

Don't Panic When the Markets Are Jumpy

It's a fact: Investments can drop in value, sometimes sharply. During times of economic turmoil, it's only natural to feel uneasy about your investments. But, beware of taking action as a result of your nervousness without giving thought to your overall investment strategy. Before you decide to switch out of an investment, consider your time frame and review your overall planning objectives. Avoid hasty decisions and let a long-range perspective be your guiding strategy.

Resist the Urge

Watching the value of your investment account shrink isn't easy. The temptation to make changes to your investment allocations to prevent further losses can be powerful. However, don't let market fluctuations dictate your investment decisions. History has shown that the impact of short-term market losses diminishes over longer investment time frames. So, even if your latest account statement shows a loss, you don't want to stray from your current investment program just because of the investment market's volatility. If you change your investments when the market is performing poorly and then switch back once the market has recovered, you might be selling low and buying high,

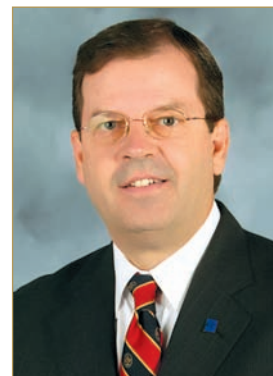
which will ensure poor investment performance. A better course of action may be to build a solid investment plan that suits your goals and prepare yourself to weather periodic market downturns.

Keep Your Balance

Diversification is a proven strategy to help manage volatility while retaining potential for growth.* To diversify your investment account, spread your balance among several investment options. It's important to choose a mix of asset types – stocks, bonds and money market investments, among others – that will help you reach your particular goals. You also can diversify within asset classes to further reduce market risk. For example, you may want to consider both growth and value stock funds, as well as large-, mid- and small-capitalization funds in the stock portion of your portfolio. The amount you decide to invest in each fund type should be based on your goals, time frame, risk tolerance and financial situation.

How should you cope with market volatility? By diversifying your investments and maintaining a long-range perspective during a downturn.*

* Diversification cannot guarantee a profit or protect against loss in a down market.



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The liquidity crisis that we have seen on Wall Street comes from a crisis of confidence. In the 1930s, before deposit insurance, banks failed because of a crisis of confidence that led to liquidity insolvency. That can also happen to an investment "bank" such as Bear Stearns. There is a crisis of confidence, lending lines are pulled, liquidity evaporates and insolvency is inevitable.

Q: What's being done to help those other institutions, and to help the economy?

A: We all know that our financial system is being tested. But let us also remember that the system is showing its resiliency. Here are some examples:

- The Federal Reserve Board has acted to help restore liquidity by assuring everyone that they are responding

to the problems in a measured way. The Fed's action in regard to Bear Stearns is one example. In addition, the Fed opened its lending facility known as the discount window to Wall Street firms, and is taking steps to restore liquidity to the markets.

- In addition, the Office of Federal Housing Enterprise Oversight has reduced the capital surcharge imposed on Fannie Mae and Freddie Mac so they can buy additional home mortgages.
- And the Federal Housing Finance Board will allow the nation's 12 Federal Home Loan Banks to provide greater liquidity in the mortgage markets.