



SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

May 2013

“Every customer can have a car painted any color that he wants, so long as it’s black”... Henry Ford on his Model T

How’s the economy?

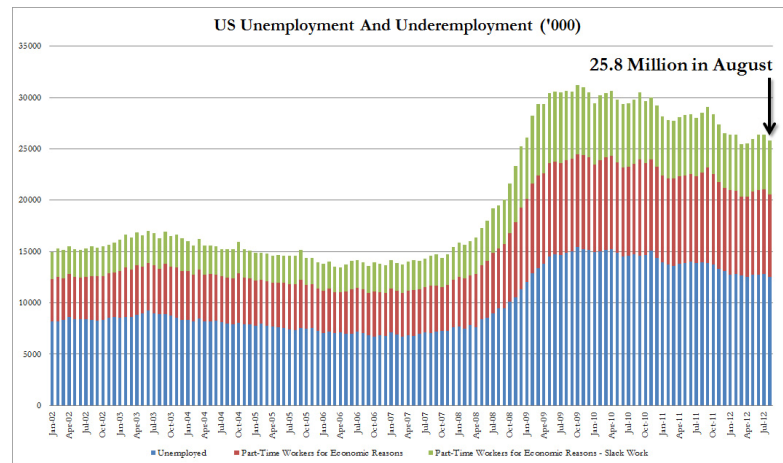
If you ask the average ‘man in the street’, you’ll probably get a few bitter responses. The rich are getting richer, and the middle class and poor are getting poorer. And, unemployment is a BIG problem!

If you look at the U-6 number on the chart to the left, you’ll see that real unemployment is not the 7.6% being reported, but actually 13.8% when you add in the people marginally attached to the labor force.

This next chart shows the reported unemployed (in blue), plus the part-time (in red) and the temporary workers (in green). That total amounts to 25.8 million people who are either unemployed or under-employed. When viewed against the total number of 142.1 million workers in the labor force, it tells us about one out of every five people in this country doesn’t have a job.

HOUSEHOLD				DATA					
Table A-15. Alternative measures of labor underutilization [Percent]									
	Not seasonally adjusted			Seasonally adjusted					
	2012	2013	2013	2012	2012	2012	2013	2013	2013
U-1 Persons unemployed + 15 weeks	4.9	4.3	4.3	4.6	4.3	4.3	4.2	4.2	4.1
U-3 Total unemployed,	8.4	8.1	7.6	8.2	7.8	7.8	7.9	7.7	7.6
U-5 Total unemployed, plus discouraged workers,	9.7	9.6	9.0	9.6	9.2	9.4	9.3	9.2	8.9
U-6 Total unemployed, plus persons marginally attached	14.8	14.9	13.9	14.5	14.4	14.4	14.4	14.3	13.8

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.



When the March employment numbers came out, Austan Goolsbee, former chairman of President Obama’s Council of Economic Advisors called them ‘a punch in the gut’. He was of course referring to the number of Americans who dropped out of the labor force, which of course lowered the unemployment rate.

Couple the employment picture with the inflation picture and you see that’s there’s a lot of pain out there. The American Institute for Economic Research (AIER) calculates inflation on their proprietary index named Everyday Price Index. It looks at the price changes in frequently purchased goods and services. According to their calculations the index jumped 2.3%

in the month of February **alone**. The government figure shows that in February, the **annual** inflation rate was 2.1% over the prior year. Of course, from the Fed's point of view food, gas, oil and things like that don't count.

Now, here's the complete irony of what these reports imply. Again, according to the think-tank at AIER, 91% of our leading economic indicators are expanding. (That's 10 out of 11). In addition, all of the co-incident and lagging indicators are also expanding. So what gives here?

Recently, Bank of America/ Merrill Lynch reported an unbelievable 503 interest rate cuts around the world over the past 6 years. On top of that, there has been a total of \$11.6 trillion injected into the global economies by central banks. That's what gives.

The U.S. stock markets are holding up well in spite of global headwinds with most of our trading partners, and our picture here at home. The reason for that can be directly linked to stimulus.

But, what happens when the party ends? Keeping a realistic eye on facts...not opinions...all this stimulus has to be taken out at some point. After all, if we keep doing this forever the dollar won't be worth the paper it's printed on.

Looking at the stock market, and wondering if its meteoric rise is based on fundamentals, again, we have to be a little cautious here. We're in the beginning of earnings reporting season and we've had some pretty big earnings misses already. IBM, Caterpillar, Oracle, Fed-Ex, to name a few.

In fact over the past 3 months companies have been warning of earnings shortfalls against earnings beats by a ratio of almost 4:1 . The common theme is that the S&P 500 firms are doing OK on their profits, but they are not growing revenue. You can only squeeze the expense lemon so many times.

The consensus among analysts is that we'll probably see a rise in earnings of about 1.2% for the first half of 2013. The market gains are way ahead of this already, on a percentage basis.

No one wants to miss out on a rally, but caution has to be your guiding force. Sir John Templeton, the founder of Templeton Funds, and arguably one of the greatest investors of our time, had what was known as "16 Rules of Investment Success". Here they are:

1. Invest for total maximum real return.

2. Invest-Don't trade or speculate .
3. Remain flexible and open-minded about types of investment.
4. Buy low.
5. When buying stocks, search for bargains among quality stocks.
6. Buy value, not market trends or the economic outlook.
7. Diversify. In stocks and bonds, as in much else, there is safety in numbers.
8. Do your homework or hire wise experts to help you.
9. Aggressively monitor your investments.
10. Don't panic.
11. Learn from your mistakes.
12. Begin with a prayer.
13. Outperforming the market is a difficult task.
14. An investor who has all the answers doesn't even understand all the questions.
15. There's no free lunch.
16. Do not be fearful or negative too often.

I have one more that I'd like to share. Invest like a cheapskate. Never overpay for a stock. Buy it below market value. That way you always have a cushion under your portfolio should the market fall.

'It's a good thing we don't get all the government we pay for'Will Rogers 1920

O.K. A quick quiz:

- Q. What is an assembly of geese called?
A. Gaggle.
- Q. What is a collection of cows called?
A. Herd.
- Q. What is a group of wolves called?
A. Pack.

Q. What is a congregation of baboons called?

A. Congress. (who d'ave guessed?)

We are beginning to see some of the effects of sequestration...especially if you travel by air. The FAA has furloughed thousands of air traffic controllers instead of classifying them as essential personnel and keeping them in their towers taking care of passenger safety. (This may change relatively soon).

Rep. Bill Shuster (R-Penn.), chairman of the House Transportation Committee, in [a statement](#), listed a number of non-personnel costs that he said could be examined first, including “nearly \$500 million for consultants; \$325 million in supplies and travel; the FAA has 46 aircraft that cost \$143 million to operate. It once again would seem that our politicians are playing politics. These guys like tap dancing on landmines.

There are a host of places our officials can find money to keep essential services running. Like the \$100 million lost last year making pennies that cost 2 cents to manufacture or nickels that cost a dime. (These are real figures). Then, we could also look at a little of the government waste; like spending \$21 billion to create 29,000 green jobs. That's \$728,000 per job. Sign me up!

As Will Rogers said in the caption, thankfully we don't get all the government that our tax dollars are funding. As it is, we all know that they spend way beyond their means. The next segment illustrates this.

Is this family going broke?

If we take what the government spends, drop eight '0's and pretend it's an American family; this is what their household budget would look like.

Annual Income	\$21,700
Expenditures	\$38,200
New credit card debt	\$16,500
Credit card balance	\$142,710
Budget cuts to fix this	\$ 385

Click on the link below for a telling video!

<http://www.youtube.com/watch?v=Li0no7O9zmE>

MISCELLANY



☺ If you are looking for gluten free foods, try www.food.com/recipes/gluten-free

☺ Need furniture, clothes and other items picked up for free. Go to www.donationtown.org

☺ What if you wanted to go to some world famous museums, but couldn't afford the trip. Now you can...the virtual way. www.GoogleArtProject.com

☺ More and more we're finding people losing their health insurance. That means, what do they do for needed tests that they may be able to otherwise afford? A private company has solved this. www.PrivateMdLabs.com writes the lab work order, you go to a local lab and get the results sent back to you for a fraction of the cost. Then visit your doctor.

☺ The cost for medical procedures performed in the United States are going into the stratosphere, and more and more people are looking into 'medical tourism'...going abroad for the procedures. To learn more go to www.MedRetreat.com

☺ Alternatively, if you wish to find out what the real cost of a procedure is, the Surgery Center of Oklahoma has put out there, for all to see, what they charge for over 100 different procedures. This is certainly a good benchmark. Check out their pricing site at <http://www.surgerycenterok.com/pricing.php>

New Inheritance Rules may change your existing Trusts

Congress has permanently made the estate tax exemption \$5.25 million. That's great news. But don't forget New Jersey's exemption is only \$675,000, where assets above that amount are subject to an estate tax of between 11-16%.

Not only that, you have the added worry of your heirs being clipped by the New Jersey inheritance tax after you're gone.. Don't you just love living in the Garden State?

But the changes may mean that you need to talk to your estate planning attorney, for a couple of reasons.

1. By-pass Trusts are probably no longer needed because the exemption can be assumed by the surviving spouse under a provision called 'portability'.
2. By-pass Trust assets do not receive a step-up in basis upon the death of the 2nd spouse. Therefore heirs of those assets would be subject higher capital gains because they couldn't claim fair value at the 2nd death as their cost basis.

Check your estate planning documents and go see your attorney.

Would your survivors spend it all?

Like most seniors, you have worked hard to get where you are financially, and you want to make sure that your heirs receive everything that you plan to leave them. To accomplish this, you may have even established a trust to reduce transfer costs and possibly shelter taxes. But what will happen once your loved ones receive their inheritance?

Will they invest it wisely for the future, quickly spend it all, or will angry creditors line up at their door to get paid? An additional special clause within your trust may possibly assure that the assets that you pass to your beneficiaries will last as long as you had wished.

A spendthrift clause prevents trust beneficiaries from voluntarily or involuntarily transferring current or future rights in the trust. Without this, beneficiaries have unrestricted ability to use the assets, and thus their creditors can attack those funds. State laws determine the exact language and the degree of creditor protection spendthrift trusts offer. Nevertheless, the concept restricts the beneficiaries' access to the trust's property.

The trustee whom you select is usually given the discretion to distribute money as needed to the beneficiaries. This may be an ideal choice for a beneficiary who is financially irresponsible, and likes

to spend, or you may want to provide for a loved one who has special physical or mental needs.

If you worry about how your children, grandchildren, or other beneficiaries might spend the money you leave them, you should schedule an appointment with an estate-planning attorney to draft the documents.

Don't Get a Revocable Living Trust for the Wrong Reason

A revocable living trust (RLT) can be a useful tool to help you reduce estate settlement costs and to retain control over your assets while you are living. However, the benefits of an RLT will vary from person to person. In other words, they are not for everyone.

An RLT allows you to transfer your property to a trustee with instructions to hold the assets as specified within the trust for the benefit of the beneficiaries. The trust agreement often covers three important time periods.

The first part covers the time that you are alive and competent. In most cases, you would be the sole beneficiary and sole trustee. You'd have complete control over the property, including the authority to remove all of the trust's assets and the ability to revoke the trust at any time, for any reason.

Part two stipulates that if you become incapacitated, a successor trustee that you have named in the trust will take over to manage the assets for you. You will, however, remain the sole beneficiary. This section will eliminate the need for your family to go to court to seek guardianship over your finances in the event you are unable to manage those funds on your own.

Finally, the third part directs the disposition of the trust's assets after you die.

Assets in an RLT also avoid probate, thereby reducing transfer costs for your heirs. An RLT can also keep your affairs private since they are not a matter of public record. However, if the trust is un-funded, your assets will still go through probate.

RLTs have helped many seniors and their families better manage their finances, but not everyone needs it. So before you spend the money, make sure you know what you hope to accomplish.