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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

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MARKET SNAPSHOT

The holidays are upon us and I'd like to wish you and your loved ones a very happy, festive and safe season.

What a roller coaster ride we've been on over the past 6 months! Let's take an inventory of what is spooking the market. We have the subprime debacle. This has resulted in a credit and liquidity squeeze. The greenback has fallen off a cliff against just about every major currency. Gold is at its highest level since 1980. Oil has been flirting with $100/barrel. Gas prices and heating oil make you want to own a bicycle and live in the tropics. Foreigners have cut back on their treasury-bond purchases. Industrial production is dipping. Corporate earnings are slowing. There's even been more talk in more circles about a possible recession.

With all this, I remain bullish on the market. All the indicators I follow suggest there is still more upside room to go. The *smart money* is still net long with their options and futures positions. Their level of commitment isn't as strong as it was a few months ago, but they are still heavily invested. The Fed seems ready to cut rates (which Wall Street loves), and GDP, although slowing, is still growing.

At one point several weeks ago, most people may have missed a significant piece of news. The year to date return for the bond market at that point was at 5.3% versus the stock market at 3.3%. Bonds still should play a role in your portfolio.

Business Cycle conditions remain weak. The Leading Economic Indicators still point to a contraction of general business activity and possibly a recession next year. As was the case last month, only 3 of the leading economic indicators are expanding, 5 are contracting and the other 4 are in neutral. My concern right now is with corporate profits which, (excluding the massive GM write offs), were down 8.5 % from year ago levels and 12.4% from the 2nd quarter 2007. Stock prices ultimately must follow earnings. Let's hope for a big consumer holiday season.

WHAT TO DO NOW:

1) Diversify your investments. Ensure that you own non-correlated asset classes.

2) Put some quality bonds and defensive stocks (staple and health care), in your portfolio.

3) Rebalance your holdings.

4) Don't bottom-fish yet.

For help with any of these issues, call my office for a free consultation.

I have many clients ask about electronic transmission of my monthly newsletter. If you would prefer to receive your copy by e-mail, send me a message: on the subject line, type "via e-mail" send to john@seniorsboomers.com and next month, that's how I'll send your copy.

Is 'buy and hold' *really* the best strategy?

Investors have always been preached to about the necessity of being in the market for the long term. This is an absolute truism. In lockstep with this advice, goes a second piece of wisdom, which is 'buy and hold'. This is where I humbly, but emphatically, must disagree with the vast majority of people. Why? Let me explain.

Let's begin with this. If you invested $10,000 in a mutual fund mirroring the S&P 500 back on March 24, 2000 (**7 ½ years ago**), when the index hit an intra-day high of 1552.87, your account value today would be approximately $9500. You would have spent 7 ½ years to lose $500. But, in fact, it's worse than this!

Said another way, your buying power in inflation adjusted dollars, would only be worth about $7000. This is not the kind of return you were looking for in building a comfortable retirement. This is money you cannot replace. These are investing years you will never get back.

O.K., you say, maybe I can get out of the market when things look bad, and get back in when things turn good again. This is called market timing, and it simply does not work. In fact, if you jump in and out of the market, you run the real risk of missing the very days that put real money into your account.

A September 2007 report by the Office of State Treasurer of Massachusetts was the result of a study of the stock market for the period of 12/31/1996 through 12/29/2006. What they concluded was: **"Missing the market's best days can be a costly mistake"**

For this 10 year period, the S&P 500 returned 8.42% annualized (remember we had a 3 year bear market in there). The report concluded that if you missed the 5 best trading days out of the 2500 or so trading days in that time frame, your average return would have dropped to 5.67%.

If you missed the 10 best days, you return would have been 3.41%. Heavens forbid that you missed the 20 best days of the 2500. If you did, your return was a negative -0.38%!!! So trying to time the market is not a good idea. What works?

Exhaustive studies, and particularly those by the Ibbotson group out of Chicago, have proven that over 90% of the gains in your portfolio are directly attributed to proper asset allocation. Market timing, even if you could do it, actually plays a very small role.

In order to make money in the market, you have to maintain a disciplined investment strategy. Even in a bear market, not everything goes down. In fact, there are many sectors, regions and asset classes that actually rise. Safety is found in being properly asset allocated.

If you would like to discuss strategic asset allocation please return the enclosed coupon, or call my office for a complimentary appointment.

2008 changes in Social Security

Social Security benefits will increase 2.3% in 2008 based on the consumer inflation numbers released in November. It's obvious that the people responsible for the government CPI figures don't eat, heat their homes…or drive cars!
What the government giveths, however, the government taketh away. Medicare Part B is going up to $96.40 which is a 3.1% increase. Also, many seniors and the disabled enrolled in the Medicare drug program (Part D) are likely to pay more next year. According to data released this week by the Centers for Medicare and Medicaid Services the average premium for all stand-alone drug plans will rise 8.7% to $40 a month. Oh well!

Moving to a new state? Don't forget to move this document with you.

There are many changes you have to make when you move to a new state - driver's license, voter registration, etc. One item that frequently goes unnoticed is your will. There may be differences in the new state's laws that could make certain provisions of your will invalid. Check them out with an attorney.

Moving is also a great time to sit down with an estate planning specialist to ensure that your estate plan is up to date. Property laws can, and do, vary from state to state. It is especially important to have your estate plan reviewed if you move from a common law state to one of the community property states like Arizona, California, Idaho, New Mexico, Louisiana, Washington, Nevada, Texas, Wisconsin, and Alaska…and vice versa.

In a common law state each spouse's property is owned individually, while in a community property state, property acquired during the marriage is considered community property. In addition, states may have different rules about powers of attorney or health care directives and when co-owned property may pass to the surviving owner and when it may pass under the will.