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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

February 2013

Old saying about the German recipe for Rabbit Stew. Step one: "First catch a rabbit"

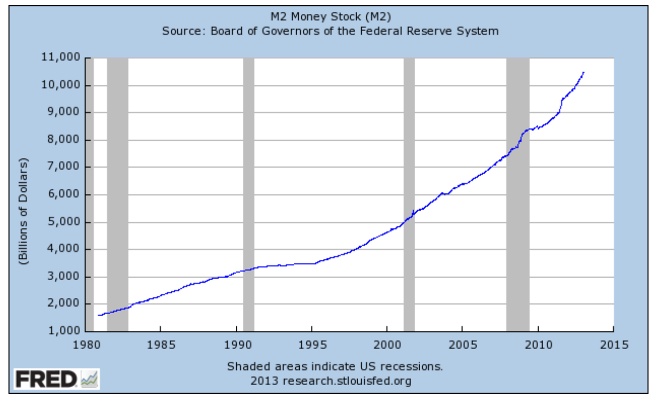
So, what's the first thing that investors need to do in order to grow their retirement money? Why, they need to be invested. Sounds pretty simple, yet it has not been easy for many people who are frozen with fear.

A recent survey conducted by UBS (the investment bank) found that 76% of folks out there are fearful of what our team in Washington is going to do next. Specifically, they are still very worried about the spending cuts that still need to be addressed as well as the ballooning debt ceiling…oh, and let's not forget about the gridlock that we get from both sides of the aisle.

Remembering the old Wall Street cliché, '*the market climbs a wall of worry*'; we've had a whole host of things to worry about:

Sequestration
National deficit
Higher taxes
Unemployment
Washington politics
Spain
Italy
Euro
China
Iran
Etc, etc, etc.

So, what has the end result been? A hoard of cash sitting on the sidelines. The chart above indicates the M2 money supply. Money supply includes checks, cash, money market and savings. As you can see we are approaching $11 trillion! That my friends, is '**money on the sidelines**'.



To put this amount of money in perspective it helps to understand that, according to the World Bank, the market capitalization of all publicly listed companies in the United States at the end of 2011 was $15,640,707,100,000. In fact, our GDP for 2011 was also just over $15 trillion. So, $10.5 T. sitting basically in cash, is a tidy sum of money.

The saddest part is that there are a lot of people out there who took serious lumps during the last market crash and got out of the market completely…only to miss the 100% run up since the bottom in March 2009.

An interesting finding that came out of the UBS study that I mentioned earlier is that those individuals with a financial plan, throughout this period, typically stayed the course and recovered their losses. The importance of a personalized, comprehensive financial plan **cannot** be overstated.

???Prospects for the market in 2013???

We are now one month into the year and are beginning to get a sense of what we can expect in 2013. Most respected analysts and some of the biggest investment banks are calling for a decent year this year…decent, but not great!

Most of the earnings estimates have been lowered for most companies since the 4th quarter of last year. The numbers are certainly more realistic, and the good news is that the bar has been lowered - low enough, in fact- that most American firms will be able to step over it. This augers well for 2013.

The year 2012 saw some decent gains from the Dow and the S&P 500. Interestingly, the S&P % gains were almost double those of the Dow Jones. When digging a little deeper into the reason(s) it became fairly clear why this was the case.

As you know the Dow Jones is made up of the 30 largest U.S. companies providing a cross-section of business activities in the United States. The S&P 500 however, is made up of the 500 largest companies in the country.

The S&P does not treat all its constituents equally; meaning that each of the 500 stocks is not weighted as 0.2% of the Index...or 100% in total. Instead, they calculate their average based on ***market value*** of each company.

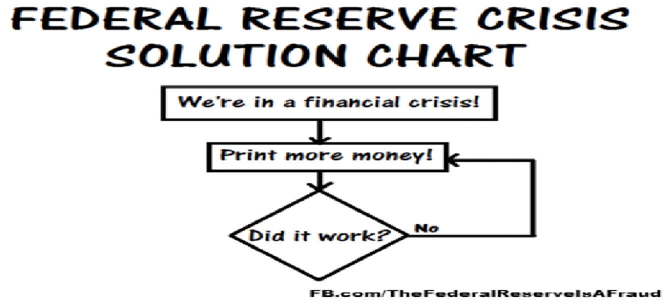
In the case of Apple Computer, which rose 23% in 2012, this company was weighted so much so that they made up over 3 full points of the increase in the S&P 500.

Then we had a significant rise in the homebuilders (the group was up 22%) and Bank of America, which doubled. So these 3 items were the difference between the Dow gain for the year and the S&P gain in 2012.

Going into 2013 we still have a powerful trend in the investor's favor: The Federal Reserve. As long as they continue to print money to pay for their bond purchases, the extra liquidity flooding the market place will find a home somewhere…usually the stock market.

The chart above will give you the flowchart needed to understand the thinking of Ben Bernanke and his colleagues. In many ways, Ben reminds me of my youngest son's favorite movie figure about 10 years ago – Buzz Lightyear…'to infinity & beyond'. We have that today with the Fed with their quantitative easing, better known as Q.E. Now it's,

Q-finity & Beyond



One way or the other the Fed is determined to push income-starved investors in riskier assets and away from savings vehicles. This has, and will continue to, propel the stock market. Never forget the credo: Don't fight the Fed.

Finally, housing has been a major drag on the economy for the past 4-5 years. This dynamic is changing to one where instead of housing being a drag, it now has wind at its back and will be a positive for the economy this year.

Barring a bolt of thunder out of the blue from one of the worry items listed on page 1, I expect a not so bad year for us in 2013. Let's hope!

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☺ Remember, if you are contributing to a company 401k in 2013, the limits have been increased to $17,500, or if you're over 50, it's up to $23,000.

☺ You have rights when being bumped on domestic airline flights. You are legally entitled to 200% of your one-way fare, up to $650, if the replacement flight will arrive 2 hours later than your original flight.

☺ Don't forget to get your free annual credit report this year. Go to www.annualcreditreport.com . Make sure you get only one agency report at a time. This way you'll be able to get 3 reports each year.

☺ States are holding over $30 billion of unclaimed property…mainly money. If you think you are owed go to www.missingmoney.com or www.unclaimed.org to see.

☺ Google offers unlimited free calling in the U.S. and very low International rates through Google Voice. Go to www.google.com/googlevoice/about.html for details.

☺ **Contact information for hundreds of government agencies and departments can be found at www.USA.gov/directory/federal/index.shtml**

☺ **to get free shipping for your online shopping orders, go to www.freeshipping.org for details of which vendors are offering this service.**

What to look for and the questions to ask:

Finding a financial advisor (***to do that comprehensive financial plan)*** can be a very tricky business, but there are things you can do to prepare for the event:

1. Anyone can call himself a planner.
To avoid amateurs, hire a planner who's earned special credentials (such as a Chartered Financial Consultant, Certified Financial Planner or a Personal Financial Specialist). They have met rigid educational & training standards, and generally have a higher level of experience.

2.Planning is more than investing.
Not all planners offer comprehensive services. Some just give investment advice or focus on one aspect of planning, such as insurance or taxes.

3. Expand your choices.
When hiring a planner, interview at least three pros to find the one that can deliver the services you need and who's compatible with your style.

4. Personal references are a good place to start -- but not the last stop.
A reference from a friend or family member is a great way to search for a financial planner. But make sure you've got similar needs as the person who's giving the referral. Go to groups like the Certified Financial Planner Board of Standards and the Financial Planning Association for additional references.

5. Understand how your planner is getting paid.
The three most common set-ups are: Fee-only, fee-based, and commission-based. Fee-only planners don't get commissions for the products they sell -- fees are for the advice they give. Fee-based planners may receive commission on some products they sell, but most of their money comes from a fee you pay them. Commission-based planners are paid by the companies whose products they sell.

6. Check credentials.
Check to see if a planner's record is tarnished by disciplinary problems or complaints. Groups that award credentials or state agencies keep tabs on planners and can provide help.

7. Get references.
Ask a planner for references from two or more of his clients -- then follow up and call to find out how a planner performs in specific circumstances, such as during a financial crisis.

8. Express yourself.
The quality of a planner's advice is correlated to how well he or she knows you. Make sure a planner asks questions about your finances, goals, risk tolerance and philosophy. If they don't ask, they probably aren't paying adequate attention.

9. Know what they're selling.
Find out what financial products a planner sells and how much he or his firm earns for making a sale. Be wary of planners who push one product -- say, one family of mutual funds or one kind of insurance -- as they may not give you the unbiased or comprehensive advice you need.

10. Know yourself.
The best planner will take his cues from you. Before you hire someone, identify the financial goals you want to meet, your assets and liabilities, your risk tolerance, and investment style. Are you self-directed or do you want specialized help?

Choosing Among Financial Service Firms is a Matter of Trust

What's most important to you when it comes to choosing a financial services provider? According to the results of an investor survey several years ago by Standard & Poors, Financial News This Week, trust was named as the most important factor when evaluating financial services providers; outranking customer service, performance, and range of products.

But how do you judge trustworthiness? Some financial service firms might present their experience and assets under management to convey their commitment to building trust with potential clients. But long histories and billion-dollar portfolios do not necessarily translate into a trustworthy relationship.

The recent scandals in the mutual fund industry exposed some illegal and unethical practices that were going on behind the scenes at some of the biggest and oldest financial services firms in the country. While some of these firms righted their wrongs, the lingering effects of the scandal still lead many investors to ask, "Who can I trust with my money?"

When evaluating financial service institutions, such as brokerage houses, insurance companies, mutual funds and independent firms, there are several considerations that can help determine who is worthy of your trust.

According to **Liz Pulliam Weston**, feature writer for **MSN Money**, one of the most important words to look for with your advisor is *fiduciary.*

She says, "It's a $10 word, but not knowing it could cost you a fortune"...in the world of money it means someone who's committed to putting your financial interests ahead of his or her own".

Ms. Weston further explains, "The word is important because true fiduciaries are harder to find than you might think. Most of the people who want to give you advice about your money aren't held to that high standard. At best, they're held to a *suitability* standard, which means they're supposed to reasonably believe that the investment and insurance products they want you to buy are appropriate for your situation. Just 'appropriate'..not 'the best choice' or 'in your best interests' ".

She goes on to say: " let's say the advisor could earn a fat commission for recommending a higher-cost investment being promoted by his financial services firm…instead of netting 8% a year, you might net 6%". The effect this could have on a portfolio could represent a decrease in performance of over ***35%!!!***

"People who are stock brokers or insurance agents are allowed to put their own interests and those of their firm, ahead of yours" Finally, Ms. Weston states, "in the financial-services world, there are three job titles that automatically connote a fiduciary standard: **Attorney, Certified Public Accountant & Registered Investment Advisor.**

Should You Consider a Managed Account?

As your investment portfolio grows in value, it becomes more critical to make the right moves with your assets. For many individuals with investable assets of $250,000 or more, a managed account provides an effective solution to the challenges faced when running a large portfolio. But, who do you hire?

According to **Jack Waymire**, founder of the **Paladin Registry** (a free public services firm for investors) and author of **'Who's Watching Your Money?'** when it comes to hiring an advisor, "millions of investors use very subjective processes…likeable personalities …sales pitches …or selecting advisors from brand name financial services companies because they feel safer". But, he goes on to explain…"advisors from brand name companies may not be the safe choices investors think they are for five reasons":

1. Their companies are publicly owned, so their first responsibility is to shareholders and not to investors.

2. In their companies' quest for profits and higher share prices, the advisors have more conflicts of interest than other financial professionals.

3. The companies have a long history of abusing investors to maximize profits.

4. The companies have paid billions of dollars in fines for cheating investors. Thousands of their executives and advisors have gone to jail, were fined or were forced to leave the industry.

5. The companies have spent billions of dollars on lobbyists who make sure new legislation favors companies…not their clients.

He concludes with, "If these facts aren't enough to raise concerns, then another telling statistic is the thousands of advisors who have left brand name companies so they could do what was best for their clients…most of these breakaway advisors started their own Registered Investment Advisory firms."

By hiring a Registered Investment Advisor to manage your assets, you can gain access to sophisticated investment strategies and a higher level of personalized service that is not typically available in large financial services firms.

One of the primary benefits of a managed account is that securities can be sold in the most *tax efficient* manner. Fees paid to the advisor are usually based on a percentage of the assets in the account. In contrast, mutual funds generally have annual management, distribution and administrative expenses. Be sure to compare fees, liquidity, and investment objectives prior to investing.