SMITH FINANCIAL GROUP

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July 2008 Newsletter

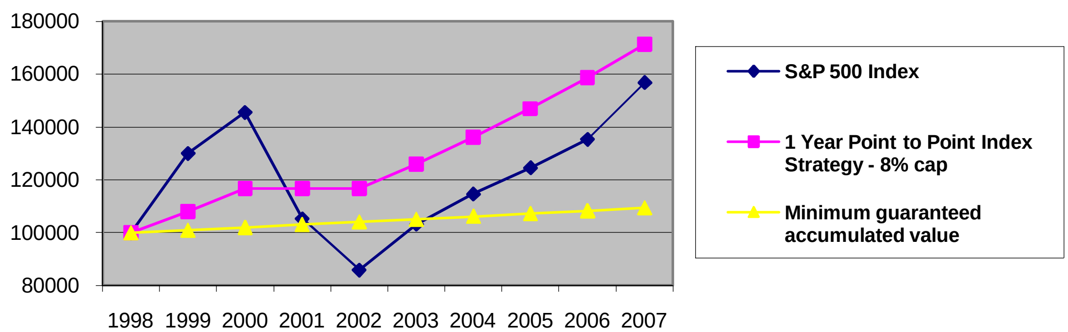
<u>The Sky is Falling!!</u>

For many people this is a very scary time to have investments. The stock market is falling, the home loan market is in shambles, oil is at record levels and gas just keeps going up. On March 26th of this year the Wall Street Journal ran a front page article describing how people who invested their money nine years ago in the market would have essentially the same amount of money they started with back then. In other words, if you invested $10,000.00 in 1999 in the S&P 500 index you would still have about $10,000.00. That's not how it is supposed to work! The conventional wisdom says that if I invest in the market (mutual funds, stocks, bonds and the like) and leave it, I will have lots more over time; not the same amount! That was back in March when the market was down over 15% from its high point in October 2007. The S&P 500 index and the Dow Jones Industrial Average (DJIA) are both down significantly from that point in time so the issue is even worse than before.

Often about this time I get a call that goes something like this: "Mike, I'm really worried about my investments with you. Is there something that I need to do to keep from losing my money?" This is a good concern to have but one that we have been preparing for since the very beginning.

Nearly every one of you has placed your money with me in some type of annuity. The benefit of this kind of investment strategy is that you have protection from just this kind of market activity. One of the characteristics of these kinds of annuities is their ability to protect you from drops in the stock market. Remember, Equity Indexed Annuity products can never earn less than 0% in interest. This is a level of protection that these type of annuities offer that time has shown will benefit you in the short AND long run. The chart you see below shows you what has happened historically using one of these types of products.

<u>Equity Indexed Annuities vs. S&P 500 Index</u>



The bottom line, hard as it is for people to believe, is that if we never take a step backwards (lose value) then we are doing better than those who expose themselves to all the risks of the overall marketplace. We get the benefit of the upside growth when it happens, we get to keep any gains during the 12 month period that we have invested in and we never risk losing value on our money. That's peace of mind that should help you feel very good about what your money is doing, and more importantly, NOT doing!

As always, thank you for your faith and trust and may you always be rich in the things that matter most.

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Useful stuff – Budgeting & Money matters

Often people will ask if I have any recommendations or tools that they can use to guide them in budgeting for everyday things regarding money in their lives. As most of you know I don't get into what I call "lifestyle" financial choices that people make in their lives – what cell phone plan should I get?, should I cut back on my cable bill?, should I cut back in this area or that area? I consider those choices yours to make and they are very specific to how you choose to live your life. However, I have found some resources and websites that I think are extremely helpful that I will share with you all. Here goes!

Books / Authors
- **David Bach** – The author of the Finish Rich series of books (Smart Women Finish Rich, Smart Couples Finish Rich, Finish Late Finish Rich, etc.) which have been New York Times best sellers. He has great advice and offers lots of good examples and insight on the impact of money in our lives.
- **T. Harv Eker** – Did you know that rich people and poor people see money very differently? Learn how to adjust your thinking to think like a rich person and live richer, no matter what your income level!

Websites
- www.feedthepig.com – This website and accompanying advertising campaign are a sponsored by the www.360financialliteracy.org website and The American Institute of Certified Public Accountants. It's a very catchy campaign (have you seen the guy with the pig face?) and has some valuable reference material.
- www.bankrate.com – This is a website that I have referred to before. It is a great tool to use to arm you with up-to-date information on rates for CD's, home loans, car loans, etc. It will also help you calculate the cost differences of differing rates and other features.
- www.creditcardclients.com – Look, no one likes credit cards but they are a fact of life these days. The goal of this website is to take the mystery out of credit card comparisons. It includes a learning center to teach you the basics of credit cards and, it's most important feature, will allow you to search for the best credit card deal based on your needs and situation. It won't make your credit score go up but it is definitely valuable information.
- www.latimes.com/business/la-moneylib,0,3098409.htmlstory – I know it's a long name but well worth the effort. The LA Times has one of the best on-line training and reference libraries in the world. Take a look and sign on for one of their on-line classes, they are great!

Sincerely,

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