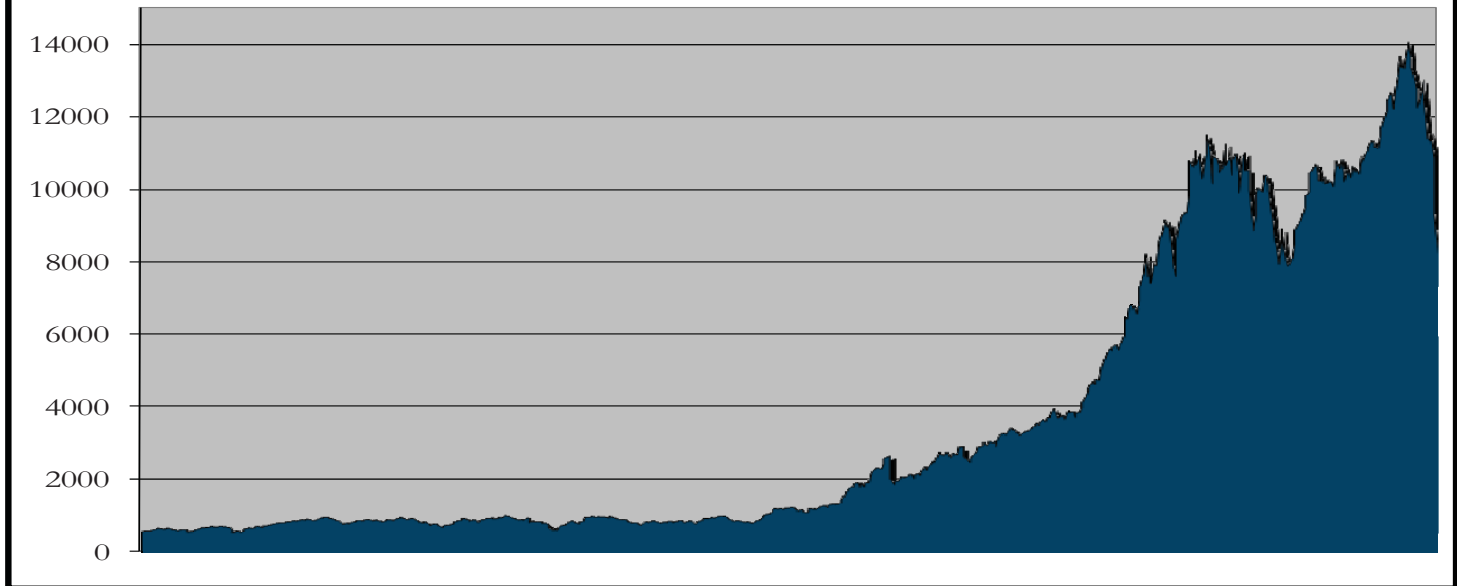


Dow Jones Industrial Average: 1958 through 2008



The events that transpired on Wall Street in 2008 will take their place in history books for decades to come. Firms like Bear Stearns, Freddie Mac, Fannie Mae, Lehman Brothers, and Washington Mutual collapsed. Merrill Lynch was absorbed by Bank of America in a rushed weekend-brokered deal. Congress authorized unprecedented sums to inject capital into banks. The Federal Reserve lowered its Fed Funds rate to nearly 0%. General Motors and Chrysler were given billions in loans to prevent imminent bankruptcy. The financial landscape as we know it was drastically altered last year, and the markets reflected that change.

With the passing of 2008, we look to 2009 with cautious optimism. Although we cannot predict what the New Year will bring in the way of market events and returns, we are hopeful that fiscal and monetary policies undertaken by governments around the world will begin to lay the foundation for an economic recovery. It's difficult to imagine a 2009 that isn't an improvement from one of the worst years for the stock market since the Great Depression.

The chart above illustrates how the Dow Jones Industrial average has performed over the last half-century. Although there have been periods of significant market declines, history would suggest that those who are willing to take risk in the equity markets will be rewarded for doing so over time. In the face of a bear market, it becomes increasingly difficult to maintain faith in this risk/return relationship, but if history tells us anything, it's that risk and return will always, over time, share a positive correlation. In the meantime, we will rely on the capital preservation portfolio to mitigate volatility and provide for cash needs.

In this inaugural edition of Brighton Jones Insights, we have put together a collection of short pieces that we hope will help take the focus away from the short-term ups and downs on Wall Street. In the Expert's Corner, our Director of Investments Jeremy Kiefer will remind us of the importance of focusing on the basics. In our Professional Profile, we will introduce you to Jim Flaggert, one of our valued outside experts with whom we collaborate on clients' estate planning matters. In our Employee Close-up, you will have an opportunity to learn more about Brett Carolan, an equity owner and Lead Advisor for Brighton Jones.

We know how difficult it can be to endure the market volatility we've experienced in recent months, but as the markets sort things out and find equilibrium, we hope that you can take some degree of comfort from the plan we've put in place for you. By remaining diversified and disciplined, focusing on protecting cash needs, and optimizing the other areas of your financial life, you can emerge from this crisis in a position of financial strength.

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## EXPERT'S CORNER



By Jeremy Kiefer, CFA, CAIA  
Director of Investments

It's time to get back to basics.

With fear and pessimism consuming much of the investing public, it's easy to miss the forest for the trees. Most investors understand that investing in equities requires the acceptance of volatility (sometimes significant volatility), but when downside volatility strikes with such ferocity, the temptation is to abandon the basic principles that have historically created the foundation for successful long-term investing.

We cannot control the direction of the equity markets, but there is a great deal that we can control. In this Expert's Corner, I'd like to highlight several of these basic principles and reinforce their importance in all markets.

**INVESTMENT COSTS.** With the average active mutual fund manager charging 1.31%, Brighton Jones has focused on creating portfolios that cost less than half this amount to implement. With over 93% of return attribution coming from asset allocation, our focus is to allocate client portfolios intelligently while keeping manager costs as low as possible.

**TAX EFFICIENCY.** Although capital gains have been hard to come by in recent months, we've learned from previous bull markets that an investor's gross return can often look very different than their net after-tax return. By holding funds that maintain a tight focus on managing taxable distributions, we are able to significantly increase the net after-tax return for our clients.

**TAX MANAGEMENT.** Similar to the previous point, tax efficiency also results from proactive tax management. In bear markets, we harvest tax losses to offset current and future gains. Where possible, we also locate tax inefficient assets in retirement accounts to shield the investor from current taxation.

**DIVERSIFICATION.** Although periods of short-term volatility often disguise the benefits of diversification, over meaningful periods of history, diversification is the closest thing investors will find to a 'free lunch.' Strategic diversification can not only reduce risk, but enhance returns over time.

**DISCIPLINE.** Maintaining discipline, even in the face of brutal bear market returns, is critical to long-term investment success. While staying the course often feels contrary to what's logical, it's been shown throughout history to be the best course of action.

The markets are likely to remain volatile for some time, but the core principles of successful investing remain the same. As we await brighter days in the markets, let's do our best to stick to the basics, stay disciplined, and focus on the many things that we can control.

## PROFESSIONAL PROFILE



**Mr. James Flaggert**

Davis Wright Tremaine, LLP  
Seattle, Washington Office  
(206) 757-8044

Brighton Jones is fortunate to collaborate with many outside experts in the areas of tax, estate planning, lending, and real estate. These experts complement our internal expertise and allow us to achieve optimal results for our clients.

One of our valued outside experts is Jim Flaggert of Davis Wright Tremaine, LLP. Jim chairs DWT's Trusts and Estates Practices Group and has helped many of our clients create and implement their estate planning documents. We appreciate Jim's depth of expertise and his ability to integrate our clients' estate plans with the broader components of their financial lives.

When asked about his experiences working with Brighton Jones, Jim states, "I have worked in many instances with Brighton Jones principals and employees for mutual clients. That work has often involved strategic estate and investment planning. I have been impressed by the work ethic of the people from Brighton Jones and the holistic approach they take to their clients. They are not focused solely on investment makeup, but have a broad perspective on all aspects of the assets and lives of their clients, including the impact of income, estate, gift and other taxes. I know that our mutual clients have benefited from such a wide perspective and I appreciate working with client advisors who consider all aspects of the

financial lives of their clients...I have found the Brighton Jones representatives to be responsive and well-informed, not only on investment and tax matters, but in matters of complex estate planning as well."

## EMPLOYEE CLOSE-UP

**Brett Carolan** is an equity owner and Lead Advisor of Brighton Jones. Brett has worked in the financial services industry for over fifteen years in a variety of capacities.

Prior to working at Brighton Jones, Brett worked with Financial Network, a broker dealer, specifically helping clients make the transition into the retirement phase of their lives. Prior to Financial Network, he worked at Safeco Mutual Funds as a supervisor, ETG as a firm trader and Tanner Asset Management Group as an advisor.

Before embarking on a career in financial services, Brett played professional football as a tight end for the San Francisco 49ers ('94-95) and Miami Dolphins ('96). Both Brett and his late father were members of Super Bowl winning teams.

Brett holds an undergraduate degree from Washington State University and earned his Certified Financial Planner (CFP) designation in 2002. Brett shares some personal tidbits below in this quarter's employee close-up.



*Brett with his wife Amy, son Quinn and daughter Riley.*

**Where were you born?** San Rafael, CA

**What do you do with your free time?** I love spending time with my family, and I also enjoy running and coaching my kids' sports teams.

**What is your favorite food?** I have a very refined palate (ha ha). I enjoy Mexican food.

**Do you have any hidden talents?** I enjoy sports a great deal, even though my talents are escaping me as I age. ☺

**What is the most exciting trip you've ever taken?** My wife and I took a nineteen day trip through Europe. We went to London, took the Chunnel to Paris, then flew to Munich. We then took the train to Innsbruck, Austria, and went on to Florence and Rome. We still talk about it.

**What was your first car?** It was a Toyota Corolla, and I will not share what happened to it.

**What is your favorite movie?** *Remember the Titans* and *Hoosiers*. They are two great sports movies that I can watch over and over and never get tired of them.

**What kind of music do you listen to?** I listen to all kinds of music. I find music very inspirational, and it's not unusual to hear music coming from my desk in the afternoon.

**What's your favorite part of working for Brighton Jones?** I genuinely like the people with whom I work. I also find it incredibly rewarding to make a difference in our clients' and employees' lives!

## COMPANY UPDATE



2009 will bring some exciting changes in the way our clients obtain their personal financial information from Brighton Jones. We are working with a firm out of Marietta, GA called Interactive Advisory Software (IAS) to provide clients with a customized web portal to view their asset allocation, market information, and Brighton Jones reports (among many other future offerings). This personalized web portal will also offer clients their own secure online "Vault" where electronic documents of all sorts can be safely stored and retrieved from any Internet-enabled computer.

In addition to offering many benefits to our clients, the software will ultimately enable Brighton Jones to integrate our contact management system, portfolio management software, and rebalancing software into one application. We think it has great potential to enhance our clients' overall experience.

There will be much more detail forthcoming regarding this new offering in future communications from Brighton Jones.

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## NEWS FROM BRIGHTON JONES

- Our San Francisco office is pleased to announce the addition of Maria Ferrer. Maria will be serving as an Associate with Lead Advisor Clint Christensen as we continue to grow our client base in the Bay area.
- We are excited to share with you some of the accolades Brighton Jones has earned recently:
  - Barron's - Top 100 Independent Financial Advisors
  - Bloomberg Wealth Manager Magazine - Top Dog
  - San Francisco Business Journal - #2 Bay Area Advisor
  - Forbes - Top 50 Wealth Advisors
  - Washington CEO - Top 12 Wealth Management Firms
  - Worth Magazine - Top 250 Wealth Advisors



## THE LAST WORD

To round out this quarter's newsletter, we thought we'd share some entertaining quotes that contain elements of truth and wisdom regarding the world of finance and investing:

"We have two classes of forecasters: Those who don't know--and those who don't know they don't know." -John Kenneth Galbraith

"My definition of a guru is someone who is lucky enough to be quoted in the right publication at the right time saying the right thing."  
-Herb Greenberg

"The key to making money in stocks is not to get scared out of them." -Peter Lynch

"The four most expensive words in the English language are, 'This time it's different.'" - Sir John Templeton

"Do not value money for any more nor any less than its worth; it is a good servant but a bad master." - Alexandre Dumas fils, *Camille*, 1852