

LEGG MASON

GLOBAL ASSET MANAGEMENT

Learning from the lessons of time

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No matter what the headlines say...

The Crash: After a Wild Week on Wall Street, is the World Different?

Will You Ever Be Able to Retire?

America's Banks:
Awash in Troubles

Who's in Charge?

Is the U.S. Going Broke?

***The Economy:
Is There Light at
the End of the Tunnel?***

**High-Tech Wall Street —
Is it Good for America?**

Sources: "The Crash: After a Wild Week on Wall Street, is the World Different?" (*Time*, November 2, 1987), "Will You Ever Be Able to Retire?" (*Time*, July 29, 2002), "America's Banks: Awash in Troubles" (*Time*, December 12, 1984), "Who's in Charge?" (*Time*, November 9, 1987), "Is the U.S. Going Broke?" (*Time* magazine, March 13, 1972), "High-Tech Wall Street — Is it Good for America?" (*Time*, November 10, 1986), "The Economy: Is there Light at the End of the Tunnel?" (*Time*, September 28, 1992).

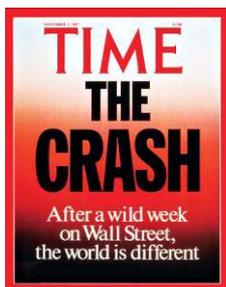
The dates may change,
but the headlines stay the same...

Today's economic
turmoil may FEEL like
something totally new...

2009



1974



1987



1998



2001



2008

...yet looking at four
decades of TIME
covers, it's clear that
“we've been here
before”

Recession & Market Fears



1972

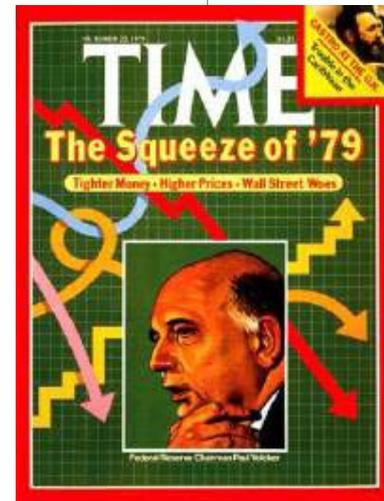
“Can a nation with a trillion dollar economy be running out of money?”*

1974

“The stock market has scarcely been so shaky since 1929. Just about everyone who buys, sells, borrows or invests has that overall feeling of unease.”**



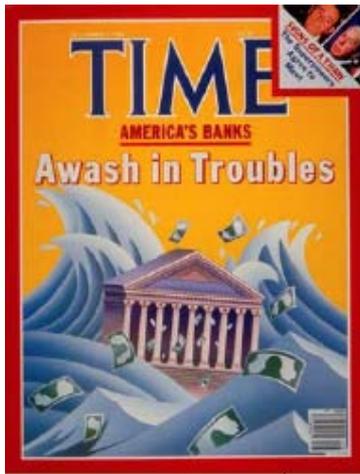
1979



Drastic interest rate hikes from the Fed put the squeeze on credit and the markets, while consumers waited in line for gas.

*Source: "Empty Pockets on a Trillion Dollars a Year," *Time*, March 13, 1972.

**Source: "Seeking Relief from a Massive Migraine," *Time*, September 9, 1974.

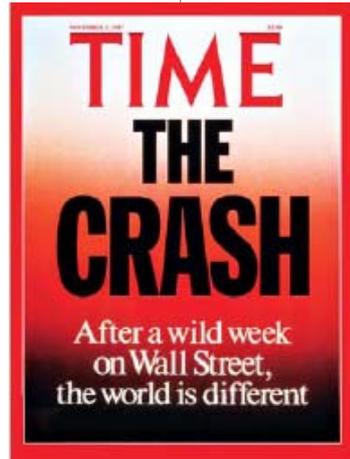


1984

“Bankers now face their most strenuous survival test since the Great Depression”*

“Black Monday’s 22.6% one-day drop in the Dow terrified investors.”**

1987



1990



“Banks and insurance firms are tottering beneath huge portfolios of bad real estate mortgages”***

* “Banking Takes a Beating,” by William Blaylock, Christopher Redman, Adam Zagorin, Stephen Koepf, *Time*, December 12, 1984.

** Source: FactSet, based on the performance of the Dow Jones Industrial Average on October 19, 1987. The DJIA is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries. These stocks, widely held by both individual and institutional investors, are considered to be all blue-chip companies.

*** “All Shook Up,” by John Greenwald, *Time*, October 15, 1990.



1992

“...the job drought, the debt hangover, the defense-industry contraction, the savings and loan collapse, the real estate depression, the health-care cost explosion and runaway federal deficit...”**

Global financial turmoil (and a declining Dow) fuel concerns about the economy

1998



2001

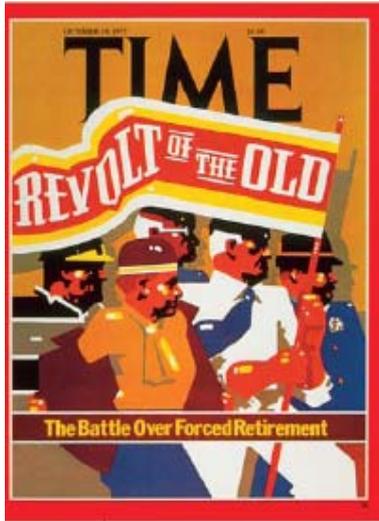


2008



**“The Long Haul” by S.C. Gwynne Washington, *Time*, Sept. 28, 1992.

Financial Security



1977

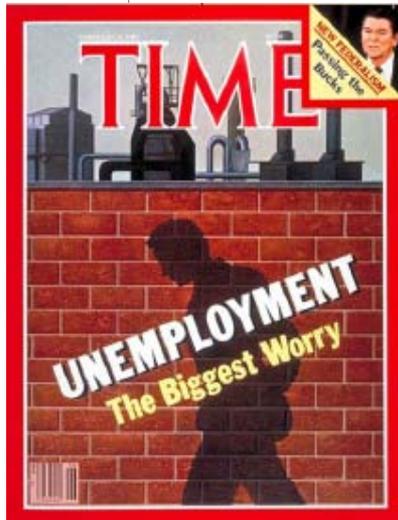


1993

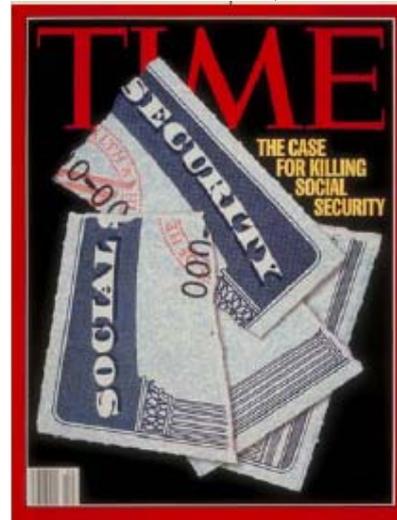


2002

1982



1995



2008

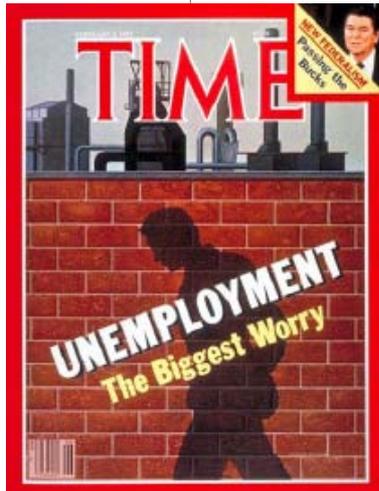


“All sorts of people who never thought they would be on the jobless lines... are looking for jobs and not finding them”*



1993

1982



“It is doubly troublesome that the ranks of the jobless are growing at a time when many of the cushions softening the pain of unemployment have been deflated”**

2002



“Americans are more worried about their financial future than at any other time since the turbulent 70’s”***

* “Jobs in the Age of Insecurity,” by George J. Church, *Time*, Nov. 22, 1993.

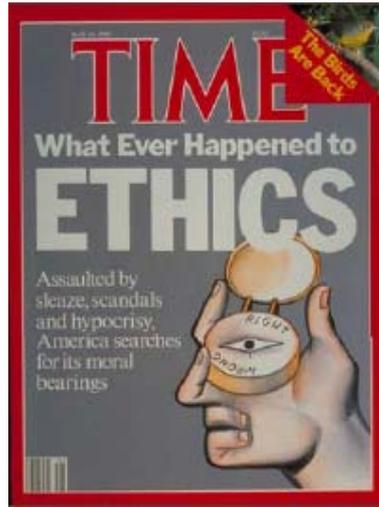
** “Unemployment On the Rise,” by James Kelly, *Time*, Feb. 8, 1982.

*** “Everyone, Back in the Labor Pool,” by Daniel Kadlec, *Time*, July 29, 2002.

Ethics



1976



1987



2008

1986



2003





1986



2003

“The whirlwind of activity seems more like a new variation on Mark Twain’s Gilded Age — a time of reckless speculation and profiteering. Amid the hubbub of buying and selling, a host of probing question are being asked about the stock market and its relationship to U.S. capitalism in general.”*

“The implosion of the huge Texas energy firm and sudden loss of retirement funds for thousands of employees and pensioners opened up all the pathways to Scandal-land...”**

*“Manic Market,” *Time*, November 10, 1986.

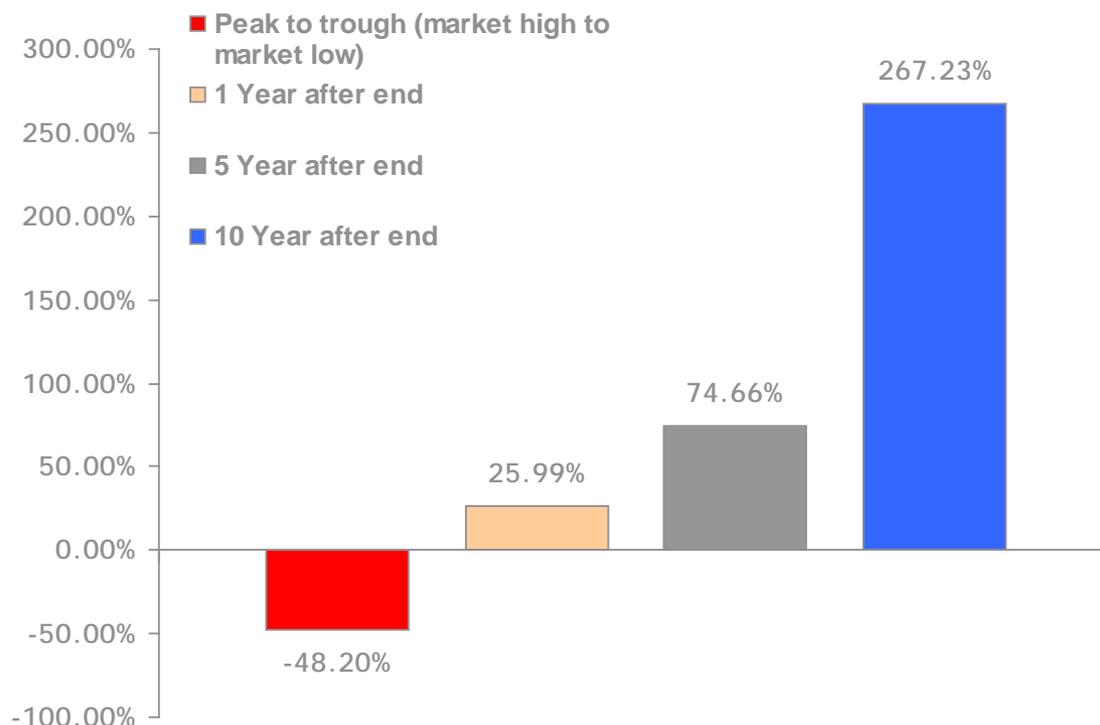
**“Enron Spoils the Party,” by Michael Duff and John F. Dickerson, *Time*, February 4, 2002.

**“Nothing we can do can change
the past, but everything we do
changes the future”**

-Ashleigh Brilliant

For every bear, there's a bull...

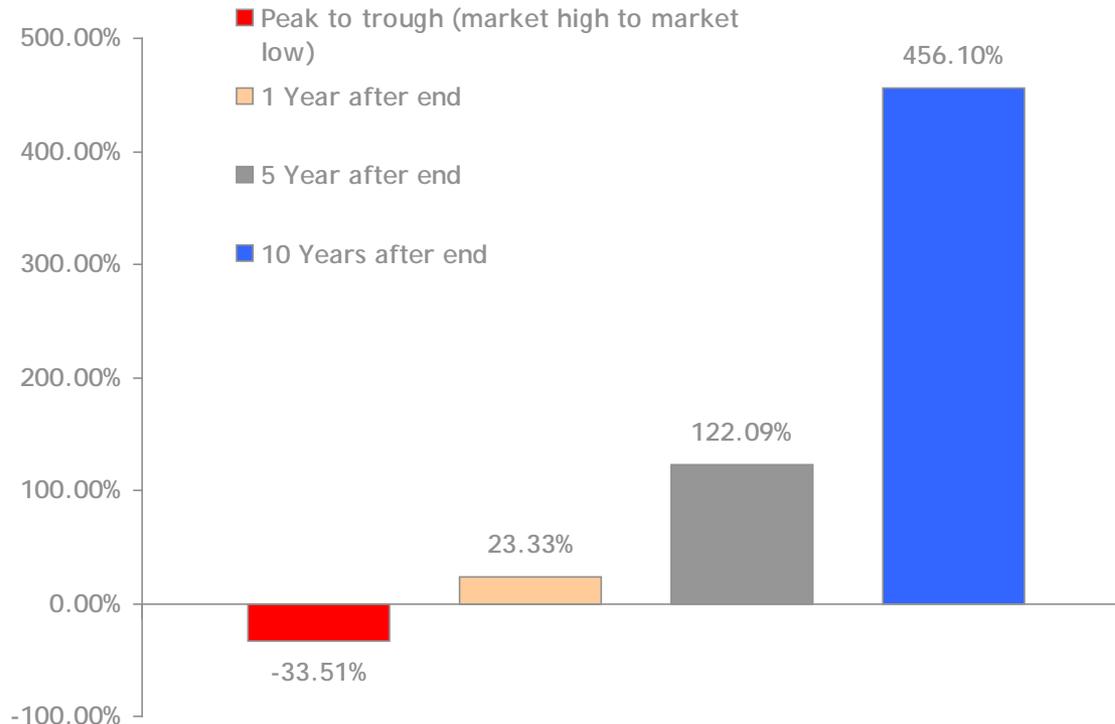
Cumulative total returns of the S&P 500 following the 1973-1974 bear market



Source: GPW and Dow Jones & Company, Inc. **Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not indicative of performance of any specific investment.** Please note that an investor cannot invest directly in an index. This chart illustrates the historical performance of the Standard & Poor's 500 Index (S&P 500) before and after a bear market bottom (October 3, 1974). Cumulative total returns include reinvestment of dividends and capital gains.

For every bear, there's a bull...

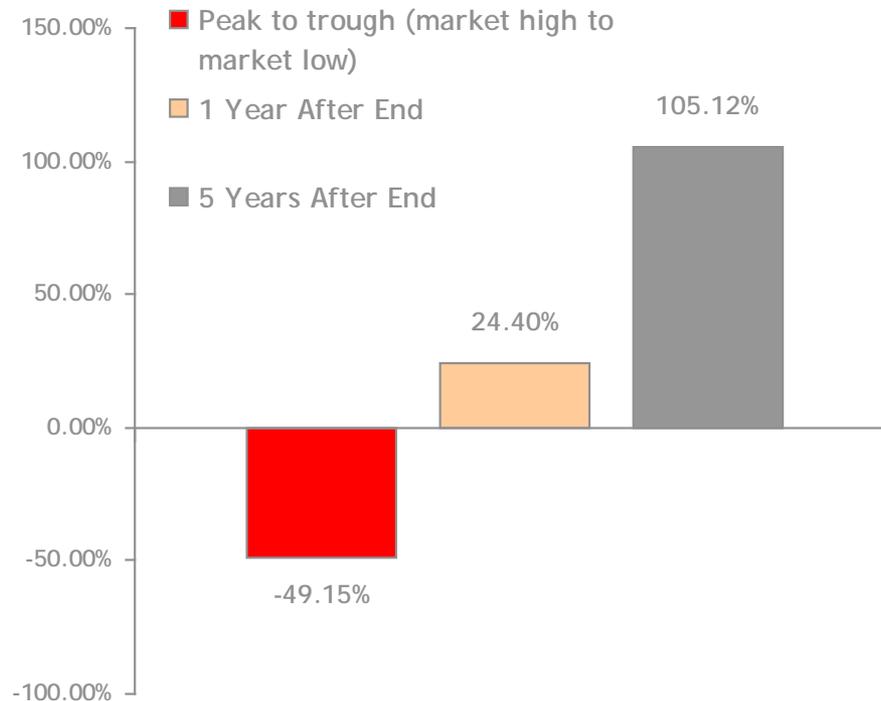
Cumulative total returns of the S&P 500 following the 1987 market crash



Source: GPW and Dow Jones & Company, Inc. **Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not indicative of performance of any specific investment.** This chart illustrates the historical performance of the Standard & Poor's 500 Index (S&P 500) before and after a bear market bottom (December 14, 1987). Cumulative total returns include reinvestment of dividends and capital gains.

For every bear, there's a bull...

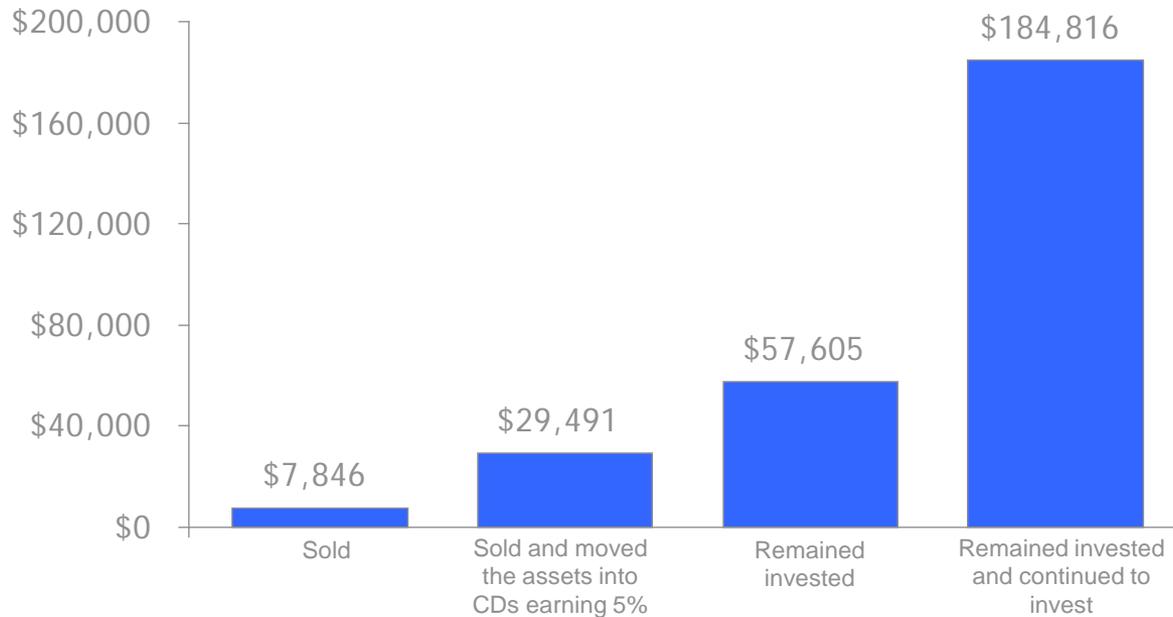
Cumulative total returns of the S&P 500 following the 2000-2002 bear market



Source: GPW and Dow Jones & Company, Inc. Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not indicative of performance of any specific investment. This chart illustrates the historical performance of the Standard & Poor's 500 Index (S&P 500) before and after a bear market bottom (October 9, 2002). Cumulative total returns include reinvestment of dividends and capital gains.

Staying in the market: A tale of four investors

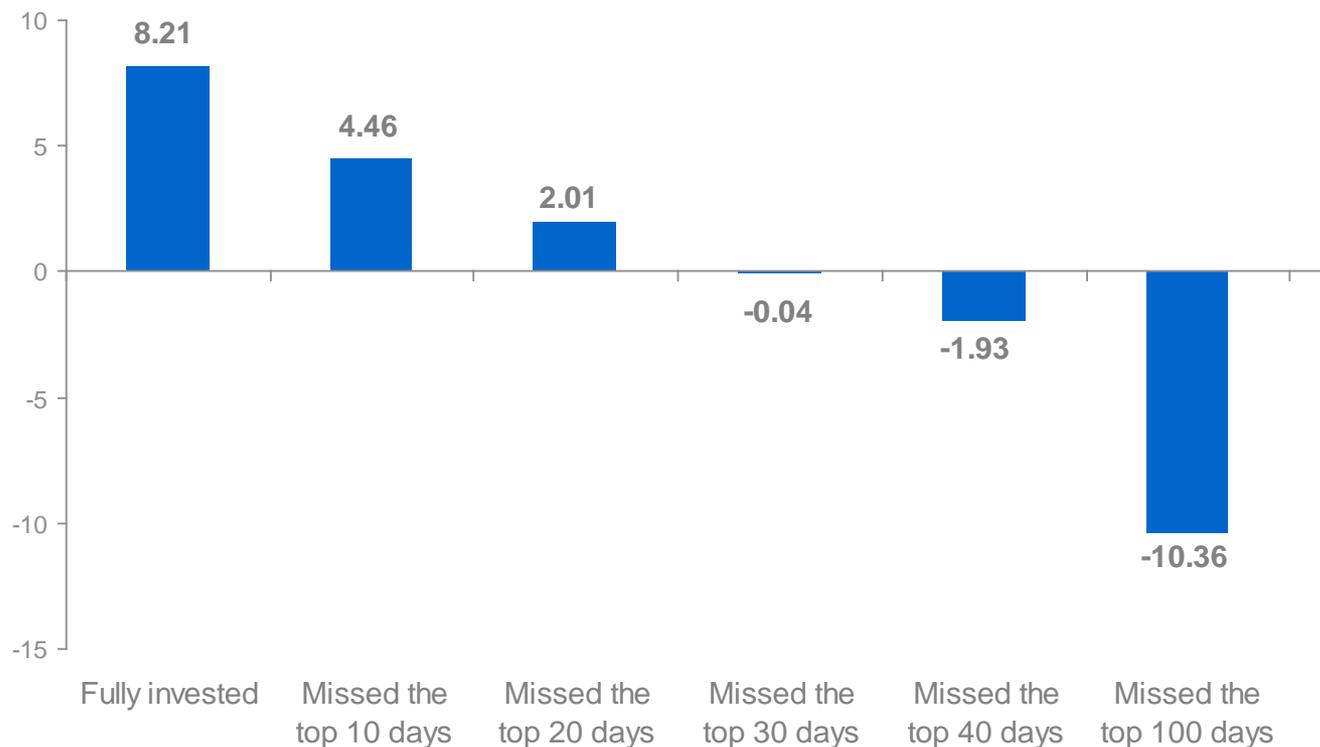
A \$10,000 investment at the peak of the '87 market...and what happened based on four reactions to the October '87 crash through the next twenty-two years (year-end 2009)



Source: Thomson InvestmentView. **Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not indicative of performance of any specific investment.** Please note that the illustration above does not take into account any fees, expenses or taxes. The chart above illustrates a hypothetical investment of \$10,000 invested in the Standard & Poor's 500 Index (S&P500) on September 30, 1987, near the market high, and then the subsequent financial impact of various investment strategies on the same portfolio implemented on October 31, 1987, after the market crash on October 19, 1987 through December 31, 2009. The hypothetical "Remained invested and continued to invest" assumes a monthly investment of \$200.00. A CD is a debt instrument issued by a bank that usually pays an interest rate set by competitive forces in the marketplace. CDs are FDIC-insured up to \$250,000, offer a fixed rate of return, but may be subject to fluctuating rates and early withdrawal penalties.

Staying in the market: It's time, not timing

Market returns: S&P 500 Index from 12/31/89-12/31/09(%)



Sources: FactSet as of 12/31/09. **Past performance is no guarantee of future results. All investments involve risks, including loss of principal.** The chart provided is for illustrative purposes only and represents an unmanaged index in which investors cannot directly invest. Performance shown does not represent the past or future performance of any investment product.

Principles that have stood the test of time

- Recognize that the issues that worry investors today aren't new
- Stay focused on the big picture
- Don't let emotions drive your decisions
- Understand your tolerance for risk
- Stay invested
- Be diversified*
- Work closely with a trusted financial advisor

*Diversification does not ensure a profit or protect against a market loss.

**“The more things change,
the more they remain the same”**

—Jean-Baptiste Alphonse Karr

Important information

Time magazine cover images used in this presentation include:

“Is the U.S. Going Broke?” March 13, 1972

“Economy: The Big Headache” September 9, 1974

“Recession’s Greetings,” December 19, 1974

“The Big Payoff,” February 23, 1976

“Revolt of the Old: The Battle Over Forced Retirement,” October 10, 1977

“The Squeeze of 1979: Tighter Money, Higher Prices, Wall Street Woes,” October 22, 1979

“Unemployment: The Biggest Worry,” February 9, 1982

“America’s Banks – Awash in Troubles,” December 12, 1984

“High Tech Wall Street: Is it Good For America?” November 10, 1986

“Whatever Happened to Ethics,” May 25, 1987

“The Crash,” November 12, 1987

“High Anxiety,” October 15, 1990

“The Economy: Is There Light at the End of the Tunnel?” September 28, 1992

“Whatever Happened to the Great American Job?” November 22, 1993

“The Case for Killing Social Security,” March 20, 1995

“Is the Boom Over?” September 14, 1998

“Looking Beyond the Bear” March 24, 2001

“The Enron Mess: How Sticky Will It Get?” February 4, 2002

“Will You Ever Be Able To Retire?” July 29, 2002

“Surviving the Lean Economy,” May 26, 2008

“How Wall Street Sold Out America,” September 29, 2008

“The New Hard Times,” October 13, 2008

“Why Main Street Hates Wall Street,” November 9, 2009

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All investments involve risk, including loss of principal amount invested. There is no guarantee that investment objectives will be achieved. Investors should carefully consider their objective, risk tolerance and time horizon before investing.

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