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Fourth Quarter Overview
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The Quarterly Report

Investment Review and Outlook The year 2008 was arguably the most painful in modern investment history (it was the worst year for the stock market since 1931), and is without a doubt the most painful experience in my 23-year history. Almost every asset class was in the red for the year with many deeply underwater, giving investors almost no place to hide. Government bonds were one of the few exceptions.

We believe that going forward we have an understanding of the range of possible outcomes and that our process will allow us to make sensible decisions that appropriately balance risk and return.

As we look forward from here at beaten-down financial markets and an economy on the ropes, we ask the question we always ask: what expectations are currently reflected in asset class prices? We approach this question in many ways and consider the weight of the evidence in the context of how the broader economic environment might play out over coming years.

Encouraging Signs Historical comparisons are sometimes helpful. There have been two extreme economic and investment environments in the last 80 years—the 1930s and the 1970s / early 1980s. By the late 1930s the economy was still in a weakened state with unemployment well above 10%. Moreover, Hitler's Germany was ominously flexing its muscles, annexing Austria in March of 1938. In the early 1980s inflation was sky high, interest rates were in the teens, and we suffered from back-to-back recessions with unemployment exceeding 10%. In both periods investor confidence was crushed after lengthy periods during which returns were dismal and because of continuing negative headlines. But as it

turned out, both periods presented a great opportunity for long-term investors to buy stocks. This may be a similar time. These experiences reflect the tension that investors face—when risk seems greatest it is usually a good time to invest, and when risk is an afterthought investors are likely to be disappointed with their returns going forward.

Dry Powder In addition, there is a mountain of cash sitting on the sidelines. In fact, since the advent of money market funds almost 30 years ago, money market assets relative to total stock market capitalization has never been higher. Some of that cash is likely to

find its way into stocks and bonds at some point as investors become more willing (or realize the need) to take on more risk in order to earn higher returns than what they can get from holding cash. So this is another factor that can be viewed as encouraging.

Policy makers have made it clear they will do whatever it takes to support the economy, yet credit markets, though slightly improving, remain dysfunctional and the housing market remains highly stressed.

Clearly we are in a recession where consumers are being forced to adjust to a new reality in which they finally have to pay down debt, increase savings and thus spend less than before. We know 2009 and beyond will remain challenging for everyone, but we believe we are well equipped to navigate treacherous waters. We also believe financial assets have priced in enough damage so that sustained losses (as opposed to temporary down market blips) over multiyear periods are now very unlikely.

We remain strongly committed to focusing everything we do on rewarding you for your confidence. ~ RWT ~

*“Success seems to be largely
a matter of hanging on
after others have let go.
~ William Feather ~*

<i>Portfolio Benchmarks</i>	<i>One Year</i>
Vanguard Total Bond Mkt. Fund	+5.19%
Vanguard 500 Index	-37.02%
Russell 2000 Index	-33.79%
Vanguard Total Int'l. Fund	-44.10%

New Annual Cost Basis Reports

Beginning in January 2009, clients will receive a year-end cost basis report for taxable accounts from Schwab. These reports will be produced annually at year-end, and the data will also be available online when logging onto Schwab.com. This is the first year Schwab has produced these reports, and therefore the 2008 report only covers activity beginning on July 1, 2008. Feel free to call Kirstin or Terry to request the full year's cost basis for your tax reporting needs.

The Quarterly Report

Happy New Year! That phrase is more meaningful than ever these days. We won't sugar-coat it...2008 was, at least economically, a bad year. As Richard Salmen, president of the Financial Planning Association, recently said, "Sure, there have been bear markets, scandals, bank failures and government bailouts in the past. But, can any of you remember a year where all of these happened at once in such a way as to literally bring the world financial system to its knees?" We felt the tremors here at Tull Financial Group, and we know most of you did as well...but opening up the first page of a new calendar always seems to bring a sense of renewed hope and faith. Looking forward also has a way of making us look back, and when we do, we realize that 2008 wasn't *all* bad. In fact there were some moments that were just...amazing. We'd like to share with you some of our own personal thanksgivings, in hopes of encouraging you to reflect on some of your own.

As many of you know, **Robin** turned the big 5-0 last year...and though some people might wallow in that number, Robin viewed it as a chance to reflect on his blessings and accomplishments, and to assess just how he's going to make the next 50 years *even better*. And how did Robin's friends communicate how much they valued the day he was born? Naturally they used smiley faces and pink flamingos—all over his lawn! As for some of his greatest blessings, five of them (namely his wife and four kids) were able to join him on a special vacation last year. With his two oldest children in college, another about to be a high school senior, and his youngest growing up faster than one can blink, Robin truly knows the value of embracing time spent with the whole family.



2008 brought **Kirstin** one big blessing in the form of a tiny little bundle. She now has another niece, Elizabeth, who joins her big sister Annelise in (easily) convincing Aunt Kirstin to spoil them rotten. But Kirstin doesn't mind. In fact ever since Elizabeth was born, Kirstin's smile has become bigger and even more radiant...oh wait...maybe that's because she also got her braces removed in 2008. And as Kirstin herself will tell you, it's easy to think fondly of the year that brought an end to wrestling with itty bitty rubber bands and a mouth full of metal.



Terry had some impromptu, very rare events happen last summer. On a whim, Terry's parents chose to travel from Calgary in Alberta, Canada, to Virginia Beach, VA, in order to spend their 50th wedding anniversary with their daughter. On top of that, while they were here, her parents decided to renew their wedding vows on the beach behind her house, officiated by Terry's husband, Kevin, a pastor and teacher. And if that's not exciting enough, her son drove all the way from Ohio with his young children, showing up on Terry's doorstep at two in the morning, so that she could have some unprecedented time in her own home with her parents, her two children, her two grandchildren, and her husband...all in the same place at the same time!

Shortly after this past Christmas **Mikki** and her husband, Jay, retreated to the Outer Banks, NC, for some quiet post-holiday rest. While there, Jay decided he wanted to visit—and climb—the Currituck Lighthouse. This seems simple enough, except that Jay is in the midst of a long and hard recovery from a very major surgery. For a man who could barely rake leaves for 15 minutes, climbing 214 steps is a daunting task. But taking it in small intervals, a few steps at a time with lots of rest in between, they both made it to the top...and the view was sure worth it! Their lighthouse experience has reminded them of the great things that can be accomplished with just small steps. They now do their best to take each day as it comes, not worrying about the future, but focusing on the present, one step at a time.

Though there may have been moments to grieve last year, please don't forget the moments to celebrate—like a bountiful garden or the birth of a grandchild. It is our hope that you have more celebrations than you can count in 2009. Remember, we always enjoy hearing from you, in both the good times and the bad, and keeping us up-to-date on any significant changes in your life (married? moving? changing jobs?) allows us to serve you better as your financial planners. We sincerely wish you the happiest of New Years...may 2009 bring us all good health, prosperity, and perfect peace!

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