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DIALOGUES

FINANCIAL STRATEGIES FOR DISCUSSIONSM



The breadth of our team's resources includes a wealth planning team that will work with you to help address investment management, liquidity issues, risk management, charitable pursuits, strategies for retirement and education funding, wealth transference, business succession, asset preservation and estate planning. Let us show you how.

Courtesy of:

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Looking Beyond Short-Term Volatility

Whether you get your news from the papers, television or the Internet, you know how quickly the financial markets can change. Some days are euphoric (a key economic report may bolster consumer confidence or a company reports better-than-expected earnings for the quarter, igniting market indexes). Other days, however, aren't as sunny—and some of them may be downright unnerving. So what are some of the possibilities when an inevitable downturn occurs in the market?

An important piece of advice to keep in mind during a market slide is one you've no doubt heard before: Do not overreact. Even though your instincts may be telling you to try to protect your investments by switching to a more conservative approach or to liquidate your positions in hopes of buying them back at lower prices when the worst is over (an approach known as "timing" the market), it's important to keep your emotions in check—and your eyes on the long-term horizon. History tells us that over the long run the stock market can be quite resilient. From wars to natural disasters to economic meltdowns, the market has seen it all—and over time has shown remarkable capacity to bounce back.

While it's not always easy to maintain long-term perspective, overreacting to events as they unfold may compound the damage—and you may end up selling at the bottom or missing part or all of a subsequent market recovery. To help protect against short-term volatility and the anxiety it may create, together, we can help develop a diversified investment plan that reflects your long-term goals and tolerance for risk. By reviewing the investment plan on a periodic basis, we can try to alter it as needs change. At Smith Barney, our primary focus is ensuring that your wealth continues to work hard for you day in and day out.

Past performance is no guarantee of future results. Diversification does not ensure against loss.

INVESTMENT AND INSURANCE PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT A BANK DEPOSIT • MAY LOSE VALUE

Real [Estate] Possibilities for Your Retirement

If you've been following headlines describing the current state of the real estate market, you are probably familiar with these uninspiring words: bust, crisis, fallout and slump. What you are less likely to see in these articles is how these same conditions can be associated with a very different word—*opportunity*.

Let's start with the facts. Data for home sales through January 2008 continue to show declining values for existing single-family homes across much of the U.S.¹ Some areas have performed better than others, but the big picture for many people selling homes is bleak.

While this is a challenging time for many sellers, what if you're looking to *buy* a home—maybe a retirement home, for example? A quick look at Freddie Mac's *Weekly Primary Mortgage Market Survey* (from March 27, 2008) shows that interest rates for mortgages are not far from the historic lows seen a few years ago. This puts buyers with solid credit firmly in the driver's seat.

"Lower prices improve affordability and the National Association of Realtors reported that its home affordability index was at the highest level in nearly five years," noted Frank Nothaft, Freddie Mac vice president and chief economist, in a statement that accompanied the March 27 survey results.

This is not to say that now is the right time for everyone to purchase a home. Depending on your situation, the most strategic course may be to wait for the market to rebound. But for those who can act now, *opportunity* might be the right word indeed.

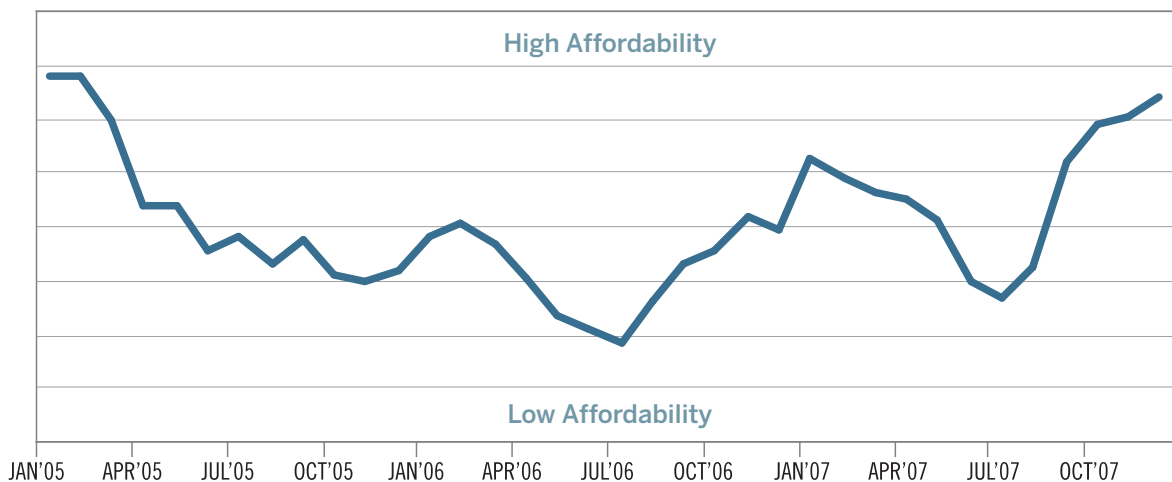
Where the Bargains Are

According to the S&P/Case-Shiller Home Prices Index published in March 2008, Miami, San Diego, Las Vegas and Phoenix showed some of the largest declines in home values through early 2008. Excess development and speculative buying in these areas have contributed to a glut of housing inventory, driving down prices across the board.

This situation is bad news for developers and sellers, but potentially good news for buyers who may be targeting these areas, which include many of the most desirable retirement locales across the country—especially Florida, where prices are lower than they have been in several years. Luxury condominiums in Miami, Boca Raton, West Palm Beach and even waterfront and golf-course homes in Naples have all become relatively more affordable over the last year.²

And Florida is not alone. If you are looking for a deal, your best bet may be to start with areas that share similar patterns—"hot" second-home markets with active development during the past few years. Many developers who invested in these areas are dealing with inventory issues; to help sell

National Association of Realtors® Housing Affordability Index for Fixed-Rate Mortgages, 2005 – 07



some of these properties, they are offering a range of incentives, giving buyers leverage they have not had in quite a few years.

Jumbo News

News from Washington may also help prospective buyers. The stimulus package passed by Congress in February temporarily expanded the conforming loan limits (loans that “conform” to meet Fannie Mae and Freddie Mac sponsorship guidelines) for mortgages that close in 2008 from \$417,000 to \$729,750. This change means some mortgages that were formerly placed into the *jumbo* (non-conforming) category—and were therefore subject to higher mortgage rates—will now be eligible for the lower rates previously available only to conforming loans under \$417,000.

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~ Frank Nothaft, Vice President and Chief Economist, Freddie Mac

With jumbo mortgage rates almost a full percentage point higher, on average, than conforming mortgages with similar terms, this is welcome news for those shopping for homes in the \$600,000 to \$1,000,000 range. It also presents an interesting refinancing opportunity for homeowners whose current loan amount falls within the new limits, but was over the old limit when they closed on their mortgage.

And if the home you’re considering still leaves you with a loan amount that is over the new jumbo mortgage threshold, the new limits may make it easier for you to bridge the gap. Let’s say, for example, you are buying a \$1,000,000 home. After a \$200,000 down payment, you are facing an \$800,000 jumbo mortgage—one that’s roughly \$70,000 away from conforming limits. Rather than pay the higher jumbo rate on the entire loan amount, you might be able to

borrow that difference through a home-equity loan or a securities-backed loan (if you have sufficient marketable securities in your portfolio). You may pay a slightly higher rate on the \$70,000, but you would keep the bulk of the mortgage at the lower conforming rate.

Your Next Move

As a Smith Barney client, you have access to the vast resources of Citi, including a comprehensive platform for borrowing as well as experts to help you choose alternatives that make the most sense for you and your family. We can give you more information on this topic and help you take a strategic look at your mortgage or any other outstanding liabilities you might have. And if you’re looking beyond evaluating financing options for a new home and thinking about retirement, we can work with you to create a comprehensive planning approach that takes into account where you are now, what you want to do and what you might want to consider to help get you there.

^{1,2} S&P/Case-Shiller® Home Prices Indices, Standard & Poor’s, March 25, 2008.



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Market Trends

	Recent 4/15/2008	1 Year Ago 4/19/2007	% Change	5 Years Ago 4/17/2003	% Change
DJIA	12,362.50	12,720.50	-2.81	8,402.36	47.13
S&P 500	1,334.43	1,468.47	-9.13	890.81	49.80
NYSE Comp	8,978.19	9,625.53	-6.73	4,995.25	79.73
Amex Comp	2,267.93	2,229.63	1.72	839.84	170.04
Nasdaq Comp	2,286.04	2,518.33	-9.22	1,391.01	64.34
Russell 2000	692.06	831.44	-16.76	379.60	82.31
Prime Rate	5.25	8.25		4.25	
Federal Funds Rate	2.00	5.31		1.31	
3-Month Treasury Bill	1.13	4.99		1.17	
10-Year Treasury Note	3.60	4.74		3.99	
30-Year Treasury Bond	4.44	4.89		4.95	
Municipal Bonds¹	4.61	4.24		4.74	
Corporate Bonds²	5.58	5.50		4.76	

Rates here are guidelines to general trends. They do not represent actual transactions or individual securities. These rates have been obtained from sources believed to be reliable.

No guarantees are offered as to accuracy.

¹20-Year General Obligations A1-Rated (Source: The Bond Buyer)

²10-Year Industrial A-Rated (Source: Smith Barney)

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