LAW & ASSOCIATES, INC.

wealth management
& financial planning

WELCOME TO OUR QUARTERLY NEWSLETTER!

We want you to have access to the latest in quality resources and information. We also want you to be in touch with the most recent happenings here at Law & Associates, Inc. That's why we've put together this quarterly newsletter. We hope that you find this information valuable, and we look forward to hearing your comments and suggestions. Thank you!

CALENDAR:

April 15	Tax Day
April 26	Dentzel Carousel Opens at Glen Echo Park. Expanded Family Day!
April 20	First day of Passover
April 29-30	Federal Open Market Committee meets.
May 5	Cinco De Mayo
May 11	Mother's Day
May 17	ARMED FORCES DAY & "Retroville" the 2008 Gala in the Park to benefit the Glen Echo Park Partnership for Arts and Culture.
May 26	Memorial Day
May 31 - June 1	Annual Washington Folk Festival at Glen Echo Park. www.fsgw.org
June 14	Flag Day
June 15	Father's Day
June 16	Quarterly Taxes Due
June 24-25	FOMC meets.

MARKET COMMENTARY

by Sally Law

The end of the first quarter of this year will come as a relief to those of us that make that event in time a measure. We begin the second quarter with trepidation knowing that there are increased risks of a recession in the U.S. combined with the manifestation of higher inflation rates, which comprise the ingredients of stagflation.

Let me begin with the mortgage markets. We all know that when things get high in price, we all get greedy believing that the high price is our right price and the price we will measure against. In fact, until you sell something price is a fleeting picture that is subject to constant change. The sub-prime mortgage meltdown in the U.S. has now affected most financial sectors.

Market volatility, while hard to stomach, should be regarded as more of a friend than a measure of risk, as it allows those with a long-term focus to buy when prices are cheap and to sell when they have increased in value. What we try not to do is to put people in the market who have a short term viewpoint. People make markets. There has always been irrational behavior and wild swings. The basic rule has not changed for me. We invest in good companies and we have given you quality managers that stay within a discipline and are forward looking. We will do our best to help you navigate these troubled waters.

Those Draconian statements from the media about arranging bail-outs and rescues for bond insurers are grossly misplaced. The bottom for business is not necessarily the bottom for stocks. The markets will find themselves in recovery before we realize it has happened.

We are in a time when fear sells. The media have taken every word about the economy and examined and massaged it so many ways that just tuning in to CNBC gives you so many perspectives it is head spinning. Economies don't happen on a blow by blow basis. They emerge and evolve over time. The noise builds, the tension builds, and the only relief is removal from the situation. These super cycles are hard to go through, but they will continue to happen because of how we manage the information.

George Orwell: "During times of universal deceit, truth telling becomes a revolutionary act."

Securities Litigation Paperwork

As you know, we have all struggled under the burden of securities litigation paperwork. Since we invest where our clients do, we receive the same forms. While it will be at your discretion to complete and submit the forms, we will continue to answer your questions and provide supporting documentation as requested.

POSITIONING FOR A MARKET REBOUND

The experience of a declining market or perceived recession can be a heart racing experience. The temptation to move investments to historically safer territory can be overwhelming.

But history tells us that sticking with your long-term investment plan, including higher-risk equity positions, may give you something you wouldn't have standing on the sidelines – a better opportunity to take advantage of the markets' recovery.

We say perceived recession because economists don't agree on a single definition, and usually can't be certain one occurred until well after the fact.

Since World War II, the United States has witnessed approximately 10 recessions by the classic definition, lasting anywhere from six to 16 months and varying in severity. The classic definition of a recession is a decline in Gross Domestic Product (GDP) for two or more consecutive quarters.

Today, many economists go further, taking a range of economic data into account. The Business Cycle Dating Committee at the National Bureau of Economic Research (NBER) provides a comprehensive determination by factoring in measurements such as employment, industrial production, real income and wholesale-retail sales.

Still, because any definition requires backward-looking measurements, the stock market usually begins reacting to recessionary pressures well before anyone can be certain that a recession is taking place. This makes timing the bottom of the market extremely difficult.

Looking back at the most recent recession, the S&P 500 experienced three straight years of negative performance (2000-2002) before rebounding with five consecutive years of positive results (2003-2007). While past performance offers us no guarantees for the future, historically, some of the most dramatic market gains have followed market lows or while coming out of a recession.

(Dividends not included in numbers below.)

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DURING RECESSIONS

S&P "Bottoms"			Returns for 1-year after finding the market bottom		
*During Recession	S&P Level	% Change Peak to Bottom	Date	S&P Level	% Change 1-year
9/14/1953	22.71	-14.82	9/14/1954	31.28	37.74
10/22/1957	38.98	-21.47	10/22/1958	51.07	31.02
10/25/1960	52.2	-14.02	10/25/1961	68.34	30.92
5/26/1970	69.29	-36.06	5/26/1971	99.59	43.73
10/3/1974	62.28	-48.20	10/3/1975	85.95	38.01
3/27/1980	98.22	-17.07	3/27/1981	134.65	37.09
8/12/1982	102.42	-27.11	8/12/1983	162.16	58.33
10/11/1990	295.46	-19.92	10/11/1991	381.45	29.10
10/9/2002	776.76	-49.15	10/9/2003	1038.7	33.73

Recessions | Since 1950 they have averaged 10.3 months in duration, but the S&P 500 historically peaked 8.1 months before the average recession officially started. The market typically "predicts" a recession is coming.

CORRECTIONS

S&P corrections and subsequent performance				
Date of market low	S&P Level	Correction	Following 1-year returns	Following 2-year returns
5/26/1970	69.29	-36.06%	43.73%	59.71%
10/3/1974	62.28	-48.20%	38.00%	67.00%
3/6/1978	86.90	-19.41%	12.62%	25.03%
3/27/1980	98.22	-17.07%	37.09%	13.97%
8/12/1982	102.42	-27.11%	58.33%	61.52%
12/4/1987	223.92	-33.51%	22.78%	56.93%
10/11/1990	295.46	-19.92%	29.10%	37.90%
10/27/1997	876.99	-10.79%	21.48%	47.86%
8/31/1998	957.00	-19.34%	37.93%	58.54%
10/9/2002	776.76	-49.15%	33.73%	44.46%

Corrections | The markets have seen 10 significant market corrections (> 10% declines) since 1970, including 4 not related to recessions. In each instance, the market has advanced at an above average rate over the year following the market bottom.

The S&P 500 is based on the average performance of 500 widely held common stocks. The S&P 500 is a broad-based measurement of changes in stock market conditions. Index returns do not reflect the deduction of fees, trading costs or other expenses. The Index is referred to for informational purposes only; the composition of the S&P 500 is different from the composition of the accounts managed by the investment manager. Investors may not make direct investments into any index. Past performance may not be indicative of future results.

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Market Rebounds

The cost of missing the good days

Even though recessions and market corrections are separate and independent events, the pattern of decline and recovery are similar. The returns after a recession or a correction have historically exceeded the long-term market average by a wide margin.

Yet missing just a few choice days in the history of the market cycle by swaying from a disciplined investment plan can make a huge difference in the returns investors realize. This table illustrates the dramatic loss in performance by missing some of the best days in the market.

Getting out of the market is not the difficulty; it is the potential penalty for not choosing the right time to get back in. If an investor were to miss the best 10 days in the market over the last 20 years, their average annualized return drops from 11.82% to 9.17%. Missing the 30 best days during the same period drops the return to 5.26%, a potentially crippling blow to a retirement plan.

THE PENALTY FOR MISSING THE MARKET

Investment pattern over a 20-year period	Average annual returns	Growth of $10,000
Fully invested	11.82%	$93,339
Miss 10 best days	9.17%	$57,778
Miss 20 best days	7.10%	$39,398
Miss 30 best days	5.26%	$27,886
12/31/87 - 12/31/07		

While no one can predict the bottom of the market, history shows that the U.S. economy is resilient, and that rebounds can take place quickly. Missing just a few of the leading rebound days can make a significant difference in the long-term performance of a portfolio. The only way to be assured of capturing all of the market upside is to remain fully invested, using a long-term investment plan with a portfolio diversified over several asset classes and investment styles.

While sticking with your investment strategy through turbulent markets can be a nerve-wracking experience, history suggests you may benefit by hanging on.

This commentary reflects the thoughts and opinions of Raymond James Asset Management Services and is subject to change without notice. Presentations are for information purposes only and should not be construed as a recommendation regarding any security. Investing involves risk and you may incur a profit or a loss. Diversification does not ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful.

CAN POLITICS PREDICT PERFORMANCE?

Election years have traditionally been market-friendly, but that doesn't mean you should base your portfolio decisions on politics.

Those with a close eye on the stock market are always on the lookout for correlations that might help them take advantage of the next market cycle. With a pre-election year approaching – a time that has boded well historically for equities – you may question whether or not political races should affect your investment strategy.

Numerous studies show that the stock market has tended to perform well in the two years leading up to a presidential election. Pre-election years in particular have produced an average annual return of 21% since World War II. But while substantial evidence suggests that the market does go up more often than not in election and pre-election years, it is my belief that relying on this trend is not a good way for long-term investors to pursue their goals.

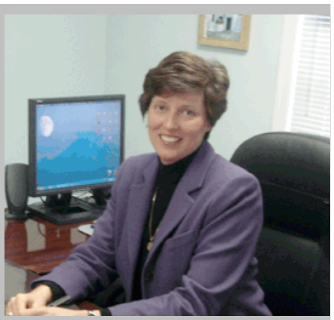
Though the data appears to demonstrate a reasonable correlation between the election cycle and the market's performance, this does not necessarily prove that one event has always caused the other. It could be coincidence. Nevertheless, various theories have attempted to explain why the stock market might be sensitive to the political seasons.

One popular theory suggests that the incumbent party leverages economic policies to give the market a slight nudge just before election time, then allows the market to appropriately correct itself once elections are over. Another theory proposes that investor confidence tends to rise based on the lofty promises of candidates vying for office, then tapers off as some of those promises fall by the wayside.

Regardless of which theory, if any, you choose to believe, it's important to remember that traditional fundamentals will always be active in the market. Isolated factors such as political elections never explain the whole story.

It's also important to note that there have been a few major exceptions to this trend in the past – 1987, a pre-election year, saw the worst market crash in U.S. history – making it even more apparent that investment decisions shouldn't be based on election cycles. As always, investment decisions should be based on sound fundamentals, industry-focused research and, most important, your individual goals and circumstances.

OUR TEAM: GET TO KNOW JANICE HENDERSON



With over 20 years of financial planning experience, Janice L. Henderson (formerly Janice L. McDermott) has been a Certified Financial Planning Practitioner with Law & Associates, Inc. since November 1994. She received her BS degree in Business Administration in 1986. She obtained her CFP® designation in 1994 from the College for Financial Planning. Janice is a registered securities principal through Raymond James Financial Services, Inc., and was appointed Raymond James's co-branch manager to this office in 2005. She earned the designation of Investment Management Consultant from Raymond James's Institute of Investment Management Consulting (IIMC) in 2006. Janice also holds a Virginia license for life, health and variable life insurance. She is an active member of the Financial Planning Association (FPA) National Capital Area Chapter and the Financial Services Institute (FSI).

Janice has been a speaker at the Raymond James Financial Services, Inc. National Conferences for Professional Development. In order to stay current on issues affecting the industry, she continues to attend a variety of conferences. Janice was recently in Philadelphia meeting with portfolio managers in a due diligence capacity. In addition, she is beginning her studies to become a Certified Divorce Financial Analyst (CDFA™)

She currently serves as Chairperson of the Finance Committee, and sits on the Board for her church in Vienna, Virginia, where she is an active member. She previously served as Treasurer and member of the Board of the Vienna Adventist Academy.

Janice is a native of Fairfax, Virginia where she still resides and can often be spotted walking her two new adopted dogs, two-year old Bear and puppy Mona. She is an avid reader and loves spending her free time with family. Janice also enjoys traveling and has visited such places as Australia, New Zealand, Greece, Italy, England, and Wales.

WE'RE HERE FOR YOU!

Sally Law
Janice Henderson, CFP®
Barbara Heft, CFP®, CRC®
Joe Ruch
Stephanie Moore
Ellyn Sudow
Heather Law (part time)
Clara Leech (housekeeping)

Conferences, Meetings and Seminars attended this quarter by Law & Associates, Inc. staff:

Tales of the Tax Return
Taking the Helm Navigating the Course in an Uncertain Environment
Long Term Care Partnership with the State of Virginia
Long Term Care Partnership with the State of Maryland
Hiring, Recruiting, & Retaining Top Talent
Modular Portfolio Theory
Technology for the Future of the Advisory Business
Advanced Planners Study Group
RJ Women's Group
Armed Forces Benefits Association
ING Annuities
John Hancock Mutual Funds & Annuities
Brandes Investment Partners
Kensington Funds
Eagle Asset Management
Asset Management Services
Legg Mason
Hartford
Compliance Committee

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