MACMILLAN FINANCIAL
JOHN MACMILLAN, CRFA, CLTC, CSA
P.O. BOX 66
ANNANDALE, NJ, 08801
T: (908) 236-7500
F: (908) 236-7511
WWW.MACMILLANFINANCIAL.COM

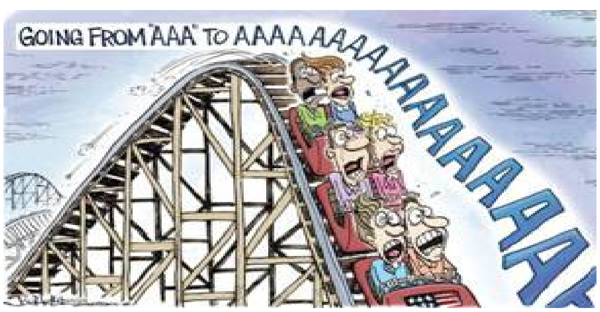
SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

September 2011

"Buy Straw Hats in the Winter". "Buy Overcoats in the Summer".

Financier, Russell Sage (1816-1906).



I'm sure that many of you have had many uneasy feelings about the violent ups & downs we've seen in the markets throughout the month of August. (I think it's called having your stomach in your throat). We've set records for number of days with +4% swings.

As volatile as it's been, we're probably not out of the woods just quite yet. Until the markets get some firm direction we are apt to see more pendulum swings in the weeks ahead. So what is an investor to do? The advice I'd proffer this month, about how to deal with the volatility, is summarized in the following August e-mails I sent to my investment clients while we witnessed some of the worse market days ever.

From: "john macmillan" <jrm@macmillanfinancial.com>
Sent: Friday, August 5, 2011 12:46:05 PM
Subject: stock market volatility

Hi everyone,

I'm certain you've all got concerns about the latest drop in the stock market and whether or not this is a permanent condition.

As much as I share your discomfort with stock prices falling, I'm convinced that what we're seeing right now qualifies for the term 'panic selling'. There is a lot of automated computer programmed selling going on right now, but it will come to an end soon enough.

By every metric, the stock market is grossly oversold. There may be more room for further deterioration in prices, but I do not believe that we are in another 2007 or 2008 financial crises. Just to review our situation today:

The basic market fundamentals remain strong:

1) Strong domestic earnings
2) Healthy corporate balance sheets
3) Accommodative Federal Reserve
4) Ultra low interest rates
5) Strong overseas markets/earnings
6) The 200 day moving average is still showing upward direction
7) The vast majority of stocks in the S&P 500 have advanced this year
8) The debt ceiling problem has been resolved (for now)

9) No U.S. government downgrade (for now)

10) We are only one year away from the next presidential election…which is bullish for the markets.

I still believe we'll see 13000 on the Dow by year end. It's just going to be a very bumpy ride getting there!

Also, even though we've had a significant sell-off, the markets as of this morning, are about where we started 2011.

Finally, it needs to be emphasized that your portfolio has been constructed with a design to withstand these types of events.

*We have a diversified portfolio comprised of 8-10 different asset classes which are not correlated with each other.

*We only have high quality blue-chip companies that you can believe will still be in business this year, next year and for many more years.

*Every portfolio is comprised of dividend paying stocks which are supported by very strong companies with strong balance sheets.

*A large part of your portfolio has quality corporate bonds that will continue to pay out their coupons on their quarterly schedule.

In short, our holdings are going to hold up much better than the market….and will come back faster when this correction is done. I need to emphasize that this is not the time to sell. If anything, this would be a time to buy. Selling into a panic sell-off locks in losses.

Best regards,

John

On Mon, Aug 8, 2011 at 9:35 AM, john macmillan <jrm@macmillanfinancial.com> wrote:

Good morning everyone,

It looks like we're going to have another rough start to the stock market today following the S&P downgrade of US debt from AAA to AA+ last Friday. Markets in Asia and Europe were down overnight and the U.S. futures are pointing to an initial drop when the markets open at 9:30.

As I mentioned last week, much of the panic is coming from hedge funds and computerized trading platforms. The basic market fundamentals remain in place. In fact, the price of the S&P 500 is at one of its lowest levels in years. There are a lot of bargains out there right now.

So far as what is happening today, below is a rundown of the support that will be going into equity markets to shore up its defenses:

•G-7 committed to doing everything within their power to stabilize the markets.

•G-20 stated that they will buy currencies and take any available initiatives to calm the markets.

•ECB stepped in to buy up Italian & Spanish bonds thereby dropping their yields.

•Oppenheimer stated that US stocks are in 'much better shape' than the rest of the world.

•Citigroup came out and said that the ratings downgrade will have only a 'modest effect' on the market.

And, unbelievably, the money coming out of the market now is going into…..Treasuries…still considered the safest investment in the world. As of this morning the 10 year Treasury yield is ***below 2.5%.***

The fall in U.S. bond yields has given credence to the Treasury's assertion that the "collective judgment" of investors "is that the U.S. has the means and political will to make good on its obligations" despite S&P's downgrade.

In a blog post, the Treasury criticized S&P's decision, citing the $2T error in the agency's original analysis and the speed with which it changed its "principal rationale...from an economic one to a political one," and made the downgrade anyway.

The U.S. also received support from several foreign holders of its debt, including from Japan, China, Russia and France.

Many analysts feel that the real indicator of the country's economic health going forward will come in the fall when the super committee is due to come out with their deficit reduction recommendations for another $1.2 trillion.

Rest assured I'm watching this situation very closely.

Best regards

John

From: john macmillan [mailto:jrm@macmillanfinancial.com]
Sent: Tuesday, August 09, 2011 8:23 AM
Subject: market update

Good morning everyone,

I hope this doesn't turn out to be a daily ritual, with my take on what's going on in the market. It's kind of like 'did you see the driver of the bus that hit me'?

Anyways, I've been doing quite a bit of digging to get a handle on what's really happening here.

As I mentioned yesterday, the price/earnings (P/E) on the S&P is now hovering just above 11. This level would indicate that we are in a severe recession or downright depression…which is not the case. The stock market right now is bordering on ridiculously cheap. Over the past week I've been furiously researching a slew of companies which are now in a buying range (because I only want to buy ***real*** bargains) and I'll probably be recommending some of these when the dust settles and we start our trip northward once again.

I am also encouraged by the level of 'insider buying'. According to the Vickers Digest, insider buying (which is a very positive indicator because no one knows their company better than the people running it) is running at extremely high levels. If these people believe that their company is *cheap,* then we probably should as well.

The other thing about yesterday's 635 rout, is that more than half of the point drop is attributed to ONLY 6 STOCKS…

IBM

United Technologies

Caterpillar

Chevron

Boeing

3M

I'll also quote from a recent research report,

'Let me start by saying: Don't panic. As Horizon Asset Management noted in their second-quarter commentary':

"Perceived risk and real risk are very different phenomena, and even where a real risk exists, the common reaction, powerfully motivated by our sociobiological heritage -- to flee -- is often the incorrect one. This is because the financial markets are a social system, not an ordered, fixed system -- a market -- such that whatever equation might be true in one moment immediately induces reactions and counter-reactions among the other participants, and these reactions change the equation."

'As I wrote last week, the urge to do something is powerful, but should be resisted. Undoubtedly, prices today reflect a lot of fear. That's not to say we're at a bottom. But I can say without a doubt that there are stocks here today that in a year or two, you will wish you had bought. It's the way markets go. The market is a mirror of emotions. It's not coldly rational. That explains the wild swings'.

I don't know what's going to happen at 9:30 this morning (although the futures, for now, are pointing up), but the market will reach a point which will bring on the buyers. The valuations are becoming compelling. I realize this kind of volatility is unnerving, but it will be the cooler heads which will ultimately prevail.

As a side note, the Federal Reserve meets today. Stock market friendly, Ben Bernanke and co. may perhaps throw out some calming message.

Best regards

John

<jrm@macmillanfinancial.com>
Sent: Friday, August 19, 2011 9:47:22 AM
Subject: back on the roller coaster

Good morning everyone,

Once again we have panic hitting Wall Street; and it looks like we could be in for another one today. Currently, panic selling AND buying is being led by

high-frequency trading which accounts for 60% of daily volume. On 'down' days, and on 'up' days algorithm-driven computers are part of the mix.

I've been looking through everyone's portfolio and, in particular, what stocks we own.

Let me begin by saying that's there's nothing we own that should be sold based on their company fundamentals.

No one likes losses, but our asset diversification will weather this storm much better than the general markets. Trying to know when we get our next upturn is impossible, which is why we stay the course.

Most people who got out of the market in 2008, never got back in when it doubled from March 2009 through the early part of this year. They took most of the losses and missed all the gains. It's best & easier to pick good stocks than it is to try and time market tops.

Remember, an index such as the S&P or Dow Jones is not a measure of your portfolio. We do not move in lock step with these indexes. In fact, generally, a downturn in one market can be cushioned by an opposite or lesser move in another one.

I mentioned in my recent e-mails, stocks are cheaper today than they were at the bottom in 2008. By historical standards, the S&P is trading in the 11 P/E range whereas the norm is about 16. That means that stocks (not all…but most) are grossly undervalued.

Some of the simple rules I apply:

1. Buy and hold companies whose numbers demonstrate a healthy & growing underlying business. They'll still be here in 10 years.
2. Buy companies paying healthy & sustainable dividends.
3. Include corporate bonds & preferred shares in the mix. Their coupon rates put money in your account regardless of what the markets are doing.
4. Buying great companies for the long-term is the way to build wealth.
5. Diversify.

Most analysts that I follow and respect are out there buying. As I mentioned in the beginning of the message, nothing we own deserves to be sold…but at current valuations we will probably do some selling and trade up to stocks that have been beaten up to ridiculous levels.

Please call me with any concerns.

Have a good day and a great weekend.

John

If you have personal concerns that you'd like to discuss with me, please feel free to set up a *complimentary* appointment whenever it's convenient for you. Call my office at 908-236-7500.

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☺ If you plan on selling your primary residence sometime in the near future, BEWARE, that beginning in 2013 a 3.8% levy will be effective on any gains over $250,000 for singles and $500,000 for married couples whose AGI is over $200,000 and $250,000 respectively.

☺ The web site, Inside-Trip helps you choose the best airline by comparing flights using 12 criteria such as legroom, on-time record, etc. www.insidetrip.com.

☺ Another site, www.hipmunk identifies flights with long lay-overs and long trip time.

☺ www.jetsetter gives members discounts of up to 50% on travel to upscale resorts.

☺ Finally one more site can be helpful and save you money in planning your trip. Go to www.room77.com offers personalized hotel room recommendations based on price, bed size, distance from the elevator, etc.

☺ Are you interested in finding government auctions. The web site, www.govsales.gov will give you information on federal, state and local auctions as well as other sales of surplus or seized items.