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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

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MARKET SNAPSHOT

Will this roller coaster ride ever end? The stock market's wild (almost daily) swings are making many investors reach for their Pepto-Bismol. We're constantly bombarded with all the bad news with financials, housing, unemployment, oil prices and, of course, a recession. When will things get back to normal...(or at least be calmer)?

At times like this, it's helpful to back away from the Wall Street carnage and take a look at the landscape from 40,000 feet. Some of our problems are due to self fulfilling prophecies. It's people's reaction to the "R" word. Or, how high "O" is headed. How bad the economy is.

Don't get me wrong. I'm not immune to the unsettling gyrations with the rises and falls of our portfolios, but I believe the BIG PICTURE provides a fair amount of encouragement.

- Productivity is up over 3% for the year.
- Factory utilization is running over 80%.
- We have **slow** growth in GDP over the past 2 quarters...not **negative** growth.
- The Transports are up almost 26% since their January lows. (This flies in the face of rising oil). Could oil be priced too high based on fundamentals?
- Leading Economic Indicators have been improving over the last two months.
- In the 1st quarter, S&P 500 companies have **repurchased** \$114 billion in stock.
- Morningstar believes that the Dow is trading at a discount of roughly 19%.

- June survey of Chief Financial Officers by the Tatum group shows that 46% of the country's CFO's expect business conditions to improve within 60 days. Remember, these are the people who hire and spend and generate optimism.
- In all but one time since 1954, that the Fed embarked on a series of rate cuts, the S&P was up 12 months later.
- The smart (institutional) money is still betting on a rising market.

What signs should you look for to determine if/when we are coming out of our current market funk?

1. The Institute of Supply Management measure of the non-manufacturing index should be above 50..... It was 53.6 in May.
2. The Financials must stabilize. We're not there yet, but we may be getting closer. Fitch Ratings estimates that 80% of the sub-prime losses have now been accounted for.
3. The housing sector needs to get healthier. The inventory of unsold homes should be around 6 months. Currently it is running at 10. Professor Karl Case of the Case-Shiller survey, offered some positive news this week. He indicated that of the 20 national housing markets that they survey monthly, eight actually showed *price increases* in April. Also, existing home sales had a **rise** in May.
4. Finally, the P/E ratio on the S&P 500 is 16. That means that the earnings yield stands at 6.25% (100 divided by 16). The 10 year Treasury is yielding 4%. The market is still the place to be. Don't back out now.

PLANNING AHEAD FOR YOUR SPOUSE.....for when you're gone!

This is a delicate subject to write about. No one wants to have to plan for a time when we're no longer here. But as an advisor to retirees, I have a responsibility to try and help you avoid catastrophic mistakes, the results of which would be suffered by your family.

The reason I bring this up now is due to a recent meeting I had with a widow who had lost her husband a few months earlier. Because of bad advice given her by a clerk at a mutual fund company, she set in motion an event which cost her more than half of her husband's retirement nest-egg. HALF !!!! It went to the IRS in the form of taxes she **didn't** have to pay, and more than 25 years of tax-deferral that she could no longer get. This was also a tragedy.

The 2 saddest parts to this story is that a) this error could not be undone, and b) it could have been avoided. Her deceased husband probably thought that his wife would know what to do, or who to contact...but she did not. ***Or maybe, he just never thought about it at all.*** Don't make a similar mistake

Below are several points that YOU need to consider in order to protect the people you love:

- Will your pension continue for your spouse? If so, at what percentage? Is that percentage enough for your spouse to live on?
- Do you have life insurance? Would your surviving spouse need life insurance money to live on?
- Only one social security benefit will be paid out. Luckily, it is the higher of the two benefits. But, does your spouse need the money from both benefits to live on?
- If you delay retirement past your normal retirement age, your social security benefit will increase by approximately 8% per year up to age 70. This would provide your spouse a higher monthly check.
- What should your surviving spouse do with your 401K? IRA? Brokerage accounts? Does your partner know what

thought processes went into making certain investment decisions? Are those investments still suitable now that you're no longer here?

- Does your spouse know how to take money from your retirement plans without undue taxation? Loss of tax-deferral? Or, if s/he doesn't need the money, ways to send the money onto your children or grandchildren on a tax deferred basis.
- Will your employer health insurance be available for your spouse? How will health care be handled? How will those expenses be paid? Will long term care insurance for the survivor now be necessary?
- Should your spouse down-size the house? If so, where is the best place to move? How much should be spent on a new home?
- Are your assets properly titled? Do you have beneficiary designations on all your accounts? Do you remember who they are? Do you know where these forms are located? (DO NOT rely on your financial institution for these forms!!!! Get them in your hands)
- Are all your legal documents in order, and up to date? Will, Power of Attorney, Health Care Directive, Trusts if needed.
- Have you talked to your spouse about all these points? If not, when are you going to do it?
- Does your spouse know who you would want s/he to contact about your finances if one of you woke up tomorrow...and the other did not? Who do you trust to take care of the person you love the most?

DON'T WAIT UNTIL IT'S TOO LATE.

(Please pass this letter onto others you care about)

TAXES & THE NOVEMBER ELECTION. DO YOU KNOW WHAT TO EXPECT??

As hard as it is to believe, November is going to be on top of us before we know it. Who is going to be in the White House? Will the Democrats still control Congress? Does it really matter?

Yes and No. We all know that, as a nation, we can't afford to keep piling on more debt. As of today, June 27th, 2008 we owe:

National Debt

\$9,373,272,665,453.37

Unfunded Medicare

\$29,700,000,000,000.00

Unfunded Social Security

\$59,000,000,000,000.00

It seems to me that it won't matter who gets into office; taxes HAVE to go up. Seventy-seven million baby boomers want & expect their entitlements. Where's the money going to come from?

After this year's election, there is a distinct possibility that Congress will impose significantly higher taxes on those who have the wherewithal to pay them but lack the sophisticated strategies to avoid them. Many experts believe that our elected officials will go for the low hanging fruit first.

Prior to 2003, capital gains and dividends had been taxed at 20% and 35% respectively. President Bush lowered these to 15% in 2003. George Bush also lowered the top tax rate to 35% in 2001.

Believe it or not, Congress only has to sit on their hands (kind of sounds like their normal position to me) and the 15% goes away at midnight December 31st, 2009. That's right! They just have to let the clock run out and we're going to be paying a lot more tax starting January 1st, 2010.

Guess what, the 35% top tax rate will also expire one year later - December 31st, 2010. It then returns to 39.6%. The lowest tax bracket will go from 10% to 15%. What about the capital gains tax for couples with taxable income up to \$65,100 that went to zero (0%) between 2008-2010...that's gone too. Be on the look for a comeback of estate taxes.

And just think, Congress doesn't have to get off their butts. They're home free. They don't even have to worry about any direct repercussions from their constituents. They won't be accused of voting for higher taxes, will they?

Senator McCain has said he will not increase taxes and I *believe he believes* that to be true. I'm just not so sure about where the country's needed money (look left) to cover our bills will come from.

Senator Obama however, has already stated that he will raise taxes...and he's looking in a variety of places. One thing is for sure, anyone with even a little money had better start looking for strategies to protect what they're got.

Face it. We've been spoiled with low taxes for a long time. Let's take a look at a history refresher:

1936 the top tax rate was 79%. Estate taxes were also instituted that year. In 1945, it was 91%. President Kennedy lowered it to 70% in 1964. Ronald Reagan lowered again in 1981 to 50%. In '86 the top tax rate was dropped to 28%. It was later raised to 31% by 'daddy' Bush in 1990. President Clinton took taxes back up to 39.6% in 1993 and then 'baby' Bush brought them back down to 35% in 2001...along with the cuts in capital gains and dividends.

Taxes are on Sale Today Take advantage

*if Obama gets elected, the oil, defense and pharmaceutical company stocks look vulnerable.

*dividend paying stocks will be **less** attractive.

*consider selling appreciated assets before 01/01/2010 (including maybe even a business).

*start looking at Master Limited Partnerships which have tax deferred status. These are not deadbeat companies selling swampland or oil drilling contracts. These are publicly traded blue chip companies.

*if you have company stock inside your 401K, and are retired, you may want to take it out paying the 15% capital gains tax utilizing the IRS Net Unrealized Appreciation rule.

If you need help with strategies to protect what you've got, call my office for a free consultation.

Mail or Fax back to.

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Please send the information on these items mentioned in your newsletter.

- Planning ahead organizer.
- Tax strategies

I would like to order a copy of these booklets (enclose \$1 for each)

- Avoid Mistakes in Buying Long-Term Care Insurance
- Annuity Owner Opportunities: Tips and Ideas That Could Save Thousands
- Understanding Mutual Funds
- Six Strategies to Help Retirees Reduce Taxes and Preserve Their Assets
- Helping You Avoid IRA Distribution Mistakes (And Reduce Your Taxes)
- CD Shoppers' Guide
- Creating a Retirement Income You Cannot Outlive
- Keep the IRS out of Your IRA
- Leaving a Legacy
- Protect your Investments (a guide to investing without losing a penny)
- Law Points for Senior Citizens (78 page guide)

I think these people would like to receive your newsletter and an invitation to your next public presentation:

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Name _____

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