

Urgent Update 11/19/2008**By Drew Tignanelli, CPA, CFP®**

I have been discussing with my team for sometime if we should extract more assets out of the market, then the 50% we are already out. Today we concluded that the best risk reward alternative is to move more out of the market and we are likely to go to 95% in cash and bonds. Are we making a move way too late? I do not think so. In hindsight, we should have sold more before September when we discussed that September could be a very dangerous month. We agreed that 50% works and we can hold the rest for the long term. As the market declined everything, we expected to help the markets recover (lower rates, increase money supply etc) has been applied to no avail. The pessimism is growing rampant and the market is near its bear market bottom of 7700. If it breaks that number, it could get very ugly. There is a wave of bankruptcies coming and the fed will not be able to handle them all. Therefore, our advice is to go to cash and wait a new opportunity to re-enter. To leave equities forever is the greatest mistake one will make since the greatest risk in the end is inflation and stocks will out perform during an inflationary period compared to bonds. Asia and Commodities will also perform extremely well, but we are convinced the timing is for another 6 months to 2 years maybe away. We need to be liquid and ready not bloody and bludgeoned to make that move.

Our recommendation is to move 75 to 100% of your monies out of equities and into cash or very safe bonds in your 401K plans.

We will take care of the re-allocation of your assets under our management. If applicable, you need to decide what to do with any Supervised assets we hold on your behalf.

We are continuing to monitor the situation daily and will give you are best evaluation when the markets appear to be better positioned for a possible Bull Move. That signal is likely to be with a dramatic drop in the US dollar. This would be a sign that there is ample liquidity in the world economies which is what the problem is currently. Also this would create a drop in equities that may fairly value stocks in even the worse of scenarios. For now, I believe the old adage "we shall retreat to fight another day" is about the best we can say. The key is that we do not leave the markets for good, but that we realize that long term markets are invaluable.