BRIAN D. LOWDER, INC.

QUARTERLY NEWSLETTER

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INSIDE THIS ISSUE

FINANCIAL MARKET OVERVIEW

The calendar year 2009 will go down in history as a year when our worst fears and our highest hopes did not come true. Several records were made during the year. Our nation did avoid a second Depression, but the economy tanked, our government spent (borrowed) hundreds of billions of stimulus money it didn't have and our economy hit a 70-year high for layoffs and foreclosures along with a 32% jump (1.4 million) in personal bankruptcy filings.

After enduring a 50% stock market decline that began in June 2008 through March 8, 2009, the stock market reversed course and advanced 65% from March 9, 2009 through December 31, 2009. Initially, one might conclude that a 50% decline followed by a 65% gain would result in a full recovery of losses along with an actual gain. Mathematically, that assumption is incorrect. If an investor had $100 just prior to the 50% decline, he would have lost $50 (50%) with only $50 remaining. Then, the market advances by 65% resulting in a gain of $32.50 (65% times $50 current value equals $32.50) bringing the investor back to $82.50. To overcome the initial 50% loss, the investor would have to earn a 100% return in order to fully recover his $100 beginning balance.

The price of gold jumped 23% and mining stocks soared by twice that amount. The price of oil increased 78% and international stocks jumped more than 33% during the year with some countries (emerging markets) nearly doubling in value (Brazil and Argentina). In general, the most risky stocks led the charge along with junk bonds.

In general, growth stocks outperformed value stocks and small to mid-size stocks outperformed large-company stocks. International and emerging markets performed better than the overall U.S. stock market. The broadest measure of stock prices, the U.S. Total Market Index, was up 27% (including dividends) over the calendar year 2009.

Although the financial markets recorded surprisingly large percentage gains in 2009, the rebound has not fully compensated for losses incurred during 2008. The following chart displays sample returns of various asset categories during calendar years 2008 and 2009:

Calendar Yr.		**Index Return**
2009	**2008**	***(includes dividends reinvested)***
+ 22.7%	**- 31.9%**	**Dow Jones Industrial Average**
+ 27.2%	**- 37.0%**	**Standard & Poor's 500 Index**
+ 28.7%	**- 37.2%**	**DJ U.S. Total Stock Market (Broad Market)**
+ 35.1%	**- 40.1%**	**Large-company stock-Growth**
+ 23.1%	**- 37.4%**	**Large-company stock-Value**
+ 40.4%	**- 44.5%**	**Mid-Size Stocks – Growth**
+ 37.3%	**- 38.2%**	**Mid-Size Stocks – Value**
+ 36.2%	**- 42.1%**	**Small-company stock- Growth**
+ 32.6%	**- 33.4%**	**Small-company stock- Value**
+ 33.3%	**- 43.6%**	**International (excludes U.S.)**
+ 75.6%	**- 55.5%**	**Emerging Markets**
+ 30.3%	**- 40.0%**	**Real Estate Investment Trusts**
		Fixed Income
+ 0.7%	**+ 3.5%**	**Short-term U.S. Treasury *(includes appreciation)***
+ 2.6%	**+ 5.3%**	**Intermediate U.S. Treasury *(includes appreciation)***
		Alternative Investment Category
+ 23.0%	**+ 5.4%**	**Gold**
+ 40.5%	**- 42.6**	**Natural Resources**
- 4.5%	**+ 8.5**	**Managed Futures**
+ 5.2%	**+ 8.4%**	**Declining U.S. Dollar (dollar down 4.5%)**

Continued on page 2

Continued from page 1

FUTURE ECONOMIC OUTLOOK

Over the past 23 years, we have experienced many surprises and confusing financial market conditions. At times, our conviction was strong regarding expectations for the overall market, specific segments of the market or certain economic indicators and we made adjustments to client portfolios to reflect that confidence. In addition we have made adjustments, particularly defensive changes, to specific asset classes that appeared overvalued before the eye of the storm was upon us. However, avoiding broad market corrections is nearly impossible.

Reflecting on the past, we have always been able to present either a marginally positive or negative case to support our market expectations with facts and reasoning. Based on our overall evaluation, we present our support for one position over an opposing one, express our level of conviction or confidence and make recommendations accordingly.

Presently, we can emphatically present solid reasoning for either a pessimistic or optimistic near-term economic outlook with abundant support for either position. From a macro-level, both stock and real estate prices have declined considerably. As mentioned in our previous newsletter, the ten-year average return on U.S. stocks from 1999-2009 was negative. Negative ten-year stock market performance has occurred only one other time in our history – during the Great Depression. We recognize prices are relatively cheap and over some future and unknown period of time, the opportunity to earn significant investment returns will arise as pervasive pessimism gives way to optimism. Investors who buy at lower prices should enjoy better future results than if they buy later at higher prices during periods of optimism.

The dilemma is trying to determine whether an economic recovery of any magnitude is imminent or far enough away to remain cautious. As stated above, stock and real estate values are down considerably, corporations have cut staffing and expenses, inventory levels are extremely low and any uptick in demand (economic growth) will increase profits nicely. Interest rates are hovering at a 40-year low, and any meaningful increase in worldwide consumption will translate into handsome gains for corporations, metals and natural resources. Further, our country has a perfect track record of recovering from recessions/depressions – it's just a matter of timing and duration.

The deep concern we have is that the mountain to climb to achieve an economic recovery looms much larger than most of the difficult circumstances of the past. Just as many corporations and individuals were caught with too much debt on their balance sheets at the onset of the recent economic decline, our governments (federal, state and local) are in similar circumstances. Too much excess and entitlement is rampant within the basic structure and simply raising taxes and fees will not solve the budget problems. Rather than being forced to downsize, file bankruptcy, or pay down debts, our government (at all levels) is continuing its policies of excess spending and raising taxes at a time when miscalculations rather than prudent governance will extend the economic difficulties longer than realized.

Raising taxes can help solve the budget imbalance if the current tax rates are relatively low and the economy is in moderate to excellent condition – they are not. Lowering interest rates can help stimulate the economy, except when rates are already at a 40-year low. Lowing interest rates to near-zero will not have much of an impact and each time rates are lowered, our currency (U.S. Dollar) falls in value. Embarking upon massive deficit spending to pay for new moral/social ideals such as healthcare for all Americans is a noble cause, but the timing and the method chosen to implement this plan is not financially sound – not to mention the immense shortage of doctors (supply) to serve the additional families (demand).

The point is not to politicize the issue or make moral/entitlement arguments. From a portfolio management perspective, we simply cannot rationally see how the current direction and policies will improve our economy, unemployment rate, budgetary problems, and investment returns to our clients as quickly as all of us would like to see. However, we are confident that our country will find a solution and redirect our path – it is the timing that is unclear.

Meanwhile, safe investments will deliver a very low return. Expect lower economic growth in the near-term, higher-than normal unemployment, lower pay raises, greater swings in the economy with shorter expansions and more disruptive recessions, short-lived and volatile financial market movements in both

Continued on page 3

Continued from page 2

directions, and trillion-dollar deficits as far as the eye can see.

Sometimes the best approach to managing your assets is to do nothing assertive at all – stick with a prudent and less-assertive path. When opportunities are not so plentiful or probable, the best and sometimes hardest thing to do is to stand pat. Over the short-term, we don't anticipate corporations will embark on assertive expansion plans, developers will begin new large construction projects or families will move to a new and larger dream home. Likewise, investors should expect a smaller return and families should live within their means.

Our position for investment management clients has not changed from last quarter: choose the middle of the road at best, stay cautious by holding fewer equity positions than normal, and continue adding/holding more conservative choices such as energy, water, and other income-paying stocks along with other temporary positions such as declining U.S. Dollar positions, gold, and foreign government bonds. We will wait patiently for more conviction and (long-term) evidence that the economy is headed for a sustainable recovery.

ESTATE AND INCOME TAX LAWS WILL CHANGE IN 2010

Incredibly, Congress did not act in a timely fashion to extend 2009 estate tax rules before the end of 2009. Everyone knows the current estate tax provisions will change. However, the healthcare debate took center stage and now Americans are eligible for ***zero estate taxes*** in 2010 - until amendments or changes are made soon. Will the upcoming estate tax law changes be retroactive to January 1, 2010? What if someone dies during the interim – which rules will they follow? What a mess. If an individual (or a parent, grandparent) is in very poor health, may die within a few months and their estate exceeds $3.5 million, there are some very bizarre considerations or potential amendments to their trust that should be considered. Aside from these circumstances, expect estate tax law changes very soon in 2010.

In addition, expect the federal income code and income tax rates to change. Tax rates will go up as additional revenue is needed to pay for healthcare proposals and the large deficits. There have been discussions and proposals to raise income tax rates, capital gains tax rates, corporate income tax rates and various other schemes to raise taxes without calling them taxes. At this point, we have no idea what the actual outcome will be and cannot offer any income tax planning suggestions. Once again, the uncertainty of estate tax code changes, income tax rate changes and universal healthcare funding rules are weighing heavily on the financial markets. The financial markets hate uncertainty; therefore expect increased volatility and confusion.

ANNOUNCEMENTS

Clients will receive a full accounting of income and capitals gains for the 2009 calendar year in this mailing. In addition, we will send the same reports in February reconciling and explaining the annual income tax filings from each custodian that holds our clients' assets. Form 1099s are expected to be mailed in mid-February. Please be sure to include and deliver our data and reports with the Form 1099 statements to your tax preparer.

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.

Continued on Page 4

Continued from page 3

Contact Us

Brian D. Lowder, Inc.

Brian D. Lowder, CFP®, CFA
Michael Kinnear, MBA, MSFS, CFP®
Clinton Winey, MBA, CFP®, CFA
Remette Martinson
Pamela Priest

Address
12780 High Bluff Drive   Suite 100
San Diego, CA 92130

Telephone
(858) 794-6800

Fax
(858) 794-6906

Website
www.bdlowder.com

Email
brian@bdlowder.com
mike@bdlowder.com
clint@bdlowder.com
rm@bdlowder.com
pam@bdlowder.com

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Best regards

Brian Lowder   Clinton Winey   Michael Kinnear   Remette Martinson   Pam Priest