

MACMILLAN FINANCIAL
JOHN MACMILLAN, CHFC

P.O. Box 66
ANNANDALE, NJ, 08801

T: (908) 236-7500
F: (908) 236-7511

WWW.MACMILLANFINANCIAL.COM



SENIORS/BOOMERS

NEWSLETTER

"THE RETIREMENT EXPERTS"

October 2013

"It's easier to do the job right, than explain why you didn't" Martin Van Buren, 8th president of United States

Martin Friedman, Nobel Prize laureate and grand-master of free market economic theory, while travelling in Asia was shown a large public works project. He was surprised to see the workers using shovels instead of bulldozers. When he asked the tour guide why there were few machines on the site he was told that the purpose of the project was to create jobs. Friedman then asked why the workers weren't using spoons instead of shovels.

So, once again this year we have several upcoming crisis where our Washington representatives have elected to use spoons instead of bulldozers to solve our monetary problems.

1st The government will be out of cash by mid-October unless the debt ceiling is raised on October 1st (where have we heard this song before?)

2nd Budget cuts through sequestration...which are still ongoing, and still exist for 2014...are still with us.

3rd An upcoming 2014 Federal Budget cat fight.

4th The National Debt which is getting ready to cross the \$17 trillion mark, and is higher than GDP.

Can this be good for the stock market?

Is This Market CHEAP or EXPENSIVE?

This is the \$64 question. To coin a phrase from a former Federal Reserve chairman, Alan Greenspan, it's "Goldilocks" all over again...not too hot and not too cold. Currently the market is trading at about a P/E of 16 (ttm) and a forward P/E of 13.5. Neither of these values is excessive.

During the 2nd quarter, S&P 500 companies grew earnings 2.1% with a rise in revenues of 1.8%. Not great. Not frothy...but still growth. The Street is

forecasting 3.9% earnings growth in Q3 and 10.5% in Q4 (which is probably too ambitious). Nonetheless, it indicates that the economy is growing.

Over in the Treasury market, we still have the Federal Reserve buying up government bonds as well as mortgage backed securities. There has been a veritable flap about tapering the bond buying, to which the Fed threw a knuckleball on September 18th, and did nothing. Even had they begun the process of reducing monetary stimulus, so what! What many seem to forget is that tapering is not stopping...just reducing. The Fed will not have stopped buying; they'll just be buying less. BUT, they will still be expanding their balance sheet by a sizable amount.

The Fed bond buying going on right now is excessive. How excessive is it? Well, the Federal Reserve is essentially buying up ALL the government treasuries. While they continue to buy, our real creditors are selling. For a fifth month in a row, China and Japan have been selling their stockpiles of our Treasuries to the tune of \$40 billion.

What will happen when the Fed stops buying government debt and our creditors sell the debt they hold, back to us? No one knows for sure, but the suspicion is that will not be good. That will be like tying two anchors together and calling it a sailboat.

So, going back to the market. What can we look forward to for the remainder of the year? Although, things seem to rolling along, I was very distressed to see the front cover of Time Magazine. Almost every time a major publication has ever said we are entering a bull or bear market, the opposite has happened.

For example, this Time cover (next page) just came out. Although it asks the question if a crash could happen again, the picture in every investors mind is a bull with a party hat and shades with confetti all around him, saying 'How Wall Street Won'.

Then, in 1979, Business Week ran its now infamous cover “The Death of Equities” practically predicting the end of Wall Street as we knew it. But an investor who spent the ensuing 20 years doing the exact opposite of what that cover suggested would have gotten rich



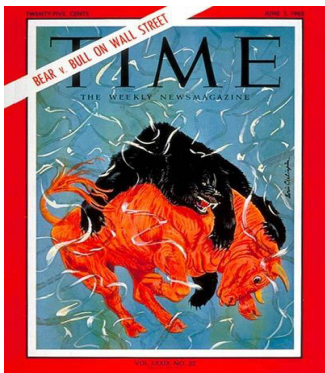
Barron's ran this cover back in April. Nice.



From January 1, 1979 through December 31, 1999 the DJIA went from 811 to 11,722...and increase of almost 1500% on its 20 year bull run.

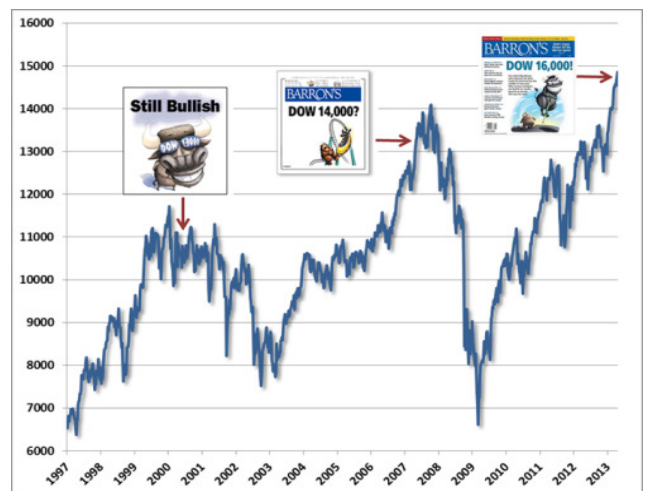


Here is another Time cover from June 1962. It certainly looks like the bull is getting mauled by the bear. Guess what? This was at the market bottom.



There are far more examples just as poignant and perversely succinct going all the way back to 1929 that I could show you. But, I'm sure you get the point. There is however one more chart:

This next chart shows what the market then did for the next six years, 1962-1968.



SCARY AIN'T IT ?



Now you know why I hate to see these magazine covers!

camera...just about anything? Well, you can do so for free at www.IFixIt.com

“Spending Down Your Qualified Assets!!!”

One of the foremost questions on a retiree’s mind is how much should they withdraw from their retirement nest-egg...and not be worried about running out of the money.

This subject has been written about extensively and opinions among financial advisors vary. Some say 4%; others 4.5% yet others say 5%...and then you have the camp that says only spend your dividends and interest income. So, who should you trust?

Are you sitting? You can trust the IRS. No, really! Let me explain. Now, you know the IRS have some of the best actuaries out there, and these people figure out how much you **must** spend, over what period of time, and the percentages that will vary each year.

This, of course, refers to REQUIRED MINIMUM DISTRIBUTIONS (RMD’s) that must be taken after reaching 70 ½ . There have been a number of studies that point to inherent advantages to this strategy because it takes into account an annual withdrawal that is based on investment returns and the balance in your IRA portfolio. Also, the withdrawal percentage *increases* yearly which also takes into account inflation. Finally, it also allows the retiree to enjoy more of their money as their life expectancy decreases.

Everyone’s situation is unique to them, but if you’re confused about how to do it...this may be an solution to investigate.

MISCELLANY



☺ We all know that sometimes hospitals are places where you go and get sicker! To check out your hospital go to a search engine browser...type in the name of the hospital, followed by the words *inspection record* and see what comes up.

☺ Have you ever needed a repair manual for one of your electronics, household item, tool, vehicle,

☺ Find music to match the mood at www.StereoMood.com

☺ Did your elected representative really say that? A non-partisan group monitors the accuracy of politician’s claims at www.FactCheck.org

☺ Have you wanted to cost compare pharmacies on different drugs. You can go to a site, type in the name of the drug you’re interested in checking. This site will not only give you the generic name that is also available, but the cost at different locations. It can be found at www.PharmacyChecker.com

☺ To check on hospital charges, get the scoop at www.nerdwallet.com/health/hospitals

NOW TO AVOID SOME CURRENT SCAMS

☺ Safeguard files on your computer through an encryption process offered in Microsoft 2010 or 2013. Go to FILE, then click on INFO, then click on PROTECT DOCUMENT, then click on ENCRYPT. Your file is now protected from any unwanted eyes.

☺ A thief who has managed to get your credit card number (this is easier than you think when you give a clerk your card to pay for something), will call you up saying they are doing a fraud investigation. They will give you your card number and ask you to prove the card is still in your possession by providing them with the three or four digit security code. With that, and your card number they are off to the races.

☺ Not all “.gov” links are from the government. A scammer can send you a phony link to a .gov address, and then download malware on your computer if you click the link. For your protection, before clicking on any links, hover your cursor over it and it will show you where the link is going to take you.

“What Would Your Family Do In An Emergency.....If Something Happened To You?”

This subject is one that no one likes to think about or talk about, but every day something happens to someone who wasn't prepared.

There are several ways to protect your family, and none of them is difficult:

The first thing is to get your important documents together. These are

1. Durable power of attorney (POA). It is always recommended to have a qualified attorney prepare a POA for you. If you already have a valid document, great, go on to the next item number. If you don't have one and do not wish to pay a lawyer to draft it for you, follow the link below to get a template.

<http://ww2.odu.edu/ao/oip/studyabroad/resources/generalpowerofattorney.pdf>

2. Health Care Directive. Again, it is recommended that you consult an attorney, however if you need one and do not wish to get it done professionally, follow this link,

http://www.hunterdonhealthcare.org/uploadedfiles/services/home_care/DurablePowerOfAttorney.pdf

3. Wills.
4. List of insurance policies
5. List of bank accounts
6. List of your debt obligations
7. List of prescription drugs
8. Safety deposit box keys.
9. List or statements for your retirement & investment accounts.
10. People to contact.
11. List of all internet passwords
12. **Instructions of what to do in the event of incapacity or death**

These documents will help your loved ones in, what will be, a very confusing and stressful situation.

Now that you have all the documents together in one place, what do you do with them? Most, would say you put them in a safe, central and fire-proof location. Absolutely right! What you may not have guessed is where that should be?

You place these documents inside a zip-lock bag, and place that inside a 2nd zip-lock bag, and store them in the bottom of your freezer. According to the fireman who made the suggestion, unless you have a catastrophic fire, they should be able to survive most house fires.

Another reason to do this is because it's easy and quick for your family to reach in and grab the document bag on their way to the hospital.

I have two items that I can offer you, free of charge, to assist you in getting organized.

The first is a 20 page report which offers very detailed, step by step, instructions of what your family should do if something happens to you.

The second is 12 page booklet called FIVE WISHES. Inside you express your wishes for
1)who you want to make care decisions for you
2)the medical treatment you want or don't want
3)how comfortable you want to be
4)how you want people to treat you
5)what you want your loved ones to know.

Good luck getting organized. Your family is depending on it!

Now, a parting thought for the month:

Put The Elderly In Prison



We should place the elderly in prisons because they will get a shower every day, video surveillance in case of problems, three meals a day, access to a library, computer, TV, gym, doctors on-site, and free medication if needed.

Put criminals in nursing homes and they'll get cold meals, lights off at 7pm, two showers a week, live in a smaller room and pay rent at \$4,000 a month!!!

It's pretty sad that we treat prisoners better than the elderly.

