AMERICAN MONEY MANAGEMENT, LLC

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In the midst of historic market volatility and economic recession, we have been working on your behalf to find the best opportunities for return in an uncertain world. As we outline below, the market panic of 2008 has created unique opportunities for our clients. Over the last 6 months, millions of investors worldwide have sold their securities during the steepest decline in recent memory. Unfortunately, they may have confused volatility with actual risk and, in the process, realized losses that may have been avoidable.

YOUR BIGGEST RISK IN THE FUTURE

The average joint life expectancy of a non-smoking American couple of retirement age (62) is now thirty years...and rising. Twenty-nine years ago, in 1980, the cost of a U.S. postage stamp was fifteen cents. Today the same first-class stamp costs forty-one cents. Looking ahead, our biggest risk is not volatility, recessions, or market panics. It is the permanent erosion of purchasing power. Every year, everything generally costs more. Like the passage of time, inflation is constant and inevitable. To combat inflation, investors have historically needed to move beyond "safe" assets like cash and treasury bills to "riskier" assets like stocks, corporate bonds and real estate. Every so often these "riskier" assets fall dramatically in price as they did in 2008. This creates an opportunity for investors to acquire inflation-fighting assets at very favorable prices, thus laying the foundation for significant growth and preservation of future purchasing power. It is our job to take advantage of these depressed prices for the benefit of our clients' long-term financial security.

MEAN REVERSION - WHAT ARE THE ODDS OF ANOTHER 2008?

Our research indicates that now, as in every previous downturn, there are high probability opportunities in various asset classes (stocks, bonds, preferred stocks, commodities, etc.). In searching for bargains we generally adhere to the concept of *mean reversion.* For the purposes of investing, this statistical concept simply states that when an asset class has moved significantly above or below its long-term average it will ultimately revert back to the long-term average. When stocks, housing prices, or anything of relative value has a period of above average returns, they will ultimately undergo a period of below average returns to revert back to their long-term average. Every excess and bubble tends to move in the opposite direction until the correction itself becomes excessive. This is what occurred at the conclusion of the 2002 tech wreck and the 1992 real estate savings and loan debacle. We believe the crash of 2008 has created some unusual opportunities for our clients. Investing is easier when the odds are on your side; and, based on *mean reversion*, the statistical probabilities that 2009 will be better than 2008 are high.

2009: OPPORTUNITY AHEAD

While domestic stocks logged one of their worst years on record in 2008, they were not alone. Foreign stocks, corporate bonds, real estate and a broad basket of commodities all lost significant ground over the last twelve months as fear gave way to extreme risk aversion. As we enter 2009, we have identified several asset classes that we feel will provide solid risk adjusted returns at current price levels.

OVER

2009: Opportunity Ahead *(continued)*

Investment Grade Corporate Bonds: Moving up the Capital Structure

Many quality corporate bonds currently trade at substantial discounts to par value with yields to maturity ranging from 6% to more than 10%. It has been a long time since we have seen these kinds of opportunities in the investment grade bond space. Investment grade bonds rank senior to both preferred and common stocks in a company's capital structure and thus provide a relatively greater degree of safety and security to the investor. We currently view allocations in this sector as appropriate for both income and growth investors.

TIPS: Treasury Inflation Protected Securities

The federal government has so far committed trillions of dollars to battle the credit crisis and economic recession. While the market's short-term concern has been the deflation of asset prices, we view the government actions as inflationary over the longer term. The principal of TIPS increases with inflation and decreases with deflation and thus provides a hedge against future inflationary spikes. These unique bonds also pay interest based on current inflation readings and provide the safety of U.S. government backing.

Stocks: Finally Cheap

As we wrote in our last client letter, we feel strongly that we will look back on the panic of 2008 as one of the greatest buying opportunities of all time. While economic data will likely remain weak for some time, history suggests that markets typically bottom well before the economy. Additionally, there is approximately $8.85 trillion held in cash, bank deposits and money market funds, the highest level since 1990 according to Federal Reserve data compiled by Leuthold Group and Bloomberg. This suggests sufficient buying power to fuel a powerful rally once risk appetites return. After a period of earning almost nothing on $8.85 trillion, investors will likely be looking for alternatives. For 2009, we remain cautiously optimistic on stocks and plan to continue building exposure in client portfolios on weakness.

In addition to the opportunities outlined above, we suspect that over the next few years there will be substantial investment opportunities in high yield bonds, commodities and real estate. All have sold off significantly from their highs and, as the economic cycle begins to shift from the contraction to expansion phase, we will be looking to add exposure to these depressed areas.

Enclosed, please find a copy of our current Privacy Notice. We can also provide you with a current copy of our SEC Form ADV Part II, at your request. Should you have any questions regarding your investment account(s), or if there have been any recent changes to your investment and/or retirement objectives, please do not hesitate to give us a call.

Thank you for entrusting our firm with the management of your assets.

Wishing you a happy, healthy, and prosperous new year!

Your Portfolio Management Team

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