silver lining to this dark cloud. Bank lending is not "grinding to a halt" nor is there likely to be a wave of bank failures. The vast majority of small and medium sized banks are handling the situation pretty well, continuing to provide loans and maintaining adequate financial controls. This is not the Great Depression II. Small community banks and many regional deposit insured commercial banks do a lot of good and are very necessary to our economy. They lend wisely and know their customers, helping them to save and meet goals. In addition, they help investors without leveraging up their balance sheets. The Fed, along with the FDIC, stands ready to stop deposit runs and assist these banks, unlike their non-actions during the Great Depression.

The financial system has been enduring increasingly heavy stress over the last month. Over the last two weeks, we have been experiencing a twist on the bank runs that accompany classic financial panics. Fearing failure, depositors have in the past started pulling money out of a bank in mass. Now we are seeing runs on the lending side, something new in our

experience. Banks and other large financial institutions set up extensive revolving credit lines with companies. The credit lines provide guaranteed access to specified loan amounts at floating rates. Companies pay the bank a fee for the credit line, which is normally viewed as sound business. The banks never imagined that companies would all ask to draw down their credit lines at the same time, which is what happened over the last two weeks. Every CFO worth his salt called up the bank and drew down their credit line—a run on the lending side. The upward pressure on interbank lending rates was enormous, forcing the Fed to completely buckle and take hundreds of billions onto its balance sheet to stabilize short-term interest rates.

We would also like to briefly touch on the economic impacts of the credit crisis. They are likely serious enough to take the already weak U.S. economy into recession this quarter. Last Friday's employment report for September showed a recession-sized drop of 159,000 in payroll employment. In addition, the Purchasing Managers' Index, an indicator of the health of the manufacturing sector, fell off the cliff in September. Recession now appears to be underway. If the financial crisis abates, the length and severity of a recession could be minimized. The actions taken by the Federal government and the Federal Reserve are designed to restore order to the credit markets.

Markets have nonetheless been shaken because of all these events. The equity markets have been continuing to fall, despite the passage of the EESA, reflecting continued concerns about the banking system. The market on Monday, October 6, reflected indiscriminant selling such as we have not seen since the crash of 1987. Later in the day, they bounced back somewhat. At this point, in the middle of a full-blown financial panic, there is no attention being paid to fundamentals. Stock prices for what should be considered perfectly sound companies are being hammered down. Yields on AAA rated municipal general obligation bonds have been pushed up to levels reflecting fears of default. Furthermore, this situation is forcing some states to request emergency short-term assistance from the Treasury. If they do need assistance, we are confident they will get it. It is highly doubtful that there will be any state defaults on general obligation municipal debt.

It is important to remember that the vast majority of U.S. companies remain sound. We are in the midst of a financial crisis that is bringing on a recession, but not economic devastation. Stock prices are being driven down by selling that is not justified by the underlying fundamentals. This makes it a very bad time to abandon the long-term plan for your portfolio, as patience has historically proven itself during troubling times. We will before long return to rising economic growth and financial market stability as the end of this crisis is imminent.

Please be assured that we are taking every precaution to protect your investments. Please feel free to call us with any questions or concerns you may have.

529: Out with the old... in with the new

Indiana's initial 529 (College Savings) plan has been replaced by "Upromise Investments" and will be called "College Choice Advisor 529 Savings Plan".

Existing plans will be converted automatically to the new plan. Your planner will lead that charge to the proper allocation of funds in the Upromise Plan. You and your planner will have 17 investment options from which to choose.

The Upromise plan has the same \$1000 maximum Indiana Tax credit per year per tax return. Additionally, you can enjoy the same Gift Tax and Estate Tax benefits as the initial College Choice plan. Lastly, all old account numbers have been changed and your balance may be shown as a "0" (zero) so don't panic, we are on top of this and will have the proper values reflected shortly.

TAG Personnel Update

We are pleased to announce that The Advisors Group has added Betsy Coffman as the newest member of our team. Betsy is a 2005 college graduate of Northwest State community College where she majored in banking and finance. In addition to her degree, she is also a licensed Life Insurance representative. Betsy has four years of banking experience and joined The Advisor's Group in June 2008. She is eager to build new client relationships at The Advisor's Group and broaden her knowledge of the business. Her current responsibilities include processing customer payouts, handling account transfers, and opening new accounts.

Electronic Statements

Tired of being inundated with shareholder communications in the mail? LPL now offers the option of viewing fund prospectus, annual reports and proxy statements online. Enrolling is as simple as going to www.icsdelivery.com/lpl and following the eight required steps. It is account specific, so if you have more than one LPL account, you must submit a request for each individually. You may also contact our office and we will be more than happy to assist with your enrollment.

RIA Transition

Please accept our sincere gratitude to all of you who worked with us so diligently over the last two months, as we transitioned into our own RIA. We recognize the inconvenience the extra paperwork may have caused and want you to know how appreciative we are of your efforts. We are happy to report that we were successfully able to convert over 95% of the accounts affected by the move. Our belief is that this will give us greater autonomy to operate our business, allow us to keep our expenses in line, and offer you a broader range of investment solutions. Again, we could not have achieved this without your cooperation and patience. Thank You!

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