

OCTOBER 2008

CANBY FINANCIAL RETIREMENT REPORT



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Product News

In the current market environment, many investors want safety. In your retirement plan, you should have access to a **Money Market and/or Stable Value** option. These options are not guaranteed by FDIC, but they are designed to be a safe place for conservative investors to put their retirement assets. While these options limit your risk of losing the principal value, you may not be earning enough to keep pace with inflation, thus eroding your long-term buying power.

Your Account

If you could put money into an account for retirement and never pay taxes on any of the gains, even when you take qualified distributions, would you agree to forfeit the current tax deduction of your regular 401(k) contributions? That's how the **Roth 401(k)** salary deferral option works! If you are in a low tax bracket now, or would like some flexibility in how distributions from your retirement accounts are taxed, you should consider using the Roth 401(k) option.

Independent Advice.

Personal Service.

INVESTMENT COMMENTARY

Confidence (A Lack of)

First it was the sub-prime mortgage and housing crisis. Then it was the energy crisis. Now we are seeing a credit crisis in the banking system, which has led to dramatic declines in global stock and bond markets.

We hear that the credit crunch could push the overall economy into its own crisis (recession, or *depression*), and that has created a sense of urgency among our political leaders. They passed a \$700,000,000,000 "bailout", and are ready to pump in more, if the economy continues to falter.

With Investment Banks either bankrupt or taken over with US government help and Government-sponsored Entities (Fannie Mae & Freddie Mac) requiring the backing of the full faith and credit of the US government, the lack of confidence in all financial insti-

tutions reached historic levels. It reached a point where banks no longer trusted each other because they did not know which bank would be the next one in trouble. Credit markets dried up—there was no longer any water in the pipes and unless you had a large supply of clean water in your tank, you feared dying of thirst. Governments around the world had to act, adding record amounts of liquidity into the banking system.

When an *Investment Trader* does not have confidence, he reacts by selling his risky investments and putting his money into the safest investment - US Treasuries. In recent weeks, this extreme "flight to quality" has caused all types of assets to decline, even energy and gold.

As *Retirement Investors*, most Americans place our trust in the viability of the US economy. We have been

advised to diversify our assets and expect positive returns over the long-term. When we see our accounts dropping by 20% or more in a few weeks, however, our emotions take over and we fear that the economic risks today are greater than in past periods of market turmoil. Our economy this year has also been impacted by the uncertainty of the Presidential election, by the destruction of Hurricanes Gustav and Ike, and by a long strike at Boeing. Yet US workers are resilient and we remain near full employment with nearly 94% employed. Confidence will return, aided by our government's guarantees. And when it does, we will realize that interest rates are low, energy is less expensive and homes are more affordable. The lack of confidence has created opportunities for those who maintain a well-diversified portfolio.*

ATTACHED IS THE MORNINGSTAR REPORT FOR THE INVESTMENT COMPANIES YOU CAN CHOOSE IN YOUR RETIREMENT PLAN.



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*All investing involves risk. Past performance is no guarantee of future results.
Diversification does not assure a profit or protect against a loss in declining markets.