Special Market Commentary

BRAGG FINANCIAL ADVISORS

September 23, 2008

Dear Friends,

As you know, our financial markets are currently going through a time of great crisis. Last week the government announced that it planned a massive intervention in the private sector to prevent what officials described as the potential collapse of the banking system. Specifically, the Treasury Department announced that it would seek authorization from Congress to use as much as $700 billion of taxpayer money to purchase the bad debt of financial companies to provide liquidity and assure the normal functioning of markets. In some cases, these moves would keep these companies from becoming insolvent. (when liabilities exceed assets, resulting in bankruptcy filing). In addition the Treasury said it would purchase securities held by money market funds in order to provide liquidity for those funds to meet demands for redemptions.

The events that led to this crisis have been well documented in our past quarterly newsletters and a multitude of other media sources and we will not go into this today. Today we want to share our thoughts about how we should react to these events with regard to your portfolio.

It has been difficult to watch and read about the historic events shaking our financial system and roiling the markets over the past few weeks. In just three days ending last Wednesday, September 17th, the Dow Industrials lost almost 8%. Then on Thursday and Friday, the market gained almost all of it back, closing the week down less than half of one percent. Times like these often tempt investors to take action with regard to their portfolios.

It is our opinion that our financial system will survive this crisis and that our economy will move forward at some point. That is a pretty fundamental assumption...we think you either believe we will get past this and progress or you think our country's economic model will no longer work. We could be wrong but we are solidly in the former camp and this general belief in our economic model drives our long-term investment philosophy.

Before abandoning a long-term investment plan due to current market events, we think it makes sense to review your portfolio allocation to make sure it accurately reflects your needs. When you think about your portfolio, think about the timeframe for your investment. A portion of your portfolio is invested in stocks and they are down. Will you need this money in the short term? If you are retired or nearing retirement, think about the fact that you likely have several years worth of spending in bonds and cash such that you will not have to sell stocks when they are down in order to generate your retirement income. If you are many years from retirement, you can expect to endure several more market cycles like this one and you might look at this as a good buying opportunity. Once again, you are hearing that our advice is to maintain a long-term view if you feel that your portfolio allocation is appropriate. By all means let us know if you would like to discuss this or if you would like to make a change.

We do not know how long it will take to get through the current crisis. Of 15 prior bear markets since 1929, the average peak-to-trough decline was 37% and the average bear market duration was 19 months. The Dow is currently 22% off its peak of October 2007 and we are almost 12 months into the decline. We think it makes sense to prepare for more declines and certainly for more volatility in the weeks and months ahead. Of course we could be pleasantly surprised but remember that we first started hearing about "sub-prime mortgages" almost two years ago. Cycles are long.

We hope this is helpful as you listen to the news in the days ahead. As always, thank you for letting us help you with your planning and investing.

Sincerely,

Benton B. Bragg

Benton Bragg, CFP, CFA
Bragg Financial Advisors, Inc.