

PROFESSIONAL FINANCIAL SERVICES, INC.

THE PRACTICE OF INSURANCE AND FINANCIAL SERVICES

A REGISTERED INVESTMENT ADVISOR

10913 LAWYERS ROAD
RESTON, VIRGINIA 20191-4908
TEL (703) 391-0299 * FAX (703) 391-0277
E-mail: bobtucker@pfsinc.info
Web site: www.pfsinc1.com

ROBERT E. TUCKER
PRESIDENT

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Ms. Faye Messer
10913 Lawyers Road
Reston, VA 20191

Dear Faye:

I've just returned from my annual Broker-Dealer conference. In light of what's going on in the economy, the decision to attend was not an easy one; but I felt the benefit of collaborating with my colleagues – particularly my Study Group of eight other professionals – as well as listening to the presentations of some key industry speakers – would be invaluable, and it was.

The last month or so has been unprecedented in its impact. The Dow, S&P 500 and NASDAQ are all down in excess of 33% year to date as of 10/18/08.* Three percent down is unwelcome, 10% down stinks, but 30%+ is just plain disheartening and scary. However, everyone I know and respect in the financial services business validated what I have always and continue to believe. Two things matter most: diversification and time.

Here's an item of interest:

Bull markets are:

- Born in pessimism
- Grow in skepticism
- Mature in optimism
- Die in euphoria

Special Note: 80% of all technology stocks were bought after 1/1/2000 – the beginning of the Bear market. Source: *Mark Zinder and Associates*

I wonder why the legendary Warren Buffet announced last week that he was buying U.S. stocks (please see above).

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Here's something else (obtained from a newsletter I receive).

If you had invested \$1,000,000 in the S&P 500 Index as of January 1, 1973, you would have had the following outcomes:

3 months later	\$951,200
6 months later	\$896,310
9 months later	\$939,510
1 year later	\$853,450
1 year, 9 months later	\$573,780

Not a very good result to be sure, and many investors then (and likely now) might have withdrawn their capital in order to preserve what was left. However, if you had taken out the balance of \$573,780 and invested it in a "safe" CD earning 5%, you would have obtained the following results:

6 months later	\$588,130
1 year later	\$602,470
2 years later	\$632,590
5 years later	\$732,300
10 years later	\$934,620

Ten years later, you're just about back where you started. **BUT, WHAT IF YOU HAD LEFT THE BALANCE OF \$573,780 IN THE S&P 500 AS OF OCTOBER 1, 1974? YOU WOULD HAVE ENDED UP WITH THE FOLLOWING OUTCOMES:**

6 months later	\$771,570
1 year later	\$792,620
2 years later	\$1,034,040
5 years later	\$1,247,680
10 years later	\$2,444,340

We can't count on history to repeat itself, but these numbers would suggest that a dose of patience might be a good prescription for the ills that are presently affecting both Wall Street and Main Street.

*Source: Bob LeClair's *Finance and Markets* Newsletter for the week ending October 18, 2008

Here's another tidbit. The outcome of your investments depends on the following five factors which are presented in the exact order of their importance:

- 1st – How much you invest
- 2nd – How often you invest
- 3rd – How long you invest
- 4th – The tax consequences of your investment
- 5th – The rate of return you receive (Note: this is 5th, not 1st)

I have always advocated that any investment plan must have comprehensive planning as its origin. The answer to whether or not you should "sell everything" can be correctly determined only if your entire situation is reviewed. Do you have enough cash flow to live? Is your death imminent or do you have some time? With all of the focus on the market, what planning opportunities or problems are you overlooking?

There has been, is and continues to be a truth which is that we all face three contingencies each day – not just one. We can continue to live (productively), we can become incapacitated or we can die. One of these is a virtual certainty every second of every day. Each event brings dramatically different issues to bear.

So, if you're troubled, scared, concerned or just inquisitive, remember I am here to help guide you. Call me. If you have family members, neighbors, colleagues or friends who need an advisor to review their situation, call me or have them call me.

My belief – and I hope yours – is that our great country will emerge from this calamity stronger, more well grounded in reality, and with an exponentially increased appreciation for the value of planning – not just reacting.

Let me know if you need help along the way. We're open for business and optimistic.

Best regards,



Robert E. Tucker, CLU
Chartered Financial Consultant

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