

A Continued Focus on Stability

Markets have continued their up and down course. However, despite the economic rumblings, Janney remains strong, supported by pillars of strength, firmly embedded in experience and historic perspective: our size, our strength and stability and our parent company, The Penn Mutual Life Insurance Company.

As a reminder, your Janney Financial Consultant can be your best ally during these times. Having a financial plan and sticking to it can help you stay focused on your long-term goals and help prevent emotional decisions which, often, may be detrimental to your overall investing plan and objectives. Regardless of the direction in which the economy may go, your direction—and Janney’s—will continue to be forward.

Why Investors Should Focus on the Long-Term

With recent market performance, unprecedented volatility and a deluge of press coverage, it is hard to think long-term. Almost all financial professionals follow the mantra of ‘focus on the long term;’ but why do we believe that investing for the long-term is the best approach? Here are some compelling reasons for matching your long-term goals with a long-term investment strategy.

Bull and Bear Cycles

Chart one details the returns of the S&P 500 from 1900 to the present. Looking at long-term price and performance is a great way to regain your perspective. In this chart, you can see that bull and bear cycles alternate as time passes; but the long-term upward trend of the U.S. market has been consistent since 1900.

Setting Emotions Aside

Chart two shows the cycle of emotions typical investors go through when owning stock. The point of maximum financial opportunity is typically at the lowest stock price; but investors are often emotionally discouraged, ignoring this buying opportunity.

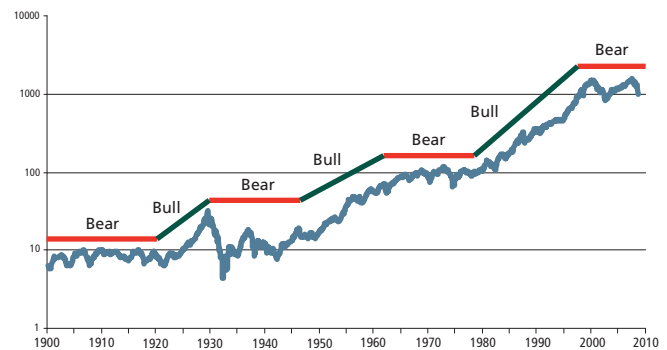
Chart three is an example of how investors often violate one of the basic principals of investing: buy low and sell high. The chart shows equity mutual fund cash flows from 1993–2007 compared with the return of the MSCI World Free Index. It shows maximum outflows (stock mutual fund sales) at the lowest index levels (lowest stock prices). Emotions make buying low and selling high an almost impossible task. Investors tend to follow short-term investment trends and often end up disappointed.

Asset Allocation Determines Long-Term Return Variability

A landmark study conducted in 1986 and 1991 by Brinson, Hood and Beebower, analyzed long-term return data from pension funds. They ultimately determined that 91% of the variability of a fund’s total return was due to asset allocation (your mix of stocks, bonds and cash), with both security selection and market timing playing only very minor roles.

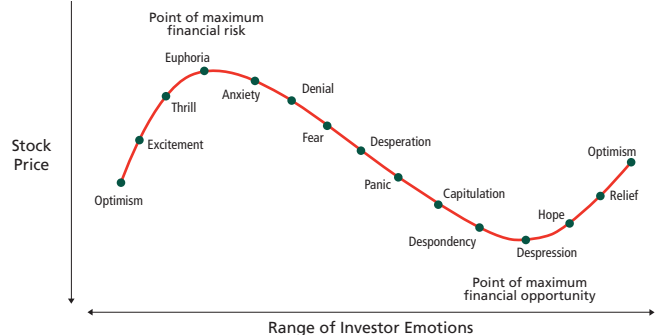
In a nutshell, over time, asset allocation can help deliver more predictable returns. It can help you manage the risks associated with investing and, along with adopting a long-term outlook, can help reduce your urge to make emotional investment decisions.

Chart 1. The market’s long-term upward trend is formed in a step-like fashion: regularly repeating bull and bear markets are the building blocks.



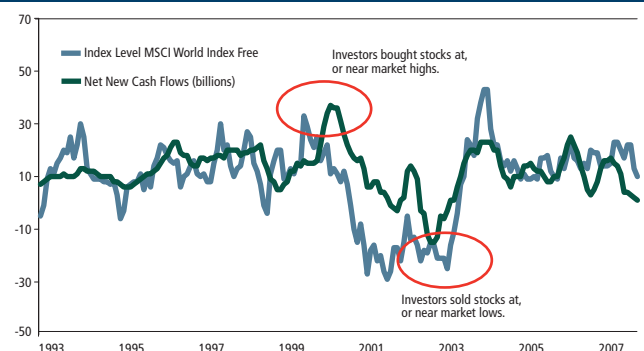
Source: S&P 500 1900 to present.

Chart 2. Cycle of Market Emotions



Source: Reprinted by Janney Montgomery Scott LLC with permission from Westcore Funds/Denver Investment Advisers LLC.

Chart 3. Flows to Equity Funds Related to Global Stock Performance (1993–2007)



The return on equities is measured as the year-over-year change in the MSCI All Country World Index. Net new cash flow to equity funds is plotted as a six-month moving average. Sources: Investment Company Institute and Morgan Stanley Capital International.

Year-End Tax Planning

Now is the time to consider ideas to help minimize taxes and create related benefits which may prove helpful well beyond 2009. Below are some suggestions which need to be implemented by year-end in order to be effective.

Harvesting Capital Gains or Losses

Careful planning to harvest any capital gains or losses from sales of stock or other capital assets can minimize taxation on gains and maximize the tax benefit from losses. You are permitted to identify which shares are sold during a given year as part of a transaction. These are called 'Versus Purchase' sales and allow you to identify those sold shares which offer you the best tax advantages from a capital gains/loss standpoint.

Normally, you should try to avoid having long-term capital losses offset long-term capital gains, since those losses would be more valuable if they were used to offset short-term capital gains or ordinary income. This requires making sure that the long-term capital losses are not taken in the same year as the long-term capital gains.

Charitable Contributions

The timing of charitable contributions can have an important impact on year-end tax planning. Charitable contributions should be timed to obtain the maximum tax benefits for the year. If you plan to make a charitable contribution in 2009, you might consider making it this year instead. If you plan to be in a higher marginal tax bracket in 2008 than in 2009, speeding up the deduction may produce an overall tax savings. On the other hand, if you expect to be in a higher bracket in 2009 you may want to consider deferring your contributions.

Also, as part of the Emergency Economy Stabilization Act of 2008, Congress has extended charitable donation incentives through 2009, limiting the amount allowed to \$100,000 per taxpayer from either IRAs or Roth IRAs per year, excluding the amount from distributions to taxable income. A married couple can donate \$200,000 per year.

Janney has produced a year-end tax-planning guide with these and other important tax tips. Contact your Janney Financial Consultant to obtain a copy of this informative guide.

Options for Your Year-End Required Minimum Distribution

You are required to take the required minimum distributions from your IRA after age 70½. If you don't need the money to live on, you should consider all of your options before you spend this hard-earned cash. You can't avoid paying income tax on your IRA distributions, but there are some smart ways to put this money to work for you.

- **Consider investing in tax-free municipal bonds or a tax-free money market.** You can reinvest your assets in tax-free municipal bonds or money markets to reduce future taxes. Municipal bond income may be exempt from federal, state and some local taxes.
- **Set up a 529 college savings plan.** This is a great way to save for your grandchildren or other family members' college expenses. Once deposited into a 529 plan, all or a portion of the assets will grow tax-free.
- **Buy tax efficient assets.** Some taxable assets like ETFs can be very tax efficient. With low annual realized capital gains, your assets can continue to grow and be liquidated in a manner that controls your overall tax burden.
- **Open a Janney Advantage Account.** With FDIC insured treasury and municipal sweep options, your money remains accessible for when you need it. This account provides you with checks, the Janney Platinum Debit MasterCard®, and Janney RewardsSM with dollar for dollar reward points that you can redeem for products, travel and entertainment.

Form 1099 IRS Mailing Extension

The Internal Revenue Service (IRS) requires that Janney Montgomery Scott LLC mail a 1099 Consolidated Tax Information Statement to our clients. In past years, we were required to mail this statement by January 31st. However, certain investment providers (such as mutual funds) often reclassify tax information for their investment products resulting in the need for a corrected 1099. In an effort to reduce the number of 1099 corrections issued by Janney, we applied for and were granted a filing extension by the IRS. For accounts where there are reclassifications, the 1099 Consolidated Tax Information Statement will be mailed to you by February 27, 2009.

This extension offers Janney the opportunity to serve you better by providing the most accurate 1099 as possible and sending the majority of reclassified information on only one tax form. Please note that the extension will not eliminate additional future corrections in all cases. You may receive corrected 1099 Tax Forms from Janney if the investments held in your account provide updated information after the initial mailing. There are also certain client situations that are exempt from the potential of any reclassification. Thus those clients will receive their 1099 on or around January 31, 2009.

The following forms are not included in the Consolidated Tax Information Statement and are sent individually in separate mailings: Form 1042-S, 1099 REMIC, Form 2439 and the Schedule K-1.

We feel this effort will assist you with your 2009 tax planning. If you have questions about the delivery of the 1099 Consolidated Tax Information Statement, please contact your Financial Consultant. ■