PROFESSIONAL FINANCIAL SERVICES, INC.

"DESIGNING AND PROTECTING WEALTH"

ONE PLAN AT A TIME

ROBERT E. TUCKER
PRESIDENT
Tel (703) 391-0299
Fax (703) 391-0277

10913 LAWYERS ROAD
RESTON, VIRGINIA 20191
e-mail: bobtucker@pfsinc.info
website: www.pfsinc1.com

Dear Client,

The investment landscape this year has been dismal as compared to the phenomenal growth in 2021. Why?

Covid continues and changes; inflation in gas prices, food, real estate, and virtually everything else; rising interest rates; breakdowns in the supply chains throughout the world; Ukraine, Russia, China, and North Korea; and the list goes on. The last 45 days have been particularly tough in all markets-both stocks and bonds. With rising interest rates, fixed income (bond) values go down, and at the same time with all of the turmoil, stocks are taking a beating.

So having said all of that, it's no wonder we're all feeling a bit unsettled. However, I'd like to offer some perspective for your consideration.

1. **Human nature often results in "euphoria" when markets are going up and consternation when markets fall precipitously. My belief is that both reactions are inappropriate. History shows us markets go up and go down. What's interesting is that the key ingredient is time. Given enough time, equities (stocks) have always outperformed Fixed Income (bonds), which have always outperformed cash. Let's look at some examples:**

	3/9/07	**3/9/09**	**12/31/09**	**12/31/14**	**12/31/19**	**5/20/22**
Dow	**12,276.32**	**6,547.05**	**10,428.05**	**17,823.07**	**28,538.44**	**31,261.90**
Nasdaq	**2,387.55**	**1,268.64**	**2,269.15**	**4,736.05**	**8,972.60**	**11,354.62**
S&P 500	**1,402.84**	**676.53**	**1,115.10**	**2,058.90**	**3,230.78**	**3,901.36**
10 Year U.S. Treasury Yield	**4.589%**	**2.886%**	**3.843%**	**2.17%**	**1.919%**	**2.787%**

Source: www.finance.yahoo.com. Please see the postscript at the end of this letter.

Interestingly, you may recall there was a recession in 2000-2002 but we recovered. 2008-early 2009 were horrible, but we recovered. Neither 2015 nor 2018 were good years, but we recovered.

There are always problematic issues in markets. Some periods are just worse than others. Clearly, now is particularly tough, but we will get through it.

2. **The only way to guarantee returns is literally U.S. Treasuries, BUT even treasuries are subject to change in values until they reach maturity. Generally, there is little opportunity for growth of any substantial amount in Treasuries. One might think banks offer guarantees. That's true, but they are dependent upon the solvency of the bank in amounts above FDIC protection. Remember, given enough time, stocks always outperform bonds, which outperforms cash. While it may seem counter-intuitive, with markets down significantly since 1/1/22, now may well be a terrific buying opportunity for those with excess cash.**

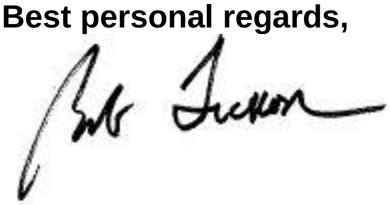
3. **Another thing to keep in mind is that for most of us, retirement is a long time. For example, If you're 65 now, you may well live another 20 years plus. So, for most, investment accounts are not short-term money. While nobody likes to lose money, when one stays the course and gives markets time to recover, things tend to work out. Case in point is 2008-now. When markets dropped precipitously, who would have thought we'd be where we are today even with the craziness in 2022.**

4. **One result of down markets is that it highlights the importance of risk tolerance. When markets are constantly going up, the overwhelming tendency is for people to diminish the importance of risk tolerance and become overly aggressive. However, down markets all of a sudden illustrate the very reason we focus a lot of attention on the client's risk tolerance. As you know, we rely on the Finametrica Risk Questionnaire, and the results one gets when taking it. Even following it is certainly no guarantee of a positive outcome. However, investing with it being considered may well produce less losses than an overly aggressive person might get.**

5. **ABOVE ALL ELSE, I have consistently and constantly focused on trying to make sure the client has enough surplus cash (bank, savings, money market, credit union, CD) for the client to be able to fund their normal living expenses along with their income for a 2–5 year period. If this recommendation is followed, then one has an increased opportunity to weather market lows and allow for market recovery.**

When we're all pounded with negative news day after day, one may still feel unsettled- even worried. If this resonates with you, please know that I urge you to call me, discuss your situation, and together we'll determine if any actions are needed. We're not just here in the good times only. We're always here and welcome your call.

Best personal regards,



Robert E. Tucker, CLU
Chartered Financial Consultant

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P.S. **Please note the Dow Jones Industrial Average is a widely followed measurement of the stock market. The DJIA is a price-weighted average of 30 actively traded Blue-Chip stocks.**

The S&P 500 Index is an unmanaged index of 500 common stocks that is generally considered representative of the U.S. stock market. Performance of an index is not illustrative of any particular investment and performance figures quoted are historical. It is not possible to invest directly in an index.

The Nasdaq Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks.