



RESPONSIVE FINANCIAL GROUP, INC.
A Registered Investment Advisory Firm

October 9, 2008

There is no rush in all of this. Talking heads would have you think so. I'm sick of them. They want everything to work the very moment it happens. None of it will work immediately. But what has been done, and is being done, will work. I'm not going to stop working and supporting my family; if you are in the work force are you? If you are not, and others are not, then there will be an economy, and markets, and profits.

My vote for the most idiotic and irresponsible statement to date:

"If we don't do this we may not have an economy on Monday." Ben Bernanke, Chairman of the Federal Reserve to Congressional leadership, about the Troubled Assets Relief Program, (TARP)

Now considering that if we are working, we are going to continue to, no matter what, if not at this job at another, how can this be true? If you then also spend less than you are earning, then you don't need credit for *your economy* to keep working. So tend your economy. Just as successful business do. IBM just announce a 20% INCREASE in profits for the last quarter. They are cash flow positive too. Do they need credit markets to keep their economy functioning? NO. Berkshire Hathaway; same thing, they don't need credit markets. Dell, same thing, more than 20% of their current market cap is cash \$6 billion and they add \$3 billion a year to that. They don't need credit markets. Microsoft, same thing with well more than \$20 billion in cash. Will their profits decline if their customers can't get financing to buy their products and services? Absolutely, but they will and already have adjusted. More of their customers will learn to *live within their means* instead of within their potential.

I have attached a 16 page acrobat document that is at some points very technical. But the majority of it is not and it places the current economic crisis in a vastly more appropriate and useful historical context than the press you are likely bombarded with elsewhere. I hope you enjoy it. The author, Stephen Leuthold is the fund manager of one of the funds in nearly every one of our client accounts, and is a brilliant economic historian.

This month has not had an up day yet. I believe that a raft of highly leveraged investors, hedge funds and others, are likely covering margin calls and selling in a panic to meet the redemptions of their investors which in many cases must make requests for redemptions of their capital in such funds 3 months prior to receiving their distributions. Their pain can be your gain, if you are patient.

These are times to buy equities, businesses, real assets that create cash flow, with your patient long term money. Increase your 401(k) deferrals, make your 2008 IRA contributions if you have not already, if you have been too conservative in your investments, become more aggressive, (I don't recommend 100% equity, it is always good to have a little more to buy with). Be patient. If you have purchased good companies or managers (as I believe we do more often than not) in these kinds of times, profits will more reliably accrue to you than they are when you buy equities *when things are better.*

But like me, the vast majority of you are and have been invested through this horrible decline. The majority of our assets are in hybrid, or asset allocation funds. These funds each have a different technique or objective, but all allocate your capital among multiple assets classes. Equities, debt, cash, gold, commodities, real estate as well as other asset types and countries are represented more or less at different times. They actively manage the assets to maintain, decrease, avoid or increase exposures to the types and specific securities they work with. Each uses different techniques, both simple and sophisticated, to reduce losses or to increase the number of shares of quality assets which they can acquire at prices below what they believe are their appropriate value. Our individual equity holdings and single asset class funds also have the ability and do manage within their business mandates through these environments, to move their business or holdings into less risky or more profitable areas as they see appropriate. These securities have served to reduce our losses relative to markets, some better than others, and we like what we own. We are also trolling for other opportunities to profit.

No I don't know if we are at the bottom of this market decline, I stated that I believed we were near it the bottom 15% ago (just more than a week ago). I do know that the prices at which we can currently acquire additional equity assets are ***unreasonably low.***

These are also moments that can be exploited to gain tax benefits or reduce future tax liabilities. Any such transactions should be executed only with the guidance of your tax and or legal advisors as appropriate. The point is that as well as investment opportunities, planning opportunities often arise during times of such rapid economic change.

Realizing losses in taxable accounts or assets, and reallocating to different similar assets can reduce this and even future year's tax burden on your investment returns.

Perhaps you expect to gift assets or property to heirs, you may be able to gift more assets without a gift tax than you had expected, if the assets have declined in value or an appraisal now would set a lower value than in the past.

If you know you will be making withdrawals from IRA's next year, out of currently invested assets, you may wish to distribute them in kind now anticipating selling them later at a higher price per share.

I do hope that the extreme pessimism that we must weather each day soon eases. I also hope that we are able to assist each of our clients in taking best advantage of the investment or planning opportunities that arise.

We are here for you.

Sincerely

A handwritten signature in black ink, appearing to be the name "Dan". The signature is written in a cursive style with a large, looping initial letter.