



Financial Principles, LLC

NEWS

Contact: Mike Flower
310 Passaic Avenue Suite 203
Fairfield, NJ 07004
(973) 582-1004
Toll Free (877) 401-5529
mflower@financialprinciples.com



Managing Partner

Investing in Ben Bernanke's World

Local Financial Advisor Gives Four Tips to Manage Investments in Light of Federal Reserve Moves

FAIRFIELD, NJ (May 22, 2008) – Over the past several months the Federal Reserve has taken steps to try to stabilize financial markets, bolster the national economy and stave off a recession. With virtual meltdowns in subprime mortgages and the credit crunch many Americans, including Federal Reserve Chairman Ben Bernanke, believe we are headed for tougher financial times.

According to Mike Flower, an independent financial advisor, while headlines fuel debate over whether the Fed has made the right decision, there's a more immediate concern for investors. "Investors should be asking themselves whether the Fed's traditional tools need re-tooling to fix the current financial crisis and restore market confidence, or do they need to make unprecedented moves of their own?," inquires Flower. Flower says that rather than matching one extreme move with another, investors should follow time-tested strategies to guide you through what is an extraordinary period in market history. Flower offers four tips to make sure investors are reacting rationally to the Fed's economic policies.

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Seek Real Information

“As precedent-setting as the Fed’s moves may be, headlines are written to sell newspapers,” says Flower. “In times of market volatility, it’s important to dig a little deeper and to put market events in context.” While it can be a time-consuming exercise, Flower believes it is time well spent and can often uncover surprises or little-reported facts. For example, a recent Ohio state study indicated that Americans may own a larger share of their homes than is suggested by a Federal Reserve report. The Fed had reported that in 2007 Americans’ percentage of equity in their homes fell below 50 percent for the first time since 1945, to 47.9 percent in the last quarter, meaning that banks and mortgage companies own the greatest share of American homes. However, subsequent analysis by researchers at Ohio State University discovered that the Fed study failed to account for homeowners who have paid off their mortgages. “Factoring in the people who had paid off their homes already helped to raise the average homeowner share of equity to about 70 percent, significantly changing the dire picture of the housing front.”

Take a Global View

There aren’t many people who wouldn’t agree that the U.S. economy may be faltering, but there are investment opportunities elsewhere in the world. For instance, while the Economist Intelligence Unit’s *2008: Country by Country* forecasting guide predicts that U.S. economic growth will slow to 1.5% due to continued financial-market turmoil and increasing housing market woes, analysts expect robust double-digit growth in many emerging market countries. Against the backdrop of slow growth in the world’s two largest developed economies, the United States and Japan, fastest-growing countries in real GDP growth are expected to be Angola, 21.4%; Azerbaijan 17.4%; Equatorial Guinea, 11.7%; China, 10.0%, and Liberia, 9.5%. “The bottom line is that the downturn in the U.S. underscores why it is so important that investors have not just a diversified portfolio, but one that is also globally diversified,” says Flower.

Control What You Can

Market volatility, interest rate fluctuations, and inflation are factors over which investors have no control. But according to Flower investors can control the manner in which they save, how much they save, spending habits and when they decide to retire. “While the fact that many Baby Boomers are delaying their retirement may fuel economic worries, for some, putting retirement off for a year or two could be a prudent move, just as carpooling helps combat high gas prices,” explains Flower. “The point is, especially in periods of market volatility and unprecedented federal responses, it’s important to ensure you make decisions based on reason, not emotion.

You can bet long hours of analysis went into the Fed’s recent decisions!” Flower advises that at times of market turmoil it is important to return to a well thought out financial plan to ensure the investor’s portfolio is properly diversified and reflects specifically your own risk tolerance. “If you’re living on a fixed income, evaluate your withdrawal rate to ensure that your current spending isn’t jeopardizing your long-term asset preservation,” says Flower.

When In Doubt, Ask for Help

“If you’re feeling overwhelmed by market events, you are not alone,” says Flower. “Study after study reports waning consumer confidence and American’s general dissatisfaction with the economy.” Flower says that now might be a good time to touch base with a trusted financial advisor. And if the investor has not worked with an advisor, now might be a good time to reach out. Additional financial expertise and historical perspective could be the needed medicine to put investor’s minds at ease. It is highly probably that what worked well over the last two decades or while you were accumulating your portfolio, may not work as well going forward especially during the distribution/income phase of your portfolio.

About Financial Principles, LLC

Financial Principles understands the importance of planning – whether it’s for retirement, saving for college or even charitable giving. Two senior partners, Bradley H. Bofford, CLU, ChFC, and Mike Flower, bring a combined 25+ years of financial services experience to their clientele. Both are recognized as qualifying life members of the prestigious Million Dollar Round Table, “The Premier Association for Financial Professionals®”. As representatives of Securities America, Inc., Bofford and Flower are able to provide comprehensive services and advice in all areas of personal finance, such as estate planning, retirement planning and tax reduction strategies.

Bofford and Flower believe that a well-informed client is essential for success. They love taking clients from fear to confidence regarding finances, by placing a strong emphasis on educating people about how to prepare for and enjoy a comfortable retirement.

Visit www.financialprinciples.com to learn more about the advisors at Financial Principles.

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NOTE:

When you need a knowledgeable professional to speak on complicated financial topics in an easy-to-understand and comprehensive manner, please call the advisors at Financial Principles.

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