

Dear Clients & Friends:

We hope you'll pardon the lateness of this newsletter, and hope you find in it some holiday cheer. Along with market reflections, we offer some tips on personal finance and bring you up to date with PFPG news.

CURRENT MARKET ISSUES

We recognize that virtually all investors are deeply pained by portfolio losses experienced in recent months. The magnitude of any long-term opportunities becomes meaningless if investors can't make it financially or psychologically to the longer term. The critical question we financial planners face at the end of a most challenging year is this: how do we balance short-term risk versus long-term growth for our clients? There is no cookie-cutter approach that is exactly right for each person. We must be responsive to individual situations and risk tolerances, yet it is our responsibility to use our expertise to help clients maximize the potential for recovery.

At this stage in the game, we believe all equity asset classes are now priced to deliver good returns, with some priced to deliver outstanding returns over a five-year horizon. In light of this belief, and as long-term investors ourselves, we believe it is important to maintain, or ideally increase, equity exposure.

We understand fully how unnerving recent (and current) events are. However, almost every bull market that started from a period of economic weakness was well underway before an economic upturn was evident. Indeed, it is possible we have arrived at such a point now (though that is far from certain!). In November, the bear market in U.S. stocks officially became the worst since the 1930s as the S&P 500 neared 750, more than 50% below its October 2007 peak. Since then, we have experienced a rebound of about 20% off the bottom. We may see further cycles up and down, as in past bear markets, before we reach a definitive "recovery." Whatever the specifics will turn out to be, we believe there is substantial promise in both stock and bond investments. Keep the faith!

ACT SUSPENDS RMD

Congress recently passed the Worker, Retiree and Employer Recovery Act of 2008, which will likely have been signed into law by President Bush by the time you receive this newsletter. The Act suspends required minimum distributions from retirement plans such as IRAs and 401(k)s for 2009 in order for retirees to allow their accounts to hopefully recoup some of the losses of 2008. The Treasury is also expected to consider the impact of 2008 RMDs and possibly announce further relief measures, but no time frame has been announced. The Act also makes it clear that qualified plans, 403(b)s and 457s must allow rollovers of a deceased person's interest to a non-spouse beneficiary.

TREASURY MONEY MARKET GUARANTEE EXTENDED

TD Ameritrade, Vanguard, Fidelity and Schwab will continue to participate in the U.S. Treasury Department's temporary guarantee program for money market funds which was recently extended until April 30, 2009. The program guarantees a share price of \$1.00 for participating money market funds held by a shareholder as of the close of business on September 19, 2008.

MONEY-SAVING TIPS

Hints for the frugal compiled from recent issues of the Reader's Digest and other sources: Best time to snag a deal on airfare websites: very early Wednesday morning. Try **kayak.com** or **sidestep.com** for comparing bargains. Using their direct links to the airline's site avoids paying booking fees. If you think the fare may drop, try **farecast.live.com**, a site that monitors past price trends and predicts the likelihood of fare changes. Make sure you're getting the best deal by calling the airline's 800 number. An airline representative can sometimes provide fare savings info that the websites don't have. Going to Estonia, but don't speak the language? Pick up essential holiday phrases in 36 languages from Albanian to Ukrainian, or learn the basics of a major foreign language for free at **bbc.co.uk/languages**.

To compare deals on cell phones and service, comparison shop at **letstalk.com**, where you can evaluate carriers, plans, phones, and features. Take a look at **39dollarglasses.com** for significant savings on prescription glasses. To order, you'll need to get your prescription from your optometrist, as well as pupillary distance and frame measurements (or follow the instructions to measure yourself). Other eyewear sites include **eyebuydirect.com**; **goggles4u.com**, and **zennioptical.com**. Prefer shopping in person? It's still worth checking out a retailer's website for coupons, rebates or special offers that may be redeemable at your local store.

CAVEAT EMPTOR

During these uncertain times, you may see frequent sales pitches for index annuities, or equity index annuities, as risk-free alternatives promising set returns that increase as the market recovers. Ron Lieber in the New York Times pointed out the attractions and pitfalls of these products. If you're considering an index annuity, please ask us for more information before you commit to purchasing such a product. Sales charges, how the gains are calculated, and the reliability of the company are all factors to examine closely.

PFPG NEWS

Brian appeared on WMTW/Channel 8 to comment on possible effects of a Fed interest rate drop. He was also quoted in a Portland Press Herald article about how investors should adjust to the current market downturn if they are planning to retire in the near future. Tom attended a "Seven Stages of Money Maturity" workshop with author George Kinder in Boston. He also attended a NAPFA Conference in PA, where the keynote speaker was financial columnist Jane Bryant Quinn. He was quoted in *BusinessWeek.com* on preparing for tax hikes, *Bankrate.com* on life stages and retirement portfolios, and *financial-planning.com* on conservation easements. Debra finds that working at PFPG has led to her friends calling upon her for ad hoc explanations of the financial crisis. She has been awarded a scholarship for a weeklong painting program on the Maine island owned by the Fairfield Porter family.

HOLIDAY SCHEDULE

Please take note that PFPG will be operating on a lighter schedule for the period between Christmas Day and New Year's Day. If there are any important items you must have addressed before the end of the calendar year, please do bring them to our attention so that we can make sure they are given priority. Thank you.

We wish you all the best for a happy and safe holiday season.



Information contained in this newsletter does not serve as the receipt of, or as a substitute for, personalized investment advice from Portland Financial Planning Group, LLC. At any time you may request a copy of our current written disclosure discussing PFPG's services and fees.

Suite 814
477 Congress Street
Portland, Maine 04101

Phone (207) 771-8821
Fax (866) 855-8210

www.pfpg.com