―
BRIAN D. LOWDER, INC.

QUARTERLY NEWSLETTER

Volume 10, Issue 4 January 2008

INSIDE THIS ISSUE

FINANCIAL MARKET OVERVIEW

As the New Year begins, we can now review last year's performance figures and reflect back on the events of 2007 with perfect hindsight. As discussed in our 2007 newsletters, we expected the mixed bag of both positive and negative economic variables to result in a high level of investor uncertainty and continued price volatility. We concluded the most likely scenario would be slower growth and greater uncertainty surrounding the true economic health of our economy. This scenario would produce average to below-average investment performance. Therefore, our focus was to minimize the impact of uncertainty and minimize the chance of making mistakes by reducing exposure to stocks and real estate. Our concerns and expectations were relatively accurate as investment performance for both stocks and real estate were below-average during 2007.

We did not expect the Federal Reserve to lower interest rates on three separate occasions in late 2007, nor did we expect the turmoil caused by poor subprime-mortgage lending practices. Both of these events have caused increased price volatility and confusion resulting in short-lived rallies followed by steep declines in stock prices.

The 2007 investment performance for client portfolios was below the target rates of return. We expect 2008 to be equally challenging and difficult to achieve target rates of return without making some changes discussed later in this newsletter. It is particularly important to repeat, understand and accept that target rates of return will not be achieved each year. During each decade, clients will earn exceptional or above-average rates of return during some years similar to 1999 and 2003. Likewise, portfolio returns will be below-average or negative such as 2001, 2002 and 2007. The goal is to achieve the target return over rolling ten-year periods, to minimize losses during difficult years, be well-positioned to earn above-average returns during good years, and achieve the target return during most years.

The fourth quarter was disappointing. Nearly all categories of stocks posted negative performance with the average diversified stock fund posting a negative 3.5% return. Among the only positive performing categories were emerging markets, gold, utilities and natural resources.

For the entire 2007 calendar year, the Dow Jones Industrial Average was up 6.4% (8.8% including dividends) and the Standard & Poor's 500 Index was up only 3.5% (5.5% including dividends). Small-company stocks posted a negative return for 2007 and international companies managed to post an 11.8% return. The following chart displays sample returns of various asset categories during the fourth quarter and entire 2007 calendar year:

4th Quarter	**2007 Year**	***(includes dividends reinvested)***
(3.9%)	**+ 8.8%**	**Dow Jones Industrial Average**
(3.3%)	**+ 5.5%**	**Standard & Poor's 500 Index**
(3.1%)	**+ 5.7%**	**DJ Wilshire 5000 (Broad Market)**
(0.0%)	**+ 14.2%**	**Large-company stock-Growth**
(4.7%)	**+ 2.2%**	**Large-company stock-Value**
(1.0%)	**+ 16.5%**	**Mid-Size Stocks – Growth**
(5.0%)	**+ 10.3%**	**Mid-Size Stocks – Value**
(3.2%)	**+ 8.8%**	**Small-company stock- Growth**
(6.7%)	**(5.5%)**	**Small-company stock- Value**
(2.2%)	**+11.0%**	**International (excludes U.S.)**
+ 4.4%	**+ 36.4%**	**Emerging Markets**
(12.1%)	**(14.8%)**	**Real Estate Investment Trusts**
+ 1.9%	**+ 5.6 %**	**Short-term U.S. Treasury** ***(includes appreciation)***
+ 3.9%	**+ 8.8%**	**Intermediate U.S. Treasury** ***(includes appreciation)***
+ 3.2%	**+ 23.4%**	**Gold-Oriented**

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FUTURE ECONOMIC OUTLOOK

The bottom line is the U.S and world economies are experiencing slower economic growth, a continuation of falling real estate values, $100 per barrel oil prices, and the subprime mortgage-lending fiasco. But these events have not yet produced a meaningful stock market correction. The pending ill effects will not likely be contained. Optimists believe the Federal Reserve's recent and future decisions to reduce interest rates are all that is needed to start and sustain a stock market rally. However, it takes months and years for fundamental changes to work themselves through our economic system. We do believe that once the financial markets undergo a modest adjustment, the stock market will resume providing 8% to 12% annual returns.

Consumer spending accounts for more than two-thirds of our economy and until recently, the consumer's resilience and willingness to keep spending has been the primary driver of economic growth. When consumer's primary asset (real estate) used to borrow money continues to slide in value and lenders are no longer willing to extend credit on a handshake, it is just a matter of time before higher energy prices and deteriorating mortgage and housing markets force the consumer to cut back on spending. Lower consumer spending adversely impacts corporate profits and stock prices must adjust accordingly. The slide in corporate profits was larger than anticipated during the third quarter of 2007, and in the coming weeks, data will reveal just how well the economy fared during the holiday season and the entire fourth quarter.

How bad is the subprime lending problem? It's worse than most people realize. In addition, banks/finance companies are continuing to write off large losses and additional write-downs are expected.

The adjustment in real estate values is clearly continuing to move downward and there is no indication or evidence of a bottom – only hopeful commentary. Locally, the median sale price in San Diego County has fallen 11% during the past year and down 15% from their all-time peak in 2005. Home sales (the number of sales transactions) are down 26% from last year and November was the 41st consecutive monthly decline in sales volume. Defaults on home mortgages have risen 150%. Don't expect a recovery over the short-term.

In mid-2007, oil prices reached an unbelievable $80 per barrel. On the first day of 2008, oil prices reached $100 per barrel. The price of gold (a good measure of short-term uncertainty and economic concern) is up 60% over the past year. Owning gold has never been a successful long-term investment vehicle, but owning gold during times of economic and political uncertainty or during times of adjustment can be a valuable counter-balancing tool.

In summary, potential Federal Reserve Board decisions to lower interest rates in the near future will not be sufficient to counterbalance all of the negative economic indicators (slower growth, rising price of oil and gold, the sub-prime mortgage fiasco, and falling real estate values) *over the short-term*. In addition, another variable that the investment markets have yet to react to in 2008 is the presidential election. We believe changes and adjustments will be forthcoming before returning to normal market returns.

Making Adjustments: How to Deal With Uncertainty

Looking ahead to 2008, we do not expect the financial markets to successfully deliver our client target rates of return by simply holding the standard mix of stocks, bonds, real estate and money market funds. Over one year ago, we began reducing the proportion of stocks in our client portfolios in anticipation of a transition in our country's economic circumstances. In October of 2007, we suggested adding or increasing portfolio holdings in ***alternative asset classes***. Alternative assets include many examples but can be simply defined as non-traditional investments that have economic value. We began adding gold, and currency funds (non-dollar denominated currencies) last quarter into some of our client portfolios.

Other examples of alternative asset classes are emerging markets, precious metals, currencies, commodities, futures, hedge funds, market neutral or absolute return funds and many other choices. Many of these alternative asset examples would be

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considered risky if purchased alone and in large quantities. However, non-traditional asset classes can serve a useful purpose *as part* of a diversified portfolio by narrowing the potential range of return *on the total portfolio* - especially during time periods when traditional asset classes (stocks, bonds, and money market funds) are expected to produce below-average or negative rates of return.

Basically, investors have limited choices when faced with probability of stocks earning below-average or negative returns. One choice is to emphasize safety and accept a lower rate of return equivalent to 50% or less of their target return (most long-term target rates of returns range between 6% and 12%) by reducing stocks and increasing bonds/money market funds. During a low-interest rate environment like today, bonds and money market funds may generate a 4% to 5% return. And if stocks generate a negative or slightly positive return, the *combined* return of both categories together may generate a slightly negative to 4% return for the year. This scenario is not exciting and it doesn't meet most investors' target rate of return goals, but it is better than earning negative returns during time periods such as 2000 through 2002.

Two, investors can accept volatility in stock prices, resist making significant shifts in their investment holdings, be patient long-term investors, accept negative rates of return during down years and remain firmly focused on achieving 5 to 10 year target returns. This is a successful strategy; however, many investors will grow weary of *staying the course* and eventually sell out after enduring months and years of negative returns. Usually, the timing of their exit is very near the bottom and they refuse to get "back in" until it appears safe. Often, their perceived "re-entry point" occurs after stocks have made a significant recovery. The end result of not staying the course, selling out after incurring months or years of declines and then re-establishing their stock positions at a later date is often referred to as the "sell low and buy high" mistake.

Lastly, alternative assets offer a diversification strategy that attempts to smooth out the markets' ups and downs over time. Basically an investor is giving up the opportunity of earning abnormally high upside performance in return for avoiding significant downside returns. The actual range or possibility of returns becomes narrow and is closer to their target rate of return. This strategy can be employed during both long and short-term time periods but is particularly attractive when the probability of returns on traditional asset classes is expected to be below normal.

In addition to the alternative asset classes that we introduced late last year (declining U.S. Dollar Currency, Emerging Markets and Gold Funds), we expect to add other alternative assets to some of our client portfolios. The three alternative asset classes mentioned above are intended to increase in value as the U.S. Dollar declines or increase in value as emerging markets rise and gold prices rise. The additional alternative asset choices discussed below are intended to provide a specific range of returns *regardless of whether the market is up or down*.

The three new asset classes are: Long/Short or Absolute Return Funds, Managed Futures and Hedge Funds.

Absolute Return or Long/Short funds attempt to produce positive returns in both bull and bear markets by using a variety of strategies which can produce sustainable returns under any kind of market condition. Strategies include owning stocks, bonds, currencies (a long position) and/or selling stocks, bonds and currencies (a short position). Simply stated, analysts evaluate companies, currencies and bonds that should be held (long position) for the long term in search of appreciation, but also identify those companies, currencies and bonds that are expected to decline in value. Selling the latter investments (short position) allows the fund to achieve capital appreciation as these holdings decline in value.

Managed Futures Funds attempt to produce sustainable returns by using the same strategies discussed above (Long/Short Funds) except the assets under evaluation are financial contracts using currencies or interest rate contracts and physical commodities such as energy and metals.

Other examples of possible alternative asset class investments are Hedge Funds and Commodities. These two categories are much more difficult to understand. Commodities prices are volatile and attractive to high risk-takers who are pursuing high rates of return or used by investors as a small portion of a diversified portfolio.

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Hedge Funds cannot be defined as a homogeneous group. Hedge funds can use unlimited methods or strategies in pursuit of above-average returns or employ "neutral" strategies in pursuit of average returns. At this time, we are spending more time sifting through possible choices to determine whether the added diversification is worth the noticeably higher costs of owning hedge funds. *Hedge Funds and Commodities are not being considered for client portfolios at this time*.

Our primary focus in this newsletter is to educate our clients on how and when these alternative asset classes can be used. The following four charts are included to help explain how Managed Futures and Long/Short Funds can be used to help investors earn their target returns under any kind of financial market conditions and particularly useful when traditional asset classes (stocks, bonds and money market accounts) are likely to deliver below-average returns.

Chart 1 –*Ranking Investment Categories from Best to Worst – 10 Years* simply illustrates the investment performance of 10 different asset classes over the prior 10 years. We have not included 2007 because performance figures were not available for all categories by January 5th 2008. The best performing asset categories are located at the top of each column (year) and the worst performing category at the bottom for each year from 1997 through 2006. The annual percentage performance for each asset class is identified in every box for each particular year and asset class. Each year, the performance ranking of each asset class changes relative to the others as economic and market conditions change without any discernible pattern.

Chart 2 – *Ranking **Volatile/Unpredictable** Investment Categories – 10 Yrs*. highlights the four most volatile performing asset classes: U.S. stocks (dark blue), U.S. Dollar Currency (light blue), International Stocks (pink) and Commodities (green). Each of these asset classes exhibit a wide range of annual returns ranging from +49.7% to (35.8%) annual returns.

Commodities (green) have either the best or worst performance in seven of the ten years. During four of the ten years, commodities performed the worst, but they also performed the best during three of the ten years. International stocks (pink) performed first or second during 4 of the 10 years and the last or second-worst performance during four of the 10 years. U.S. stocks (dark blue) performed well and landed in the top three positions during four of the 10 years and landed in the bottom three positions during four of the 10 years. Currency fund (light blue) performance was scattered randomly over the 10-year period. Investing most or all of your assets into any one of these categories would result in dramatic gains or losses during any one year period. Below is the arithmetic average and range of annual returns for each volatile asset class over the 10-year period:

	10-yr Average	Range
U.S. Stocks	10.0%	(22.1%) to 33.4%
Currency	1.4%	(14.7%) to 12.8%
Intern'l Stocks	9.8%	(21.2%) to 39.2%
Commodities	8.9%	(35.8%) to 49.7%

Chart 3 – *Ranking **Lower Volatility** Categories Over Past 10 Years* highlights the four most predictable or lower volatility asset classes *excluding Cash*. The purpose for illustrating these four asset classes is to highlight their relatively consistent performance during all different kinds of financial market conditions. Hedge Funds (purple), Long/Short or Absolute Return Funds (yellow), Managed Futures (red) and Bonds (light red) exhibit consistent relative performance during both positive and negative economic environments as summarized below:

	10-yr Average	Range
Hedge Funds	10.6%	(0.4%) to 25.9%
Long/Short Funds	13.3%	(3.7%) to 47.2%
Managed Futures	8.5%	+ 3.3% to 18.3%
Bonds	6.3%	(0.8%) to 11.6%

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CHART #1

Ranking Investment Categories from Best to Worst - 10 Years

Performance	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST
	S&P 500 U.S. stocks 33.4%	S&P 500 U.S. stocks 28.6%	Long/ Short 47.2%	Commodities 49.7%	Real Estate 15.5%	Commodities 32.1%	Intern'l Stocks 39.2%	Real Estate 30.4%	Commodities 25.6%	Real Estate 34.0%
	Hedge Funds 25.9%	Intern'l Stocks 20.3%	Commodities 40.9%	Real Estate 25.9%	Bonds 8.4%	Bonds 10.3%	Real Estate 38.5%	Intern'l Stocks 20.7%	Intern'l Stocks 14.0%	Intern'l Stocks 26.9%
	Long/ Short 21.5%	Long/ Short 17.2%	Intern'l Stocks 27.4%	Managed Futures 18.3%	Currency 6.6%	Real Estate 5.2%	S&P 500 U.S. stocks 28.7%	Commodities 17.3%	Currency 12.8%	S&P 500 U.S. stocks 15.8%
	Real Estate 18.9%	Managed Futures 10.2%	Hedge Funds 23.4%	Bonds 11.6%	Hedge Funds 4.4%	Managed Futures 3.2%	Commodities 20.7%	Managed Futures 13.9%	Long/ Short 9.7%	Long/ Short 12.1%
	Currency 13.1%	Bonds 8.7%	S&P 500 U.S. stocks 21.0%	Currency 7.6%	Cash 1 month CD 3.7%	Hedge Funds 3.0%	Long/ Short 17.3%	Long/ Short 11.6%	Real Estate 8.3%	Hedge Funds 11.8%
	Bonds 9.7%	Cash 1 month CD 5.6%	Managed Futures 11.0%	Cash 1 month CD 6.6%	Managed Futures 3.3%	Cash 1 month CD 1.7%	Hedge Funds 15.4%	S&P 500 U.S. stocks 10.9%	Hedge Funds 7.6%	Managed Futures 5.8%
	Managed Futures 7.3%	Hedge Funds -0.4%	Currency 8.2%	Hedge Funds 4.9%	Long/ Short -3.7%	Long/ Short -1.6%	Managed Futures 4.5%	Hedge Funds 9.6%	Managed Futures 7.6%	Cash 1 month CD 5.2%
	Cash 1 month CD 5.7%	Currency -5.5%	Cash 1 month CD 5.3%	Long/ Short 2.1%	S&P 500 U.S. stocks -11.9%	Currency -12.8%	Bonds 4.1%	Bonds 4.3%	S&P 500 U.S. stocks 4.9%	Bonds 4.3%
	Intern'l Stocks 2.1%	Real Estate -18.8%	Bonds -0.8%	S&P 500 U.S. stocks -9.1%	Intern'l Stocks -21.2%	Intern'l Stocks -15.7%	Cash 1 month CD 1.1%	Cash 1 month CD 1.5%	Cash 1 month CD 3.5%	Currency -8.3%
	Commodities -14.1%	Commodities -35.8%	Real Estate -6.5%	Intern'l Stocks -14.0%	Commodities -31.9%	S&P 500 U.S. stocks -22.1%	Currency -14.7%	Currency -7.0%	Bonds 2.4%	Commodities -15.1%
WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST

CHART #2

Ranking Volatile/Unpredictable Investment Categories - 10 Yrs

Performance	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST
	S&P 500 U.S. stocks 33.4%	S&P 500 U.S. stocks 28.6%	Long/ Short 47.2%	Commodities 49.7%	Real Estate 15.5%	Commodities 32.1%	Intern'l Stocks 39.2%	Real Estate 30.4%	Commodities 25.6%	Real Estate 34.0%
	Hedge Funds 25.9%	Intern'l Stocks 20.3%	Commodities 40.9%	Real Estate 25.9%	Bonds 8.4%	Bonds 10.3%	Real Estate 38.5%	Intern'l Stocks 20.7%	Intern'l Stocks 14.0%	Intern'l Stocks 26.9%
	Long/ Short 21.5%	Long/ Short 17.2%	Intern'l Stocks 27.4%	Managed Futures 18.3%	Currency 6.6%	Real Estate 5.2%	S&P 500 U.S. stocks 28.7%	Commodities 17.3%	Currency 12.8%	S&P 500 U.S. stocks 15.8%
	Real Estate 18.9%	Managed Futures 10.2%	Hedge Funds 23.4%	Bonds 11.6%	Hedge Funds 4.4%	Managed Futures 3.2%	Commodities 20.7%	Managed Futures 13.9%	Long/ Short 9.7%	Long/ Short 12.1%
	Currency 13.1%	Bonds 8.7%	S&P 500 U.S. stocks 21.0%	Currency 7.6%	Cash 1 month CD 3.7%	Hedge Funds 3.0%	Long/ Short 17.3%	Long/ Short 11.6%	Real Estate 8.3%	Hedge Funds 11.8%
	Bonds 9.7%	Cash 1 month CD 5.6%	Managed Futures 11.0%	Cash 1 month CD 6.6%	Managed Futures 3.3%	Cash 1 month CD 1.7%	Hedge Funds 15.4%	S&P 500 U.S. stocks 10.9%	Hedge Funds 7.6%	Managed Futures 5.8%
	Managed Futures 7.3%	Hedge Funds -0.4%	Currency 8.2%	Hedge Funds 4.9%	Long/ Short -3.7%	Long/ Short -1.6%	Managed Futures 4.5%	Hedge Funds 9.6%	Managed Futures 7.6%	Cash 1 month CD 5.2%
	Cash 1 month CD 5.7%	Currency -5.5%	Cash 1 month CD 5.3%	Long/ Short 2.1%	S&P 500 U.S. stocks -11.9%	Currency -12.8%	Bonds 4.1%	Bonds 4.3%	S&P 500 U.S. stocks 4.9%	Bonds 4.3%
	Intern'l Stocks 2.1%	Real Estate -18.8%	Bonds -0.8%	S&P 500 U.S. stocks -9.1%	Intern'l Stocks -21.2%	Intern'l Stocks -15.7%	Cash 1 month CD 1.1%	Cash 1 month CD 1.5%	Cash 1 month CD 3.5%	Currency -8.3%
	Commodities -14.1%	Commodities -35.8%	Real Estate -6.5%	Intern'l Stocks -14.0%	Commodities -31.9%	S&P 500 U.S. stocks -22.1%	Currency -14.7%	Currency -7.0%	Bonds 2.4%	Commodities -15.1%
WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST

CHART #3

Ranking Lower Volatility Categories Over Past - 10 Years

Performance	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST	BEST
	S&P 500 U.S. stocks 33.4%	S&P 500 U.S. stocks 28.6%	Long/ Short 47.2%	Commodities 49.7%	Real Estate 15.5%	Commodities 32.1%	Intern'l Stocks 39.2%	Real Estate 30.4%	Commodities 25.6%	Real Estate 34.0%
	Hedge Funds 25.9%	Intern'l Stocks 20.3%	Commodities 40.9%	Real Estate 25.9%	Bonds 8.4%	Bonds 10.3%	Real Estate 38.5%	Intern'l Stocks 20.7%	Intern'l Stocks 14.0%	Intern'l Stocks 26.9%
	Long/ Short 21.5%	Long/ Short 17.2%	Intern'l Stocks 27.4%	Managed Futures 18.3%	Currency 6.6%	Real Estate 5.2%	S&P 500 U.S. stocks 28.7%	Commodities 17.3%	Currency 12.8%	S&P 500 U.S. stocks 15.8%
	Real Estate 18.9%	Managed Futures 10.2%	Hedge Funds 23.4%	Bonds 11.6%	Hedge Funds 4.4%	Managed Futures 3.2%	Commodities 20.7%	Managed Futures 13.9%	Long/ Short 9.7%	Long/ Short 12.1%
	Currency 13.1%	Bonds 8.7%	S&P 500 U.S. stocks 21.0%	Currency 7.6%	Cash 1 month CD 3.7%	Hedge Funds 3.0%	Long/ Short 17.3%	Long/ Short 11.6%	Real Estate 8.3%	Hedge Funds 11.8%
	Bonds 9.7%	Cash 1 month CD 5.6%	Managed Futures 11.0%	Cash 1 month CD 6.6%	Managed Futures 3.3%	Cash 1 month CD 1.7%	Hedge Funds 15.4%	S&P 500 U.S. stocks 10.9%	Hedge Funds 7.6%	Managed Futures 5.8%
	Managed Futures 7.3%	Hedge Funds -0.4%	Currency 8.2%	Hedge Funds 4.9%	Long/ Short -3.7%	Long/ Short -1.6%	Managed Futures 4.5%	Hedge Funds 9.6%	Managed Futures 7.6%	Cash 1 month CD 5.2%
	Cash 1 month CD 5.7%	Currency -5.5%	Cash 1 month CD 5.3%	Long/ Short 2.1%	S&P 500 U.S. stocks -11.9%	Currency -12.8%	Bonds 4.1%	Bonds 4.3%	S&P 500 U.S. stocks 4.9%	Bonds 4.3%
	Intern'l Stocks 2.1%	Real Estate -18.8%	Bonds -0.8%	S&P 500 U.S. stocks -9.1%	Intern'l Stocks -21.2%	Intern'l Stocks -15.7%	Cash 1 month CD 1.1%	Cash 1 month CD 1.5%	Cash 1 month CD 3.5%	Currency -8.3%
	Commodities -14.1%	Commodities -35.8%	Real Estate -6.5%	Intern'l Stocks -14.0%	Commodities -31.9%	S&P 500 U.S. stocks -22.1%	Currency -14.7%	Currency -7.0%	Bonds 2.4%	Commodities -15.1%
WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST	WORST

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SUMMARY & OBSERVATIONS

Adding alternative asset classes (particularly Long/Short and Managed Futures) offer investors a narrower range of possible returns with significantly less volatility during both positive and negative economic environments. The ten-year average return of Long/Short and Managed Futures Funds are greater than or nearly equal to the ten-year average returns of U.S. Stocks and International stocks but offer significantly less volatility or a narrower range of possible outcomes. Both U.S. and international stocks have provided about a 10% average return over the past 10 years, but the difference between the highest return (33% U.S. and 39% International) and lowest return (-22% and -21%) is substantially greater than the either Long/Short or Managed Futures Funds (25% and 47% highest returns and -3.7% and +3.3% lowest returns).

Many investors are familiar with U.S. and international stocks, but most are less familiar with managed futures and long/short funds. Just the names of these latter categories worry most folks and investing funds into any one of these categories by themselves could be considered risky (the same is true of international stocks).

However, adding alternative assets such as Long/Short and Managed Futures Funds to a diversified portfolio makes sense both for a long or short-term holding period. We believe they are particularly attractive when interest rates are relatively low and when safe traditional asset classes such as bonds and money market funds are not expected to provide a client's target return. Add to this scenario a growing probability that stocks and real estate are likely to continue earning below-average returns in 2008, adding a 5% to 15% position in long/short and/or managed futures funds makes sense.

The gold and declining U.S. Dollar funds that we introduced into some client portfolios last quarter are expected to move in a specific direction. The alternative assets discussed above are expected to provide a reasonable return regardless of the direction of the financial markets. We would like to discuss these alternative asset opportunities in greater detail with each client and receive your feedback on whether you would prefer to use only the traditional asset categories (stocks, bonds, cash) in what we perceive as a low-investment return environment or are you willing to add some alternative asset investments in pursuit of your target return.

RETIREMENT PLAN CONTRIBUTION LIMITS FOR 2008

Both Traditional and Roth IRA contribution limits will increase by $1,000 in 2008. The maximum annual contribution limit increases to $5,000 plus an additional $1,000 for all taxpayers who were born in 1958 (reach age 50 in 2008) or earlier.

The maximum (employer and employee combined) contribution limit for Defined Contribution plans, 401(k) and 403(b) plans increases by $1,000 to $46,000 – the maximum employee contribution portion remains at $15,500.

Contributions to Simple IRA plans are $10,500 plus an additional $2,500 for taxpayers age 50 or older. The Coverdell (education IRA) IRA limit remains at $2,000 per year.

INCOME TAX DATA AND INCOME TAX RETURNS

Clients will receive a full accounting of income and capitals gains for the 2007 calendar year in this mailing. In addition, we will send the same reports in February reconciling and explaining the annual income tax (Form 1099s are mailed at the end of January) filings from each custodian that holds our clients' assets. Please be sure to include and deliver our data and reports with the Form 1099 statements to your tax preparer.

Some information regarding state taxes are not included in custodians' 1099 Forms, but are included in our reports. The most common omission we have found pertains to interest earned on Federal Home Loan Bank Notes. Interest earned on these bonds is NOT state taxable, but we often find tax preparers including this income as taxable on state income tax returns.

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Please request paper or computer file copies of your tax returns be mailed or emailed to our office upon completion. Our investment decisions and income tax management strategies are greatly improved when we have copies of your income tax returns.

Thank you for your continued trust and confidence as we usher in the New Year.

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Best regards

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