

MACMILLAN FINANCIAL

JOHN MACMILLAN, CRFA, CLTC, CSA

P.O. Box 66

ANNANDALE, NJ, 08801

T: (908) 236-7500

F: (908) 236-7511

WWW.SENIORSBOOMERS.COM



**SENIORS/BOOMERS
NEWSLETTER**

"THE RETIREMENT EXPERTS"

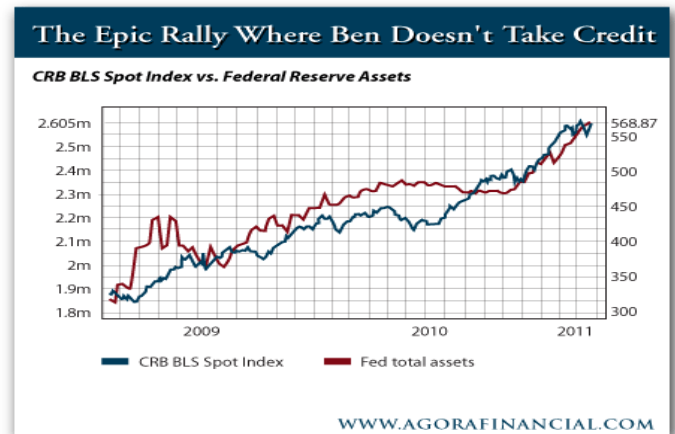
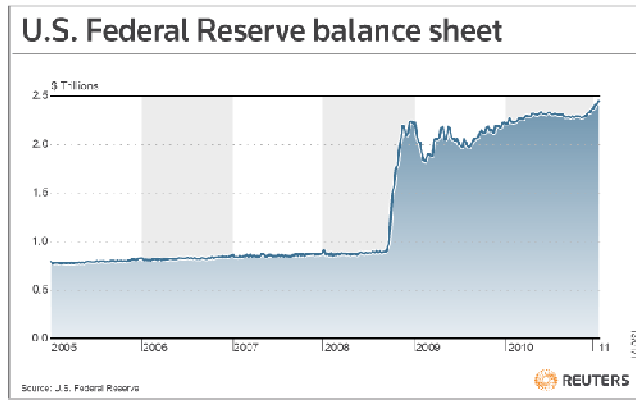
June 2011

" Yes. We Have No Bananas "

The U.S.A. economy, for all intents and purposes is humming along. The stock market is looking positively ravishing. After the S&P 500 companies reported 1st quarter earnings we saw that more than ¾ either met or beat earnings estimates, and.... with earnings growth at 19% overall, they beat the predictions by 7 percentage points.

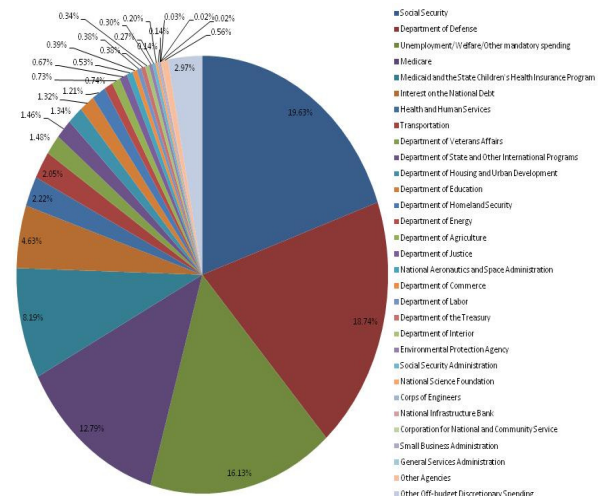
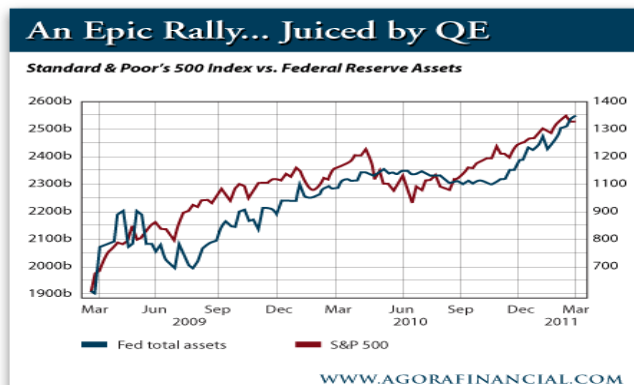
As we all know Quantitative Easing II is coming to a close by the end of June. It's been a wonderful ride for stocks since the very beginning...going all the way back to QE1. As the Federal Reserve expanded its balance sheet (bought things no one wanted with money created out of thin air) the market has followed:

The Federal Reserve continues to tell us that inflation is benign. But if we used the same reporting methodologies that were in effect before 1980, inflation in February was running at 9.6% on an annualized basis. Why is inflation running so high? Would commodity prices have anything to do with it?



This is a Commodity Index chart. It seems to have risen in tandem with the Federal Reserve Balance Sheet. What do you think? Any correlation here???

Here's a chart showing budget % by category:



I don't expect you to read the 'fine print' but I'm sure you can see the size of the slices of the USA budget pie chart for 2010. The summary goes like this:

Big Blue = Social Security = 19.63%
Maroon = Defense Department = 18.74%
Olive = Unemployment & Welfare = 16.13%
Purple = Medicare = 12.79%
Light Blue = Medicaid = 8.19%
Brown = Interest on national debt = 4.63%

Our interest payment on our national debt for 2010 was a staggering \$164 billion. And, that's with interest rates at 0-3%. According to the Treasury Department, that number will be \$244 billion in 2011. By 2021, it's conservatively estimated to be \$792 billion. If interest rates go up 1%, the CBO has said that interest payments, in 10 years, would actually be \$1.3 trillion/year.

Some interesting facts emerge when you look closely at the nation's budget. All federal revenues from income taxes (by the way, in 2009...51% of Americans paid no taxes AT ALL, and 60% of that number actually got money back through tax credits). So again revenues from income taxes, Social Security and payroll taxes, customs duties, estate and gift taxes, ONLY go to pay for our benefit programs: Social Security, Medicare, Medicaid, veterans' benefits, food stamps, welfare, etc. After these payouts there's nothing left. Zilch. Nada. So, we have to borrow money to pay for everything else like defense, highway construction, aide to the states, land management, research, federal employee salaries, interest on debt....

What we have going for us right now are ultra low interest rates. The Treasury department has \$7.8 trillion held by the public paying....well, not very much. Like 3% on 10 year notes. The kicker is that they will have to refinance \$5.5 trillion of that between now and 2015.

They cannot retire that debt from tax revenues because...we have none of that to spare. If investors feel that there is an increased risk with treasuries, they will want more money (interest) to compensate them. Higher rates will lead to greater deficits. The way to think about this is: would you make a business loan to a company that had debt 8 times its revenues (not profits...revenues)?

'Yes, we have no Bananas', and 'How are Things in Glocca Morra'?

I wouldn't be telling you all this if there wasn't something we could do about it.

WHAT TO DO NOW

- 1) **Keep pace with inflation by buying Treasury Inflation Protected Securities (TIPS) which are available in 10 and 30 year denominations.**
- 2) **You may also want to look at buying 30-year series I savings bonds. They are currently paying 4.6%. The interest is exempt from state taxes and federal taxes can be deferred until you cash them in. You can buy up to \$5000 per calendar year through the Treasury department.**
- 3) **Buy dividend paying stocks with a strong history of payouts and a sustainable ratio. Find companies growing their dividends.**
- 4) **In the next 20 years the world population is estimated to grow by 27%, yet the arable land is expected to decrease by 18%. Food related securities should be in your portfolio.**
- 5) **Keep your investment grade, corporate bond maturities ultra-short. (like no more than 5 years)**
- 6) **Sell your stocks when you feel like they are too expensive to buy more. They probably are!**
- 7) **Get some precious metals in your investment horizons.**

When looking at the market, remember that stocks usually take the stairs up...but the elevator down!

MISCELLANY



☺If you have about 3 minutes to spare and want to see an excellent video on USA government debt, you can find it at

www.youtube.com/embed/VtVbUmcQSuk

☺If you want to find out the average cost of any medical treatment or procedure, go to

www.nlm.nih.gov/services/procedures.html

This may come in handy if you have a need to negotiate price with your doctor.

☺ Looking for more web sites to help you find cheap air fares, how about www.kayak.com or www.airfarewatchdog.com.

☺ Hotels can be found at www.hotels.com and www.bedandbreakfast.com or www.homeaway.com

If you receive SSI, you need to report any changes that can increase or reduce the amount of your benefit, such as changes in address (even if you get electronic payments), changes in living arrangements, income, or increased savings that inch over the resource limit (\$2,000 for an individual, \$3,000 for a couple). Any changes in your living arrangements, income, or resources could change your SSI payment amount.

Make Sure You Get the Right Amount

(This article comes to you courtesy of Corrie Drosnock, Social Security Public Affairs Specialist in the Lehigh Valley. Many thanks.)

At Social Security, our goal is to make sure you are paid the correct amount, on time, every month.

Some things have made that job easier over our more than 70 years of paying benefits, such as direct deposit and electronic application systems. But some of the factors that determine your payment amount still depend on good old fashioned human intervention. And in some cases, getting the correct payment amount depends on you.

You certainly don't want to be paid less than you're entitled to receive. But what can be even more difficult, in the long run, is to be overpaid — in which case you'll probably have to pay us back, cutting your payment down each month until the debt is repaid.

What can cause an overpayment? Sometimes an overpayment (or even an underpayment) occurs because the person receiving benefits did not report a change to us.

For example, if you receive Social Security retirement or survivors benefits and are under your full retirement age and working, we usually ask you to estimate your earnings for the year. If you realize your earnings will be higher or lower than you estimated, let us know as soon as possible so we can adjust your benefits.

If you receive Social Security disability benefits, you should tell us if you take a job or become self-employed, no matter how little you earn. You also need to report if you begin receiving or have a change in any worker's compensation or other public disability benefits — or if your disabling condition improves.

Learn more about the kinds of things you need to report when you receive Social Security retirement and survivors benefits by reading our online publication: www.socialsecurity.gov/pubs/10077.html

Read about reporting responsibilities for people receiving Social Security disability benefits here: www.socialsecurity.gov/pubs/10153.html

Learn all about the sorts of things to report when you receive SSI by reading over this online publication: www.socialsecurity.gov/pubs/11011.html

If you're underpaid in any given month, once we verify the information that caused you to be underpaid, we will send you any money you are due. If you're overpaid, read our online fact sheet to learn what happens next: www.socialsecurity.gov/pubs/10098.html

With your help and by diligently reporting any applicable changes, we'll achieve a goal we can all agree on: paying you the right amount, on time, every month.

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

- Treasuries
- Corporate Bonds
- Dividend Income

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

Name _____
Address _____
City _____
State _____
Zip _____

Name _____
Address _____
City _____
State _____
Zip _____

Name _____
Address _____
City _____
State _____
Zip _____

Mail or Fax back to: John MacMillan P.O. Box 66 Annandale, NJ, 08801 T: (908)236-7500 F: (908) 236-7511 www.macmillanfinancial.com
--