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I. Not a Depression, Words from Various Experts:

The word "depression" has often been applied to the current economic difficulties.

This is part of what Wharton School professor Dr. Jeremy Siegel wrote in the December, 2008 edition of *Kiplinger's Personal Finance Magazine*:

"It's not a depression. The stunning collapse of global stock prices and the downfall of major banking institutions have led most Americans, according to a recent CNN poll, to believe we are heading for another Great Depression. But if we step back and look at the hard economic facts, we can see not only that we are far better off than we were in the 1930s, but also that we are better off than we were in the 1970s—which is within the memory of most Americans.…

I do not want to minimize the severity of what is happening. Excessive lending during the housing bubble has led our financial institutions into the most serious situation since the Great Depression.

But there is another crucial difference between then and now: In the 1930s, there was no deposit insurance. When problems with banks surfaced and depositors rushed to withdraw their funds, the federal government stood idly by as thousands of financial institutions closed and millions of depositors lost their life savings.…

As bad as things seem now, we have been through much worse, yet our economy not only survived but prospered. There is no question it will do so again."

Here is a small portion of Warren Buffett's annual letter to shareholders of Berkshire Hathaway, Inc., dated February 27, 2009:

"Whatever the downsides may be, strong and immediate action by government was essential last year if the financial system was to avoid a total breakdown. Had one occurred, the consequences for every area of our economy would have been cataclysmic. Like it or not, the inhabitants of Wall Street, Main Street and the various Side Streets of America were all in the same boat.

Amid this bad news, however, never forget that our country has faced far worse travails in the past. In the 20th Century alone, we dealt with two great wars (one of which we initially appeared to be losing); a dozen or so panics and recessions; virulent inflation, that led to a 21 ½% prime rate in 1980; and the Great Depression of the 1930s, when unemployment ranged between 15% and 25% for many years. America has had no shortage of challenges.

Without fail, however, we've overcome them. In the face of these obstacles – and many others – the real standard of living for Americans improved nearly *seven*-fold during the 1900s, while the Dow Jones Industrials rose from 66 to 11,497. Compare the record of this period with the dozens of centuries during which humans secured only tiny gains, if any, in how they lived. Though the path has not been smooth, our economic system has worked extraordinarily well over time. It has unleashed human potential as no other system has, and it will continue to do so. America's best days lie ahead."

II. What Are OUR and THEIR Asset Allocations?

Each of us has a different ability to live with uncertainty (risk) and so our investments will be different:

As of March 31, 2009	Clients	The Smartts
Money Market Funds	6.3%	0.3%
Bond Funds	35.4%	4.6%
Stock Funds	58.3%	95.1%
Totals	100.0%	100.0%

Remember each of us has different goals and needs and our asset allocation should fit us and our family.

III. Vanguard Rates of Return (through March 31, 2009):

Performance percentages are per ***Morningstar.*** Amounts in parentheses are percentile rankings (1= best and 100= worst) within category.

Periods ended March 31, 2009	Yr.-to-date		5 Years		10 Years	
Total Stock Market Index	**-10.7**	(57)	**-4.5%**	(37)	**-2.1%**	(39)
Tax-Managed Capital Appreciation	**-9.9**	(45)	**-4.3%**	(34)	**-2.4%**	(43)
Tax-Managed Small Capitalization	**-16.8**	(87)	**-3.8%**	(29)	**4.5%**	(37)
REIT Index	**-32.1**	(74)	**8.8%**	(48)	**3.5%**	(45)
Tax-Managed International	**-15.7**	(81)	**-1.9%**	(34)		
Balanced Index	**-5.9**	(52)	**-0.8%**	(19)	**1.3%**	(33)
Total Bond Market Index	**0.4**	(53)	**4.1%**	(8)	**5.5%**	(13)
High–Yield Corporate Bond	**4.7**	(47)	**-0.1%**	(36)	**2.2%**	(31)

For comparison, here are several stock and bond benchmarks:

Periods ended March 31, 2009	Yr.-to-date	5 Years	10 Years
S & P 500 (large stocks)	**-11.0%**	**-4.8%**	**-3.0%**
Russell 2000 (small stocks)	**-15.0%**	**-5.2%**	**1.9%**
Barclays Aggregate Bond Index	**-0.1%**	**4.0%**	**5.6%**
CS First Boston High-Yield Index (bonds)	**3.7%**	**-0.3%**	**3.2%**

First, note that the name of the Aggregate Bond Index is no longer preceded by "Lehman." Lehman Brothers no longer exists, one of the more spectacular victims of last year's market meltdown.

Vanguard funds and ETFs generally performed as expected. Each fund will not always be in the top 50% versus other funds which Morningstar considers similar because Morningstar's classifications are not the same as the target indices of the individual Vanguard index funds. But note, more importantly, that the very long term record of Vanguard funds (the ten year period ended March 31, 2009 is presented above), is generally in the top quarter to top one-third of funds/ETFs in each of Morningstar's categories.

Although the stock market posted another dreadful quarter to begin 2009, by the time you receive this newsletter, stocks had recovered most of their first quarter losses.

IV. Nearly half of Long-Term Care Claimants are Under Age 65:

The following appeared in the February, 2009 issue of the *Journal of Financial Planning*:

"Nearly half (46 percent) of all its group long-term care claimants in 2007 were under the age of 65 according to the most recent annual study by Unum, which provides 75 percent of group long-term care policies. The study also found that

The average claim for those under age 65 was for 31 months

The average age for those claimants under age 65 was 53

6 percent of all Unum group LTC claimants were under age 45

66 percent of LTC claims were for care at home

Brain and nervous system injuries were the leading causes for claims

The study also found that LTC costs ranged from a low of $19,296 for in-home care in Louisiana to $177,634 for full-service nursing home care in Alaska.

Smartt comment: Now is not too early to consider purchasing long-term care insurance. The risk does not begin at age 65 or 60 or at retirement.

V. Business as Usual at SEC?:

The National Association of Personal Financial Advisors ("NAPFA"), of which I one of fewer than 2,000 full members, requires each of us to subscribe to a fiduciary oath each year, promising to put our clients' interests ahead of our own. Here is NAPFA's president, Diahann Lassus, commenting on President Obama's appointment to head the Securities and Exchange Commission, as quoted in the NAPFA February, 2009 magazine:

"President Barak Obama built his successful campaign on a promise of change. He was a fresh face…He painted an appealing picture, and his efforts so far have been bold and encouraging.

However, when faced with an economic crisis of unprecedented complexity, it appears that President Obama has missed an opportunity for change in at least one crucial area: consumer protection. He nominated Mary Schapiro to be the next chair of the Securities and Exchange Commission.

Schapiro has a long history as a leader in the investment industry. Most recently, she has been the CEO of FINRA, the self-regulatory body for brokers. However, in her various roles in the securities business, Schapiro has not been a friend to the financial consumer, nor to the fiduciary advisor. She has been an outspoken advocate for the brokerage industry and its broker-first mentality. FINRA was created by brokers to maintain their self-regulatory agenda – an agenda that has failed consumers for decades.

Schapiro and FINRA claim that a 'suitability' standard for investments is sufficient to protect consumers. Yet this is the legal standard and dubious morality that has led to scandal after scandal during the last decade, and which is now costing the American investor and taxpayer more than a trillion dollars. 'Suitability' is exactly what led to the credit crisis by enabling brokers to sell unsafe investments, such as mortgage-backed securities, to an undereducated public. Every round of scandal emanating from Wall Street – from Enron to dot-com IPOs, to money market funds breaking the buck – can be directly tied to under-regulated brokers telling their clients that various investments are 'suitable' for them.

Most of us in the fiduciary community hoped that President Obama would create a new regime at the SEC that would address this problem. We believe that the events of the last year have highlighted more strongly than ever before the flaws in the current system. The public needs advisors who are legally required to put the interests of clients first, and who must accept the legal liabilities associated with the fiduciary standard. We are disappointed that the president has missed an opportunity to make a real difference in this area."

Smartt comment: NAPFA has joined a coalition that will be fighting for stronger, more effective regulation. A low level of regulation, in relation to that really needed, of broker-dealers has failed the American public, and the scandals and stock market collapse have damaged investor confidence.

This battle has been going on for many years. I reported to you previously the SEC's issue of the so called "Merrill Lynch Rule", which required brokers to tell their clients that broker advice may not be in the best interest of the clients; the brokerage industry fought this one and it was set aside, not enforced.

Most brokers, most financial advisors, most financial planners, are, in the main, compensated by commissions based on what they recommend (what they **sell**); the alternative is to charge based on the services performed – on a "fee-only" basis. This is the method of compensation which NAPFA has been a leader in recommending to the investing public. I support its efforts.

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