

CITY SECURITIES WEALTH ADVISORS

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March 2, 2009

Once again, the growing list of personal finance topics I need to write to you regarding is being trumped by continued changes in our economic and market environment. I will try to cover the essentials in as little space as possible, and will also begin to address multiple topics in each letter as needed. Today, equity markets have declined to a level that will likely make the evening news, so I'll begin by revisiting our current investment strategy and then mention a few important tax-related items.

Strategy Update

As promised in my 2009 Strategy letter on February 2nd, we are continuing to make timely adjustments to the asset weightings in our various portfolios. The most recent adjustment was made last week, as I wrote you that the stock market was revisiting its November 2008 low, and it became necessary to remove some additional equity risk from our portfolios. Our four primary portfolio models now have the following weightings to cash equivalents and fixed income securities:

- Conservative - 67% cash and fixed income
- Moderate - 61% cash and fixed income
- Moderate Growth - 49% cash and fixed income
- Aggressive - 24% cash and fixed income

Among the 14 asset classes we currently utilize, certain types of fixed income securities represent the greatest opportunity for investors and have far less risk than equities at present levels. As changes in asset pricing permit, we will continue to make any adjustments needed to balance the protection of wealth with participation in future market increases.

Taxes

A final round of 1099 forms is being mailed to investors today by many custodians. So if you haven't received all of your tax documents yet, you will soon. At this point, all of your tax records can be delivered to your CPA to begin preparing your tax return. Just be sure to keep an eye out for any corrected 1099s that may be sent to you. Receiving a corrected 1099 before filing your taxes is no big deal, but filing too early and then having to file an amended return because of a corrected 1099 is a significant headache. My office will notify you personally the moment we learn of any corrected 1099s being sent to you by our custodian - last year there were only two.

As expected, the budget that was proposed by the White House last week contains tax increases for all Americans. Wealthy taxpayers will likely see direct tax hikes in the form of rising marginal tax rates, decreased deductions and increased investment taxes, while every household would indirectly pay for the cap-and-trade energy tax if it passes through Congress. I will be watching the passage of this budget and corresponding tax bills closely, and will keep you informed as they become reality. Then we'll work toward tax strategies that make the most sense once these new laws are passed - we can only speculate this early in the process.

As always, feel free to contact me if you have any questions about these or other topics. Most of the topics covered in these letters are prompted by conversations with clients; so your questions will likely help everyone else as well. Finally, let me know of anyone I should be sending this letter to, and, as a reminder, archives are posted at <http://www.citysecurities.com/WealthAdvisors/WA/WANewsletters.aspx>.

All the best,

A handwritten signature in black ink, appearing to read "Kenneth R. Klabunde". The signature is written in a cursive, flowing style.

Kenneth R. Klabunde, MS, CFP®
Vice President