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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

March 2009

Practical 'tips' You Should Know:

As most of you know, I usually start my monthly newsletter with a commentary on the stock market. I thought I'd change things up a bit this month and instead begin with a pet project of mine: helping you with down-to-earth solutions to a host of common problems. (**Market Snapshot** will follow this first article).

In a normal month, I read about 50 hours of material covering financial issues of every variety. Over the course of the year, as I come across interesting bits of information, I place them in a special folder. These pieces of information cover items that I think would be useful for my newsletter readers and are therefore saved. This month I'm going to list several tidbits which I hope you enjoy.

Moving out of state & Estate Taxes

To ensure that multiple states don't try and obtain estate taxes from your family (yes, it does happen!) make sure you do the following:

- 🍏 get a local driver's license in your new state
- 🍏 register your vehicles there
- 🍏 make sure you spend at least 183 days there
- 🍏 use that address for all legal documents
- 🍏 register to vote
- 🍏 make the address change for all accounts
- 🍏 file your tax returns there

Giftng in a Down Stock Market

In 2009 each individual is allowed to gift \$13000 to each & every recipient of their choice. Rather than gifting cash, consider gifting stocks. If your expectation is that the stock you're going to give away will appreciate once the market comes back, you will effectively be giving your loved ones much more than the allowable limit.

Remembering ALL your passwords

In this age of overwhelming computer web sites demanding passwords, how are you able to cope...and remember them all. Oh and they should, of course, be secure. Here's a simple, but very effective way:

- start with 2 letters and 4 numbers that you will never forget. For example, use your spouses' initials for his/her first & last name, followed by the month and year of birth. For example,

Kurt Albert born September 1955:

KA0955 (this becomes your **core**)

- next, take the first and last letter of web site for which you are setting up a password, and place that first letter in front of your **core** and place the last letter at the end. Take Amazon as an example.

aKA0955n

There you have it!

How to Save on Prescription Drugs

The state of New Jersey has established a web site which will compare drug prices on 150 of the most frequently prescribed medications. Go to

www.njdrugprices.nj.gov and check it out!

Market Snapshot

Prescription Drugs, (cont.)

Another cost saver may be available by splitting tablets. According to an article in Bottom Line Personal, many higher dosage drugs sell for highly discounted prices when compared to the lower dose you may need.

For example, a prescription for a 20 mg dose of a drug may cost almost the same as a 40 mg or 80 mg dosage. By splitting the tablet in half or in fourths, your money will go much further.

Make sure you talk to your doctor & pharmacist beforehand.

Finally, if you are looking for a generic version of a drug you're currently taking, but are not sure if one exists, go to

www.drug.com

Lost Federal Savings Bonds?!?!?!?

If you have permanently lost a government savings bond, go to

www.treasurydirect.gov and fill out their Form 1048. Follow their instructions from there.

Stop Junk Mail Forever

Remove your name from the National Mailing List of Direct Marketing Association. Go to this web site: www.dmchoice.org

Remove your name from the credit card offers at: www.optoutprescreen.com

To stop unwanted catalogs go to:

www.catalogchoice.org

How to Get Around Phone Trees

Have you ever been frustrated by electronic voices on the other end of the phone line? Have you ever wished there was a way to speak to a real, live person? Well, there is. Go to

www.gethuman.com and that web site will give you the codes to bypass the system and go directly to a real person for more than one thousand companies.

Since October 2007, we have witnessed the worst carnage on Wall Street ever. Paper losses (and household wealth) estimated at \$7.5 trillion have been wiped out here in the USA alone... and \$30 trillion worldwide. General Motors now has a market capitalization of less than \$1 billion and the New York Times share price is less than the cost of its Sunday newspaper.

The official unemployment rate currently stands at 7.6%. If we use the Bureau of Labor Statistics (BLS) U-6 measure, which basically counts everyone who can't find a job (those who have given up; those that are consulting because they can't find a job; part-timers who can't find full-time work), the unemployment rate is actually 13.9%. Scary!

Private pension plans have suffered massive losses since last October. The plans sponsored by the largest 1500 companies in the United States went from a \$60 billion surplus at the end of 2007, to a \$409 billion deficit at the end of 2008.

According to a February research report put out by the American Institute for Economic Research, both the leading and coincident economic indicators are appraised as contracting. Their headline stated the obvious:

"Economy Remains Deep in Recession"

They also point out that more than half the states faced budget gaps as of December 31, 2008. California and New York had the widest deficits.

How are we going to get out of this mess? Is the sky falling? Should we find a cave to live in? There are a few things being done. To begin with the federal government is throwing almost \$800 billion at the problem (not counting what has been given and/or committed to the banking industry). I think everyone in Washington agrees that until the consumer starts spending, nothing materially is going to change. Companies are not going to hire and expand so long as the market for their products is shrinking.

The \$787 billion stimulus package has been dubbed the 'porkulus package' by street protestors

in Denver, Seattle and Mesa, Ariz. I've done some of my own research here and have found that there is indeed some pork that lies therein.

There is \$5.2 billion for neighborhood stabilization and development block grants. \$1.7 billion for the National Park system. \$650 million for digital-TV coupons. \$150 million to the Smithsonian. \$50 million for the arts. \$1 billion to the Census Bureau with not one job created. The Army Corp of Engineers saw their budget increase by \$4.5 billion. They don't spend what they already have!

There is also \$89 billion going toward Medicare extensions, \$36 billion in expanded unemployment benefits and \$30 billion for COBRA insurance. These are worthy causes, but the belief was the stimulus package was supposed to...aah...stimulate the economy and create jobs.

Then we have housing. Unquestionably, foreclosure rates have to get back to normal levels. There is a \$75 billion bailout plan going for the 9 million homeowners facing the prospects of losing their homes. This is, obviously, a very controversial issue. Many Americans are angered by the generosity of the government and see it as throwing good money after bad.

In that vein, and according to an IBD Issues & Insights report, data shows that as many as 55% of those getting foreclosure aid end up defaulting anyways. A follow up question arises. How about all those people who continued to make their mortgage payments throughout this economic downturn? The ones who made lifestyle changes and adjusted spending? The ones who took the words 'responsible borrowing' seriously? Nada!

Finally, and what has me concerned, is the protectionist provision inside this package. The '*Buy American*' endorsement is intended to create jobs here in America, however; what it may lead to is retaliation by our trading partners and subsequently reduce jobs. The similarity between now and the 1930's when the Smoot-Hawley tariffs went into effect under Herbert Hoover is troubling. With the benefit of hindsight, we now know that those tariffs likely extended the Depression until we entered the war on December 7, 1941. Let us hope that we don't experience the same experience!

With so much focus on getting our national economy, and equally importantly, our personal finances back on track, what should we be doing today? Sell stocks? Buy stocks? Buy gold? Stick your money under the mattress? Pray?

Yes, to all of the above.

In the long run, stock prices will go higher. But as the economist, John Maynard Keynes, once said, in the long run we'll all be dead. Having said that, historically, there is no better instrument than the stock market to grow our wealth.

FLASH: The good news is that we're living longer. The bad news is that we're living longer. That costs money. In fact, it wasn't that long ago that the press was on about the massive wealth transfer, trillions of dollars, coming the way of the baby boomers. Well, as is common with theory, fact normally beats the heck out of it. All that wealth transfer money is not being bequeathed to the baby boomers... it's being spent by the boomers' moms & dads for daily living expenses. They're living longer too.

O.K., so how do you keep ahead of the retirement conundrum? What do you do about investing? When do you buy & when do you sell? I've written plenty about this in the past. To add to what I have already stated, let's take a look at other signals of when it's a good time to sell.

First, an indication of when it's a good time to sell is when the reason you bought the stock no longer exists. For example, you purchased shares for the juicy dividend. If the company takes that away (which usually has to do with bad cash-flow), then it's probably time for you to go too.

Other negative things to look for include:

- cash flow that is less than current income
- long term debt is rising
- negative earnings revisions
- institutional selling of the stock
- inside selling

These are all good reasons to dump stock.

How about buying? What should you look for when you want to buy stock?

- strong free cash flow
- high return on equity (ROE)
- positive earnings revisions
- positive earnings surprises
- earnings growth
- increasing sales
- little or no debt
- institutional buying of the stock

WHAT TO DO NOW:

The days of *buy&hold* are long gone...or should be. That philosophy will make you broke and keep you that way. The S&P 500 is currently at levels last seen in 1997...**twelve years ago!!!**

Even looking at the most recent downturn... since October 2007, the S&P, at its low point last November, was off by 52.5%. Unless you are in your 90's, we are in a bear market that no one remembers or has experienced since the Great Depression.

The strategy you need to deploy today is *buy&sell*. Don't marry any stock. Buy only the best using the criteria I've listed here. Set your target price to book profits and then sell your position when you get there. Also, DO NOT ride a bad stock into the ground. Sell before you lose most, or all of that investment.

March may prove to be the month where we finally put in a firm market bottom from which to start a strong leg up. The restructuring of the banking system will be the last shoe to drop. After that, I think we'll discover that *finally* all the bad news will be out.

IF YOU WOULD PREFER TO RECEIVE YOUR NEWSLETTER BY E-MAIL LET ME KNOW AT JRM@MACMILLANFINANCIAL.COM

OR CALL ME AT 908-236-7500

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Valuable Free

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Please send me information on these items mentioned in your newsletter:

- Portfolio Evaluation
- Bonds & Bondholders
- Variable Annuities

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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