

# MACMILLAN FINANCIAL

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## SENIORS/BOOMERS NEWSLETTER


"THE RETIREMENT EXPERTS"


May 2010


### HOW MUCH IS A TRILLION \$\$\$\$\$????? \$1,000,000,000,000


O.K., let's start this month's newsletter with a quick quiz. Do you remember when people spoke of a million dollars like it was real money? (Careful now, you're dating yourself)! Then the government's over-zealous spending pushed a 'mil' aside and a billion was the new million. How about the *new & improved* standard of money ...one trillion? Does anyone in Congress have anything but Monopoly money that they play with?

I was curious about just how much one trillion really was. So I spent a few minutes on the Internet and came out with these facts:

 it would take 11,574,047 days for one trillion seconds to elapse.

 that would represent 1,653,439 weeks or 31,709 years.

 if you spent one million dollars every day, it would take you 2,740 years to spend a \$trillion.

 if you **HAD** to spend \$1 trillion in your lifetime, you'd have to spend \$20 billion/day, every day, for 50 years! Sounds like fun.

I recently read an article published by Bloomberg. Two of their reporters actually dug into all the government stimulus spending, bailouts and pledges going back to the financial meltdown 21 months ago. It totaled...are you ready...

**\$11,600,000,000,000**

So, here's my plan. Let's roll back the clock to the spring of last year and give **EVERY** man, woman and child in the country **\$39,000...that's \$11.6 trillion**. Can you imagine the effect on our economy?



We'd all be driving brand new cars.  
**AUTOMOTIVE PROBLEM SOLVED.**



We could pay off, or pay down our mortgage...or put a great downpayment on a house.  
**HOUSING PROBLEM SOLVED.**



We could put money in the bank and/or investments.  
**BANKING PROBLEM SOLVED.**



With all these industries firing on all cylinders,  
**UNEMPLOYMENT SOLVED.**



With full employment, profitable industries, more tax revenues, stock markets going through the roof...  
**BUDGET DEFICIT SOLVED.**

Just remember me in November!

(I'm O.K. with write-ins).

## MARKET SNAPSHOT

The market is up more than 70% since it bottomed in March of last year. This has been the sharpest rally since 1933. Every talking head worth his or her salt, is wading in on whether we're in a V-shape recovery or will it be a W- double dip recession.

For the first time in quite a while I can honestly say that I am optimistic about what I'm seeing in the economy. (at least in the short term – more on this later).

- 11 out of the 12 leading economic indicators are pointing to positive territory. The only dissenter is Consumer Debt.

- March retail sales came in much stronger than expected.

- This ties in with a new report out this week showing consumer confidence up significantly from 52.3 to 57.9. Bear in mind however, this is still a very low number. It was in the 80's following 9/11.

- As I've been saying for many months, this earnings season would blow the doors off the jail cell. Over 80% of the S&P 500 companies that have so far reported earnings, have handily beaten analysts' forecasts.

- According to Sam Stovall of Standard & Poors, the market now fetches 15 times projected 2010 earnings. Not particularly cheap...but not expensive either.

- The Case-Shiller housing index actually shows a 0.6% increase in housing prices over the past 12 months.

- March housing starts expanded for the 3<sup>rd</sup> straight month in March to a seasonally adjusted 626,000 annualized.

- New home sales surged by 27% in March. That's the good news. The not-so-good news is that on an annualized basis this represents 411,000 home sales. Look back one bullet point.

- Mark Zandi of Moody's estimates that we need about 1.85 million housing units/year. This figure takes into account new household creation +

destruction of older homes. This means that we are actually digging into the inventory by more than one million units/year. Now, that's good news.

- The economy added 162,000 jobs in March. We should see more adds in the next couple of months due to the hiring of *many, many* census workers. But hey, a gain is a gain. At this point we'll gladly take it.

- Being an election year, the expectation is that the Federal Reserve **will not** raise interest rates until after November. This is a positive for the market.

- Finally, in keeping with a theme that I've always espoused, the 'trend is your friend'. The market is still in a strong uptrend. In fact, on April 27<sup>th</sup> a whopping 674 NYSE issues hit new 52-week highs. There's more gas left in the tank of this rally...at least in the short-term (3-6 months).

## HEADWINDS

As I said a few times, in the short term I am optimistic that the market can continue to go higher. Whether it is justified is only something we'll see in hindsight many months from now. The next earnings report, Q2, is going to provide a tougher comparison, and certainly Q3 and Q4 are going to tell us a great deal about the depth of this recovery.

Sometimes, if enough people feel good about something, they can actually make it happen...like a self-fulfilling prophesy. That's what we hope is going to happen here. We're in a race between consumer confidence spawning more consumer spending leading to better employment figures, vs. the weight of the headwinds we face. They are:

- Elizabeth Warren, chairperson of the Congressional Oversight Panel said that about half the country's commercial real estate mortgages will be 'underwater' by the end of 2010.

- According to RealtyTrac, actual repossessions of residential homes are on track for 1,000,000 this year.

- Small regional banks are still getting hit hard. So far this year, 57 have been closed down by the FDIC. There are another 702 on its "problem" list.

- Oil is heading higher. At \$90/barrel, it begins to slow economic growth. Watch that number.

- To have a meaningful drop in the unemployment rate, we need to see the monthly jobless claims drop below 400,000. Watch that number too.

- Our budget deficit is frightening. If Washington doesn't get it under control, creditors will demand higher interest rates on our borrowings. That will lead to inflation. Inflation will kill the markets and damage our pocketbooks... especially for retirees

### WHAT TO DO NOW?

- 1) **You'll never go broke taking profits. Look at your portfolio and sell those stocks which are fully valued and have little upside potential left.**
- 2) **Be aware of the trends in the market. Follow the 'smart-money'. They like to trade late in the day. See what's happening on the stock exchange in the last hour of trading?**
- 3) **Become familiar with a few metrics which will tell you if a stock is cheap or expensive. One of my favorites is PEG – Price Earnings/Earnings Growth rate. If you can buy a solid company with a PEG of 1 or less, it means that it's selling for its current value with nothing factored in for its future growth. So, if a company's average growth rate is, say 10%, you're already that much ahead with the stock price...and it's free!**
- 4) **The older you get, the more you should be putting into fixed income vehicles and fixed annuities. In fact, Jack Bogle, the founder of Vanguard believes that number should be "commensurate with your age". There isn't a one-size-fit-all here, but it should give you a starting point to look at. (It also helps you sleep better at night).**
- 5) **If/when interest rates rise, ensure that your bonds and bond fund maturities are ultra short: no more than 3 years out.**

- 6) **Rising rates&inflation- generally good for: Commodities. Natural Resources. Precious Metals. Financial Services. Companies with majority profits overseas. Select corporate bonds. Treasury inflation-protected securities.**
- 7) **Invest in countries, through ETF's, with commodity currencies. Canada. Australia. New Zealand.**

### MISCELLANY

- Make sure you get your free annual credit report and check its contents. Correct mistakes. The site where you do this is not freecreditreport.com (where it's NOT free after 30 days). Instead, go to [www.annualcreditreport.com](http://www.annualcreditreport.com). Also, rather than getting your report from all 3 bureaus at once, take each one in turn every 4 months. This will get you 3 free reports per year.

- Tired of phone trees. You know. Pushing 20 buttons on your phone before talking to a real person. Go to [www.gethuman.com](http://www.gethuman.com) for a list of customer service numbers, AND the numbers (CODES) you can use to bypass the automated system.

- Have you ever wondered where you could get a checklist for...well, you name it? Things to do in an emergency. Things to do before moving into a new house. Or, out of an old house. Etc, etc, etc. You can find a list for almost anything at, [www.simplychecklists.com](http://www.simplychecklists.com)

- You can be even more efficient at blocking spam for free at [www.mailwasher.net](http://www.mailwasher.net)

- There is nearly \$33 billion in unclaimed assets sitting in state treasuries. Are you owed any of that money? Find out at [www.unclaimedproperty.org](http://www.unclaimedproperty.org). For old pensions go to [www.pbgc.gov](http://www.pbgc.gov)

- Calculate your future social security benefits by going to [www.ssa.gov](http://www.ssa.gov) and click on Estimate Your Retirement Benefits.

- If you are retired and have an employer's retiree health plan, you must still apply for Medicare Part B. Failure to do so will result in a permanent 10% penalty on your premium for *each* year that you waited (unless you're on a 'working spouse' plan).

If you would like free information on any of the subjects discussed in this month's newsletter, please complete the reply coupon below, or call my office for a free, personal consultation.

**FREE NEWSLETTER INFORMATION**

**Mail or Fax back to:**

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

- Inflation & investing
- Inflation & bonds.
- Investing in commodity currencies

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

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**I will be hosting a workshop on Saturday June 5<sup>th</sup> on Roth IRA Conversions.**

**Beginning in 2010 there are no longer income restrictions.**

**There's a lot of misinformation in the media on this strategy.**

**Be on the look-out for further details in the next few weeks.**