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## The Current Down Market: It May Be More Common Than You Think

Over time stocks have provided excellent growth opportunities relative to bonds. However, this incremental return has not come without risk. Historically, stocks experience declines several times per year (see table below). We are currently in “Bear” market territory, which is defined as a decline of more than twenty percent. After peaking in October 2007, stocks fell about twenty percent through the second quarter of 2008.

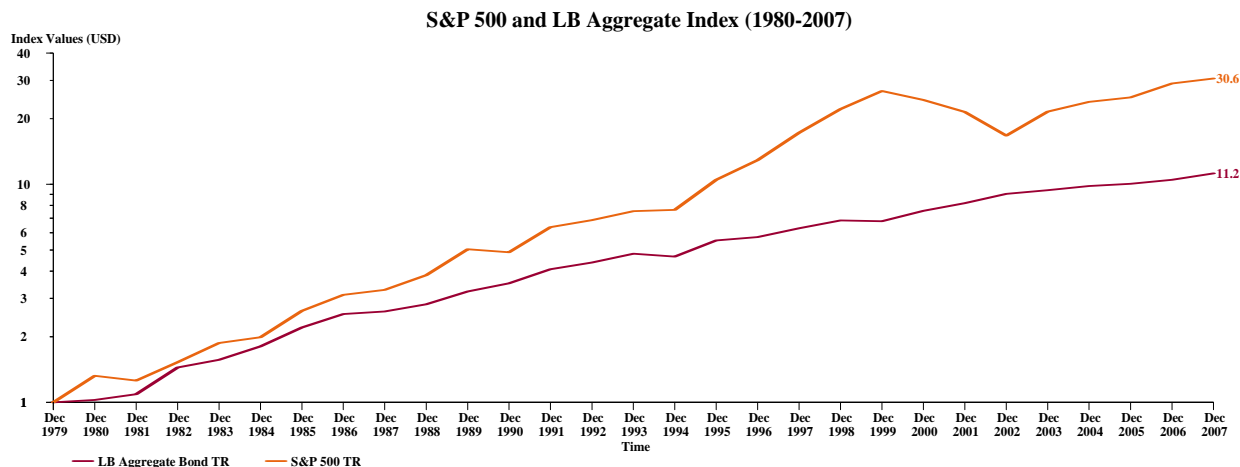
Although the recent decline is painful and frustrating, it is not uncommon. Historically, a decline of this magnitude occurs once every three years. With that in mind, it is important to prepare for declines before they occur rather than react after the fact. It is natural to want to get out of stocks before the declines occur. However, this has proven to be extremely difficult. More often than not, investors sell at or near the bottom and miss out on the rapid recovery that generally follows after stocks bottom out.

<b>Dow Jones Index Declines (1900-2007) 1</b>			
	<b>Number of Declines Since 1900</b>	<b>Average Length (Days to Recover)</b>	<b>Frequency</b>
<b>Declines of 5% Plus</b>	<b>360</b>	<b>39</b>	<b>3.3 Per Year</b>
<b>Declines of 10% Plus</b>	<b>117</b>	<b>106</b>	<b>1.1 Per Year</b>
<b>Declines of 15% Plus</b>	<b>58</b>	<b>211</b>	<b>Every 2 Years</b>
<b>Declines of 20% Plus (Bear Market)</b>	<b>31</b>	<b>367</b>	<b>Every 3 Years</b>

Source of chart data: Neb Davis Research and Oppenheimer Funds. The chart is for illustrative purposes and does not predict or depict performance of any investment. Past performance does not guarantee future results.

(1) As of 12-31-2007, these market declines were ongoing. Therefore, data related to average length and frequency are subject to change.

Although stocks are volatile compared to bonds, they have historically provided investors with incremental returns to compensate for additional risk. Between December 31, 1979 and December 31, 2007, stocks, as measured by the S&P 500 Index, would have provided an investor with a return of more than 30 times their initial investment. A \$10,000 investment at the beginning of 1980 would have been worth approximately \$306,000 as of the end of 2007. Bonds, as measured by the LB Intermediate Bond Index, would have provided an investor with a return of only about 11 times their initial investment. A \$10,000 investment at the beginning of 1980 would have been worth approximately \$112,000 as of the end of 2007.



Source of chart data: Ibbotson Encorr. Index start date of 12-31-1979 and end date of 12-31-2007.

Past performance does not guarantee future result. The performance information does not include the effects of taxes. Taxes may reduce the overall results.

The recent fall in stock prices provides an opportunity for investors to evaluate their portfolio allocations (% of portfolio in stocks and bonds). Stocks have historically provided superior growth versus bonds, but not without volatility. If your primary objective is asset growth, you should be prepared for volatility and anticipate that there will be periods of sizeable losses. If on the other hand your primary objective is income or capital preservation, you should have modest exposure to stocks and greater exposure to bonds. Historically, significant bond exposure has insulated portfolios from large losses during even the worst of stock market declines.

If you believe your allocation is not appropriate, please contact your education consultant. Our objective is to help you manage your 401(k) investments to ensure that your long-term investment goals are met. Although selling stocks during a bear market is not recommended, we want to make sure your 401(k) investments are appropriately allocated to meet your needs and expectations.

Respectfully,

AKT Wealth Advisors Investment Committee