

# PROFESSIONAL FINANCIAL SERVICES, INC.

THE PRACTICE OF INSURANCE AND FINANCIAL SERVICES

A REGISTERED INVESTMENT ADVISOR

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ROBERT E. TUCKER  
PRESIDENT

April 16, 2008

Ms. Faye Messer  
10913 Lawyers Road  
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Dear Faye:

## The Economy, the Market and Perspective

Thankfully, the 1<sup>st</sup> quarter of '08 is over. Rising energy costs, the housing (mortgage) crisis, Wall Street foibles, concerns over Medicare and Social Security, politics and pundits, an apparent recession and precious little good news. WOW, what a quarter!

Here is what I believe. I think it will be three to four years before a resurgence of some semblance of the "good old days." However, within the downturn there may be great opportunity.

For example, when foreclosed houses are auctioned, someone may be buying at bargain basement prices. If "the market" continues to move down, selling guarantees loss for the seller, but creates opportunity for the buyer.

One methodology I have always promoted is broad diversification. Where possible, I have routinely recommended portfolios of mutual funds containing 10-14 funds using a variety of asset classes – large cap stock funds, small cap stock funds, bond funds, international and domestic, cash. I place variable annuities with both lifetime income as well as death benefit guarantees. I also utilize specific fixed income investments such as collateralized mortgage obligations (CMOS), agency bonds, treasuries and cash and often include a variety of real estate investment trusts (REITS), equipment leasing programs and energy partnerships.

To me, the current financial environment reinforces the value of this diversification approach. Clearly, some of my personal fund accounts are down and yours are as well. Do I like it? No, of course not, but having followed my own advice, neither you nor I are experiencing the degree of negative results that would have been the case had we not diversified.

Here's what I also believe. For those in the market, history shows that given enough time, stocks will outperform bonds which will outperform cash. The key ingredient is time – typically 7-10 years. Will history repeat? I cannot guarantee it, but I absolutely believe it.

*Securities Transactions Offered Through*

H. Beck, Inc., Member FINRA/SIPC, 11140 Rockville Pike, 4<sup>th</sup> Floor, Rockville, Maryland 20852, (301) 468-0100  
Robert E. Tucker is a registered representative of H. Beck, Inc., which is unaffiliated with Professional Financial Services, Inc.

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So, the questions are – are you compelled to liquidate your investments or do you have the time to hang on until the economy turns around? In fact, do you have cash to invest as bargains emerge?

Here's my advice.

1. If you spend too much, quit it.
2. Don't panic. Realistically evaluate your need for cash.
3. Maximize your contributions to your retirement plan [401(k), etc.]
4. Assuming you have adequate cash reserves (3-6 months of after tax income), consider investing more on a regular basis.
5. Expect 3-4 years of a down economy and take advantage of it.

#### 2008 Tax Planning

On April 15<sup>th</sup>, taxes for 2007 and estimates for the 1<sup>st</sup> quarter of 2008 are due. 2007 is history. 2008 is not – yet.

Enclosed is a 2008 Income Tax Guide for your use. I urge you to review the booklet and consider strategies now to lower your 2008 tax burden. What's important is that you implement plans now – not in December 2008.

For example, pay off credit cards, maximize retirement plan contributions, possibly look at mortgage refinancing if rates drop, make significant charitable gifts with appreciated assets. Focus on preventive measures.

#### Inspection by the Virginia Department of Securities

In March, my office was inspected by an examiner from the Virginia Department of Securities with respect to our operation as an RIA (Registered Investment Advisor). I welcome the inspections. The result? I am pleased to report that the examiner concluded his inspection within four hours and we had zero deficiencies. While this in no way means that I am "approved" or "recommended" by the Virginia Department of Securities, it is extremely gratifying that they confirmed my business is operated in accord with the regulations and the state's requirements.

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Due Diligence Meeting

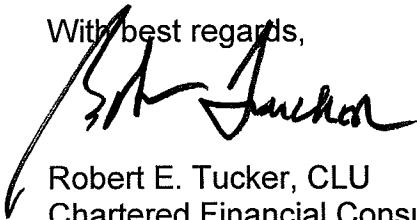
In the next 90 days, I am going to attend the Due Diligence meetings for six separate vendors. These are trips that allow me to sit down with the executive management of the vendors I use. I have the opportunity to quiz them and to be briefed on their operations from inside out. I will be making the following trips:

The Principal Financial Group -- Strategic Asset Management Fund Portfolios	New York, NY
Piedmont Realty Trust (formerly Wells REIT)	Atlanta, GA
Behringer Harvard REIT	Dallas, TX
Inland America REIT	Chicago, IL
KBS Real Estate Investment Trust	New York, NY
LEAF Equipment Leasing	Philadelphia, PA

In the fall of 2008, I expect to make additional trips with 3-4 different vendors to include energy and leasing vendors. Although time consuming and expensive, I look forward to these visitations particularly in light of the status of the economy. Once completed, I will report what was learned.

So, that's all for now and, as always, thank you for the opportunity to be of service. Please let me know if you have any concerns or questions.

With best regards,



Robert E. Tucker, CLU  
Chartered Financial Consultant

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Enclosure