SMITH FINANCIAL GROUP

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What does all this turmoil in the market mean to me?

Weathering downward stock market volatility is one of the greatest tests for the long-term investor. No matter how much we've prepared ourselves ahead of time for the fact that markets go up AND down, going through the DOWN part of the equation is never fun.

By mid July of 2007 the US stock market, measured by the Dow Jones Industrial Average[i] (DJIA) had managed an amazing climb to new highs without the historically consistent 10% correction. This streak is the second longest in 78 years. That streak continued until October 11, 2007 when the market closed at a record high of 14,279.96. However, since that time the market has trended down. In fact, from a record high in October 2007 to the latest 52-week low in January of this year (1/22/2008 – 11,508.74) the market had lost over 19% vs. that record high close. Thankfully the markets have rebounded slightly vs. that 52-week low but are still well off of the record setting pace of the past several years.

What does that tell us about what it will do in the future? In the short run, I have no idea. Nobody does. That's the beauty of randomness in the market. How long will this down cycle last? No idea. Should I change my investment strategies? That depends on several factors.

For many of you the current volatility will mean little because of the type of products you have placed your money in. Those of you who are using Annuity type products, for either monthly contributions or a lump sum investment, will not see a drop in your accumulated values as these products are designed to help you avoid the downside of just this type of market condition.

Those of you who are investing in Mutual Funds or are using a Managed Funds type approach will most likely see the impact of this down market reflected in the value of your funds. You have probably heard the talking heads and industry "experts" droning on about the "point drop" in the DJIA as the largest drop this month, this week or this year. (By the way, as I write this newsletter those point drops take the average "all the way down" to the same levels as the week of 3/19/07 of less than a year ago)

I bring this up not to cause you fear or worry or to attempt to predict the future. Rather I want to remind you that we invest in stocks and annuities for the long term ***KNOWING*** this inevitable volatility is the same "risk" that helps them generate returns. It is the risk that creates the reward in the marketplace. Everyone loves the rewards of an up market but the real test of your investment plan is whether you feel comfortable with it in a down or volatile market. Even though we don't like to see values temporarily decline, that's the tradeoff we willingly accept for the long-term returns we're seeking in the market.

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Useful stuff – Travel

While this space has often been filled with some very serious topics (identity theft, acquiring work after retirement) this month's topic is a little lighter, but no less useful. As many of you know I love to travel and have been to many, many countries around the world. I have learned a thing or two in my travel experiences that I would like to share here. If it's helpful then please feel free to use it to enhance your experience.

1. The Internet – **Nothing** has changed the face of travel in the past 10 years more than the internet. Here are some websites that should be helpful.
    a. www.kayak.com – this is the best aggregator site that I have found for finding out what the cheapest airfare is to any particular place. The big advantage of this site is that you can see pricing trend information for many (not all) routes so you can decide if you really are getting a good deal now or should wait.
    b. www.farecast.com – another aggregator site. However, Farecast's claim to fame is being able to predict the likelihood that a fare will rise or fall. This is pretty new stuff so I would proceed with caution, but as their database of information gets larger this should be a very good site to check.
    c. www.priceline.com – If you have the flexibility in your schedule or don't HAVE to stay at a particular hotel then priceline should be on your list. After all, that's how I stayed, with my family, at the La Cantera in San Antonio for $75 / night. That's why I love priceline!
    d. www.vacationstogo.com – For the cruise enthusiasts among us there is no better website than this one. Be sure to sign up for their newsletter as the website owner is constantly trying new cruises, safari's and trips. The latest was a trip to Vietnam for a tour of the country – complete with pictures!

2. Frequent Flyer / User programs – I sign up for them wherever I go. Many of these programs have reciprocal agreements with other companies. That is how I used my Air Lingus miles for an American Airline frequent flyer ticket!

These are just the beginning! I look forward to hearing your travel tips in the coming months and year. I hope this letter finds everyone healthy and happy. Please feel free to call if there is anything that I can do to help make your life better financially. I'm here to help.

Sincerely,

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