Roffman Miller Review

A Quarterly Newsletter from Roffman Miller Associates

Dear Clients,

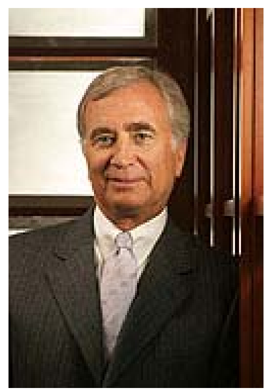
Nearly everyone I speak to nowadays asks, "have we hit the bottom yet?" The truthful answer is, we really don't know. What we do know is that the first quarter of 2009 was another volatile one for the markets. Here are some of the key turning points:

- January 6 — the Dow Jones Industrial Average last closes above 9,000
- January 20 — the Dow experiences the largest inauguration-day decline ever (-4.1%)
- February 9 — the index closes below 8,000
- March 2 — the index closes below 7,000
- March 9 — the Dow hovers around 6,500; at this point, with the index down some 25% year-to-date, the volume of incoming calls from clients increases dramatically at Roffman Miller. Some request all their stocks to be sold.

Eleven days later, the Dow staged a 6.7% rally. By March 26th the market had rallied 20% off of its lows.

What is causing this?

Clearly, news out of Washington is moving markets. During the first three months of the year there were several newsworthy events - most notably, a new administation arrived in Washington. This change has begun to bring on others, such as the 'toxic asset' plan that presumably spurred on the rally in March. Also, there is a push to quickly find a solution to the automobile industry crisis.



At the same time, the word 'Depression' is showing up less and less in the headlines. Retail sales have not been as bad as some expected. Sentiment on the economy is not as dire as it was just a few weeks ago, easing the selling pressure on stocks.

So, is the worst of this behind us? Only time will tell. Unemployment is still rising. We're expecting a lousy earnings season for our stocks. And, at best, if all of our research is correct and markets bottom right at the midpoint of a recession, then we will all have to endure another four or five quarters of unpleasant economic decline.

But money managers tend to be optimists, and we look for the bright spots in everything. To some, it might seem that my four-page letter to clients last month, our longest letter ever, was a bearish sign; as one client put it, "things must be pretty bad if you're typing out four pages." On the other hand, all the pessimism of early March that culminated in the client calls and my long letter points out that the markets crave a return of confidence as much as or perhaps more than a return of fundamentals. With some of the most pessimistic investors now on the sideline, you can see that just a few inspiring headlines have restored some of that confidence and helped the market rally 20% from its lows.

We appreciate your trust and confidence in us. We especially thank those of you who have recently referred us to others who were in need of some planning and professional investment advice during the recent market turbulence. As always, of course, we invite you to call and schedule an appointment to meet with us and discuss your investments.

-Peter Miller

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Is your child headed to college soon? Plan alternatives for financial aid shortfalls

Even if you've planned relatively well for your future college student's expenses, the credit crunch and downturn in investment income for colleges have changed the game for financial aid at many schools. That means both parents and students need to approach the college financial aid scene with unprecedented caution.

Harvard University's endowment, the world's largest university fund, reportedly lost 22% between July 1 and October 31 of 2008. In a letter to Harvard's deans, university President Drew Faust blamed "severe turmoil in the world's financial markets" and said the loss would lead to budget cuts. The letter also said that the reported loss could be understating the actual decline because it doesn't reflect assets such as real estate whose values could not yet be estimated.

Why is this important? Endowments at schools of all sizes mostly pay for faculty and facilities. In fact, Harvard's was funding 35% of the school's $3.5 billion budget. But they also provide both grants and scholarships for talented students who need them. Over the past few years, colleges have not been able to offer adequate amounts of funding through Perkins, Stafford, and Plus federal education loans. Private student loans through banks have closed up with the credit crunch.

The Financial Planning Association (FPA) has these tips on preparing your child for college: **Start managing credit and debt** with your child before college starts. The time to start learning fiscal discipline is not freshman year. **Set a budget** as early as possible for basic expenses. Until your student gets to school, it will be tough to tell what actual expenses will be, but it won't hurt to set a tentative budget. **Be aware** that many for-profit companies pull their financing from private sources and can ultimately cost the borrower far more than actual federal loans would.

Bob Hofmann is a local member of FPA

- For the first time since Hewitt Associates began tracking 401(k) accounts in 1997, American workers in February held less than half of their 401(k) money in stocks
- The proportion of 401(k) money in stocks fell to less than 48% in February, down from 53% at the start of the year and 69% in 2007
- 78% of 401(k) assets that were removed from stocks in February went into guaranteed investment contracts or stable-value funds

Source: NY Times

Despite the challenges and what some consider the deteriorating economics in the field of medicine today, prospective doctors have not been deterred. Last year 42,000 applied for 18,000 medical school spots.

Source: Business Week

"Whether one, two or three American car manufacturers go bankrupt or not, the number of new cars likely to be sold this year, next year, or any year thereafter in the United States is not going to change. There will be an American auto manufacturing industry that will emerge again from the ashes."

"Banks have the money they need to make all the loans they choose to make. What they lack is the confidence to make them."

"Potential homebuyers also have plenty of money available. If you doubt me, look at CD and money fund balances. The home affordability index has never been higher and 30 year mortgage money has rarely been cheaper. What they lack is confidence to buy. Recent data suggest that bargains are beginning to attract buyers. That is how bottoms are formed."

- James M. Meyer

Fixed Income Corner

A sampling of interest rates from around the market

Market Rates

as of 04/07/09	3mo	1yr	2yr	5yr	10yr	30yr
Treasury	0.20%	0.59%	0.92%	1.86%	2.90%	3.72%
AAA Muni	-	1.12%	1.54%	2.31%	3.45%	5.29%
CD (PA Savings)	0.75%	1.19%	1.46%	2.18%	-	-

5yr Corporate Sampling

KO 3.625 3/15/14	3.09%	Aa3/A+
COP 4.75 2/01/14	3.70%	A1/A
GD 5.25 2/01/14	3.85%	A2/A
BA 5.00 3/15/14	4.09%	A2/A+
T 4.85 2/15/14	4.53%	A2/A

Consumer Rates

Mortgage-30yr Fixed	5.10%
Mortgage-30yr Jumbo	6.49%
Mortgage-15yr Fixed	4.71%
Prime Rate	3.25%
3moLibor	1.15%

YTD Returns

Treasury	*-2.57%*
U.S. Corporate (Lehman)	*-2.26%*
<10yr (Merrill Lynch)	*-0.23%*
>10yr (Merrill Lynch)	*-7.64%*
High Yield (Merrill Lynch)	*-7.00%*

Source: Wall Street Journal

"Ultimately, we believe policymakers will be successful in restoring confidence in the banking system and in re-establishing the smooth functioning of the credit markets"

"In the United States, there have been some signs that the economic recession may be moving past its peak"

"We believe the fourth quarter of last year and the first quarter of this year should mark the weakest six-month period of the current recession"

-Bob Doll, Blackrock

Fiscal Fitness – Roffman Miller Associates

The strength of Roffman Miller Associates rests in both the team of current employees and the conservative fiscal policies of the firm:

- The firm is owned by employees and a handful of outside shareholders
- Our goal is to continue to keep our Investment team strong
- Currently, the firm has no meaningful debt and has sufficient cash on hand to see us through the current market crisis

From the operations department:

What to do when you receive Corporate Class Action Lawsuit paperwork

From time to time you may receive mail from law firms representing a class of shareholders suing to recover damages from a corporation or from management of the corporation. Most of these will include a 'proof of claim' form that needs to be returned to the plaintiff attorney with some record of your ownership of the securities in question. **Any time you receive class action litigation paperwork, please have all account holders sign** at the applicable areas and then simply forward the paperwork to our offices. Please be mindful of any deadline, which will usually be printed on the cover page of the claim form. Upon receipt we will complete the form and provide the necessary supporting documentation, and then submit the request to the Claim Administrator.

Participation in the Treasury's Temporary Guarantee Program for Money Market Funds Extension through September 18, 2009

The U.S. Department of the Treasury established the Temporary Guarantee Program for Money Market Funds (the "Program"). Under the Program, the Treasury guarantees the share price of a participating fund's shares outstanding as of September 19, 2008 at $1.00 per share if the fund's net assets value (NAV) falls below $0.995 (a "Guarantee Event"). Shareholders of record during a Guarantee Event who also held shares in the fund on September 19, 2008 may be eligible to receive a payment from the Treasury upon liquidation of the fund.

On March 31, 2009, the Treasury announced an extension of the Program for the period from May 1 through September 18, 2009. All Schwab money funds, with the exception of the Schwab U.S. Treasury Money Fund (SWUXX) and the Schwab Government Money Fund (SWGXX), intend to participate in the extension of the program.

It is important to note that Schwab money market funds continue to meet their two primary objectives: 1) always maintain a $1.00 net asset value; and, 2) continue to meet all daily redemption requests by clients. In order to meet our two primary objectives, the funds, as required by the regulations governing money market mutual funds, invest only in high quality money market instruments that present minimal credit risk, meet strict diversification requirements, and mature in 13 months or less. The portfolios are required to maintain a weighted average maturing of 90 days or less.

As noted by the Treasury, while the Program protects the accounts of investors, each money market fund makes the decision to participate in the program. Investors cannot sign-up for the Program individually.

The U.S. Treasury Temporary Guarantee Program provides a guarantee to participating money market mutual fund shareholders based on the number of shares invested in the fund at the close of business on September 19, 2008. Any increase in shares in the account after the close of business on September 19, 2008, will not be guaranteed. If the value of these shares fluctuate over the period, investors will be covered for either the number of shares held as of the close of business on September 19, 2008, or the current amount, whichever is less. If a client closes his/her account with a fund or broker-dealer, any future investment in the fund will not be guaranteed. The Program has been extended and expires on September 18, 2009. According to the Treasury, the program will not be extended beyond September 18, 2009.

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