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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

December 2011

"Nothing focuses the mind like a hanging"
Samuel Johnson - English Poet

Why did this quotation come to mind after the recent Key-Stone cops episode of the 'so called' super committee which were totally and ineptly incapable of getting their job done? Gee, I don't know. I mean it must be very difficult to cut the equivalent of \$120 billion/year from a \$3.5 trillion annual budget.

Cutting the Budget



Legendary game show host Chuck Woolery discusses ways to cut the federal budget in this humorous fireside chat-style video: [Watch Video »](#)

In case the above link doesn't bring you to the YouTube video, here is the longer version of the address:

<http://www.youtube.com/watch?v=KV-RqPtT2PU>

After viewing the video, I'm sure you'll come to the same conclusion that I did: I'm ready for a public hanging! (or, in this day and age...a public firing...in fact, many of them).

Congress continues to amaze us all with their capacity for incompetence. They are spending us and our present & future generations of families into oblivion.

Here are a couple of comparisons for your reading pleasure:

⊗ Government debt in Germany, as a percentage of revenue (ergo, taxes) is 165%.

⊗ In Ireland, it's 248%.

⊗ Let's not forget about the epicenter of the global financial system calamity, Greece. There, it is just over 300%. Wow.

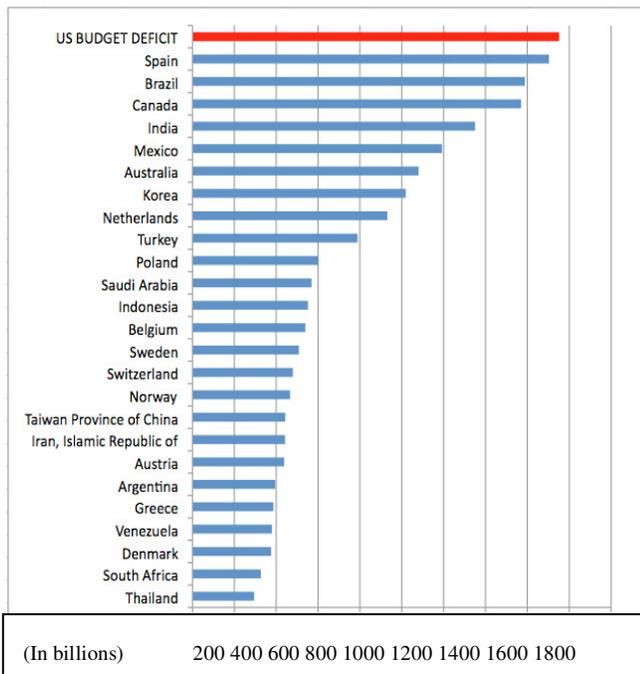
⊗ In the United States, it's over 350% !!!!!

On November 21st, 2011 we officially crossed the Rubicon. The U.S. national debt broke through to \$15.033 trillion; which surpassed the \$15.032 trillion of gross domestic product. So. Our debt now exceeds our annual output.

See at: www.usdebtclock.org

Mark Steyn, columnist for Investors Business Daily and the Washington Post, put it so well when he said: "This country is broke. It has to pay back \$15 trillion just to get back to having nothing at all".

The next chart clearly shows the U.S. budget deficit and our closest competitors: (*beware: this is not a pretty picture*).



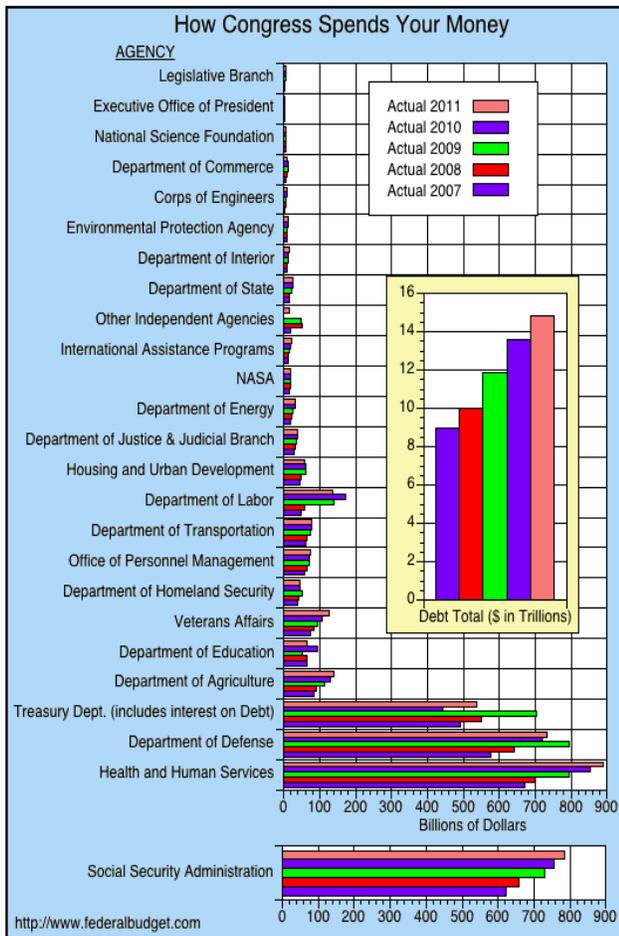
(For a web site that will give you unbelievable insights into a people's guide to our Federal Budget, go to www.nationalpriorities.org)

I don't know about you, but the Treasury Department line item, "Interest on Debt" has me more than a little concerned. What happens when we start paying our lenders (China & Japan) an interest rate in line with our credit risk?

Posing this same question a little differently. What happens when the interest on a 10 year note goes from less than 2%, up to 3%? Or, when 30 year interest rates go from 3% to 4%? Will it mean that our Interest on Debt will go up 25-50%?

The short answer is yes. Do we think interest rates will rise eventually? Again, the short answer is yes. Rates will rise when we get another credit downgrade due to Congress' uselessness and incompetence on dealing with their proliferate spending.

Finally, it's only fair to show one and all how Congress spends *your money* (mine too).



So, how do we prepare our portfolios for higher budget deficits?

☺ Dividends are your best friend. Since 1999, the blue-chip S&P 500 companies have posted a negative 15% (yuck)! When we factor in the dividends that they've paid out, it turns into a positive 6% (much better than a loss).

☺ Use Tactical Asset Allocation to invest in non-correlated assets away from the U.S.A. and Europe. Depending on your risk tolerance, perhaps an allocation of up to 5-10% might be appropriate. Examples are, global bond ETF's. Also, ETF's covering Emerging Markets. ETF's denominated in local currencies.

☺ Invest in companies making the majority of their profits overseas and in that local currency.

☺ 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.

☺ 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/ 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! See the definition at

<http://www.investopedia.com/terms/p/pegratio.asp#axzz1f80VehEA>

☺ Another metric to look at is Free Cash Flow (FCF). A company can still fudge their numbers when it comes to reporting profits and sales...but the amount of money left over after you pay all your bills is the real deal. A full explanation of what Free Cash Flow is can be found at the following link:

<http://www.investopedia.com/terms/f/freecashflow.asp#axzz1f80VehEA>

- ☺ Rising rates & inflation are generally good for:
 - Commodities.
 - Natural Resources.
 - Precious Metals.
 - Financial Services.
 - Companies with majority profits overseas.
 - Select corporate bonds.
 - Treasury inflation-protected securities.

☺ There's nothing wrong with cash. Don't be afraid to hold up to 10% so that you can always take advantage of glorious opportunities when they come along.

☺ Finally, from the investing annals of Billy Rose, the American impresario, "Never invest in anything that eats or needs repainting".

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☺ **Medicare open enrollment ends on 12/7/2011. Make sure all desired changes are done by then.**

☺ **Review your investments for year-end tax moves. It may be time to harvest gains or losses.**

☺ **Find organizations that provide information & support on Alzheimer's, diabetes, arthritis at www.healthfinder.gov**

☺ Avoid investment fraud. Get information at www.investoreducation.org/highriskinvestments

☺ If you need a medical, dental or vision procedure that is not covered by your insurance, you can gain some leverage on pricing by going to www.pricedoc.com

☺ There's a new free service for finding flights at www.Google.com/flights

Choosing the Right Executor

A will is a "living" document, therefore whenever you have a major life change you should consider reviewing your will. Part of this review should include making sure the person you have chosen to be your executor or personal representative is still ready, willing, and able to perform the duties of that role.

The job of an executor is usually not simple. It can be time-consuming, require a surprising amount of effort and energy, and cost money. As you age, your executor is also aging. The "right" choice 10 or 15 years ago may not work over the next 10 or 20 years.

What should you consider when choosing your executor?

Always ask the person if they are willing to perform the tasks involved, and make sure they really understand what those responsibilities are.

Consider how that individual will deal with your heirs, especially if he or she is also an heir. A sense of fair play and a willingness to negotiate are critical traits.

What is his or her age, health, overall physical condition, and personal situation? An executor may have to travel, stand in long lines for hours, confront dueling heirs, go to court to resolve matters, deal with probate in your state and any other state where you own property, and much more.

Also make sure your chosen executor can manage his or her own finances before you let them handle yours. You won't be able to guide them so they need to be responsible and be someone who will do things "your" way.

Another decision is whether to have co-executors. You may like the idea of executors looking over each other's shoulder, but some people (especially siblings)

may not get along together well enough to jointly handle your affairs in an equitable manner. That can result in costly attorney fees to resolve problems.

Should your executor be an heir? Maybe. It does save money, since no attorney or bank trust department or other entity is charging a fee. But there can be serious conflicts with other heirs, so choose wisely.

Selecting the right person to handle your final affairs is just one very important part of financial planning. If you believe that your plan needs updating, there are many local professionals who specialize in estate planning. For further information, feel free to contact my office.

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

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

- Investing for higher interest rates
- Diversifying with ETF's
- Choosing an executor

I think these people would like to receive your newsletter and an invitation to your next public presentation. Please mail this list to:

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