FMG
Registered Investment Advisor

FINANCIAL MANAGEMENT GROUP, INC.

"...to place our clients' interests first, to provide comprehensive financial planning and investment management, and to be a premier provider of innovative and timely strategies that ensure every client meets their established lifetime objectives."

Economic & Investment Outlook
Fourth Quarter 2008

Our macroeconomic assessments for this quarter are essentially the same as the previous quarters. Specifically, we continue to expect the following:

- Inflation will continue to increase worldwide
- Interest rates will rise
- Lending will continue to tighten
- Corporate spending will contract
- The declining dollar will stabilize and begin to strengthen
- Unemployment will rise
- Tax rates will increase
- Personal bankruptcies will reach record levels
- Spendable consumer income will experience a steady decrease
- The recession will deepen and recovery will be slow
- Investment volatility fueled by media frenzy will be increasingly dramatic

What's amazing is how much the financial rhetoric is still questioning whether the US economy is "technically" in a recession, while the average American is struggling more each day with recessionary reality. The reality, in our opinion, is that misguided fiscal and monetary policies have distorted the natural progression of the bear market and recessionary economic cycles.

Moreover, the unknown political outcome of the upcoming election in November is causing future economic uncertainty and further delaying an intelligent resolution. What is certain, is that US economy and consumer equity have been tapped out and replaced by huge amounts of burdensome, costly debt which will require a wrenching adjustment in spending and savings behavior. Change does not occur because of political and media noise, ultimately it is dictated by a combination of past overindulgence and future economic contraction.

At times, our top-down, macroeconomic approach may appear to be contrarian. Meaning, that during periods when investment chatter is most enthusiastic, we are positioning the portfolios defensively. This is done before the investment and economic peaks crest, which is what we did during the first three quarters of last year prior to the current falloff which began in October 2007.

We are here to help, *and we can!*

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The following chart shows that all of the major *equity* indexes as of August 31, 2008 posted year-to-date and one-year negative results:

Index	Total Return YTD	Total Return 1 Year	Description
Russell 1000 Growth	-9.83	-6.77	Large-cap growth stocks
Russell 1000 Value	-12.42	-14.66	Large-cap value stocks
Russell 2000 Growth	-4.50	-3.79	Small-cap growth stocks
Russell 2000 Value	-0.71	-7.52	Small-cap value stocks
EAFE Growth	-16.94	-12.33	Europe, Australasia & Far East Growth Index
EAFE Value	-21.43	-21.12	Europe, Australasia & Far East Value Index
Lehman Aggregate	2.00	5.86	U.S. Government Bonds
All returns as of August 31,2008			

As discussed, we expect the worst of the economic woes are still ahead. Accordingly, for the present time we intend to keep the portfolios anchored toward windward while monitoring for tactical asset allocation rebalancing opportunities. Rebalancing opportunities will most likely start to manifest when the investment and economic rumblings become the gloomiest and before the troughs have bottomed out. However, when the domestic economic recovery does begin, we would expect the small-cap value asset class to lead the way out of the recession, as has typically occurred in the past, and therefore we are now beginning to increase the current exposure within that equity asset class.

Moreover, we continue to research for alternative investment opportunities as exemplified by the hedge funds and structured notes which we have recently been introducing into the portfolios. By expanding non-correlating investments beyond the traditional, we are able to further diversify the portfolios in order to "win by not losing"

During times of financial stress as is currently the situation, the quiet millionaire® stays patient, realizing that what counts in the end is the greater amount of wealth accumulation resulting from a well-diversified investment portfolio with multiple asset classes, structured to perform in accordance with the individual investor's personal tolerance for downside risk.

Please feel free to inquire further regarding our economic and investment outlook.