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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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An expert knows more and more about less and less until he knows absolutely everything about nothing.
Mahatma Gandhi

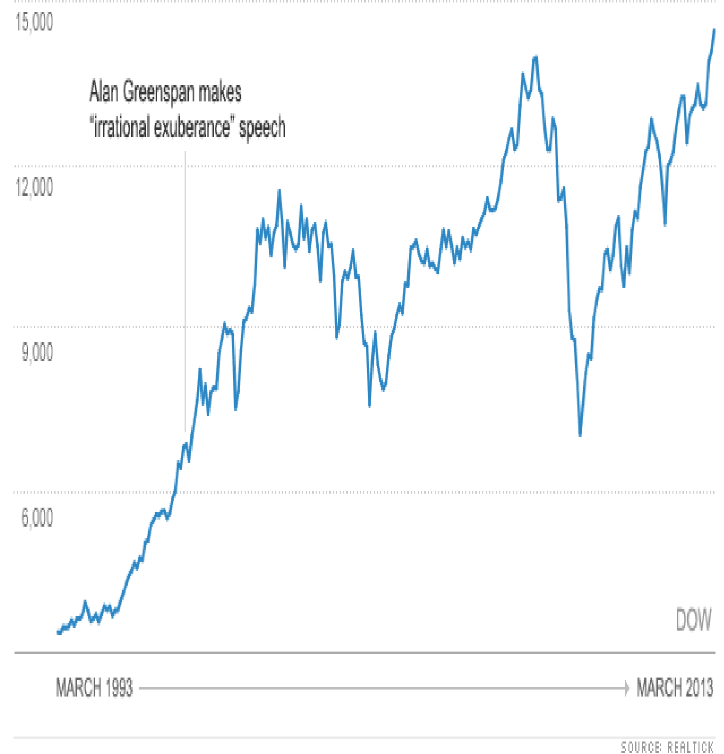
I hope you're not watching CNBC or Bloomberg, or Fox Business television with the hope of getting some clarity on what's going on in the stock market. As they say in New York, *fogetaboudit*.

For every expert who says the market is about to fall through a hole in the floor, there is another one who comes on immediately afterwards and tells you to expect Dow 31,000. So, who's right? Who knows?

There are so many opinions going around telling you things like: the Russell 2000 (small cap index) is down almost 10% from it's July 3rd high so expect the big correction anytime ; then you have the DOW THEORY reaffirming a bullish sentiment because both the Industrial and Transport averages are at all-time highs.

Just for good measure, I'll throw in a couple more I've heard: The Market valuation to revenues is 1.67 times the S&P 500...which is the highest since just before the market collapse in 2000 and is double the historic norm.

The Bank for International Settlements (the central bank for central bankers) recently said that the financial markets are 'euphoric'. This kind of reminds me of when Alan Greenspan said that the market was suffering from “irrational exuberance” in 1996. Although he was eventually proven to be right, look at what happened in the three and a half years following his famous speech.



Greenspan's prophetic utterance highlights the axiom of when making a prediction; if you give a number don't ever give a date; or if giving a date never give a number. He effectively gave both in November 1996.

The Dow ascent went on for three + more years rising from 6305 when the maestro spoke, to its top in January 2000 when it reached 11722...almost double. Wow, way to go coach!

Fast forward to today and after looking at our five year bull run, common sense would suggest that we are probably closer to the end than the beginning of this bull market. History also tells us, however, that the end of a bull market is often the most lucrative time to own stocks.

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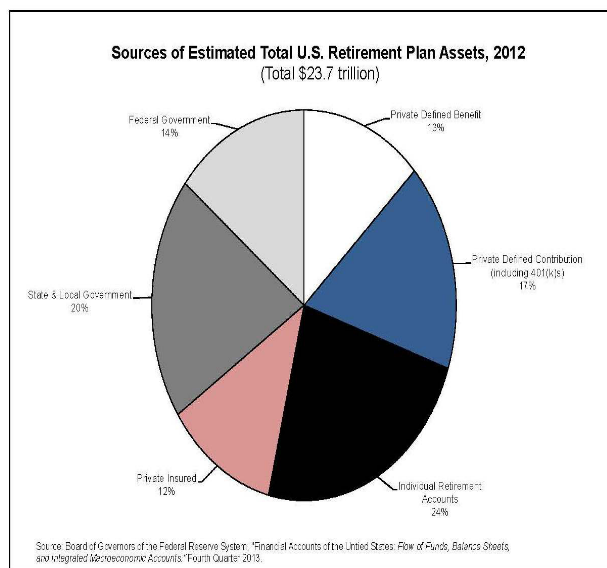
One thing I've learned over the years that still absolutely holds true is another rather famous quote: 'The *market* can stay *irrational longer than you* can stay *solvent'*. John Maynard Keynes, (attributed) English economist (1883 - 1946). People who got out after Greenspan spoke in 1996, had to forgo a great deal profit.

So, where am I going with this? Don't try to time the market. No one has ever done it successfully over the long course. Stick to the basics of investing and you should be fine.

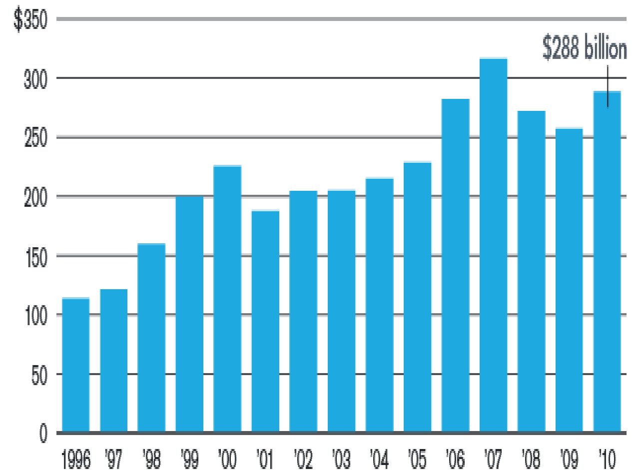
1. Buy the best companies you can.
2. DON'T overpay. Be cheap.
   a. check the Price/Earnings (P/E)
   b. examine the Price/Sales (P/S)
   c. look at the Price/Book (P/B)
   d. and the Price to cash flow (P/CF)
3. Set a 'trailing' stop-loss and stick to it.

RETIREMENT SCAMS

As you can see from the chart below, there was almost $24 Trillion in retirement plans in the United States as of 2012. That much money has had many unscrupulous, thieving low-lifes in the investment world try to concoct ways of destroying people's retirement before they even get started.



Bloomberg recently ran a story entitled “Retirees Suffer as $300 Billion 401(k) Rollover Boom Enriches Brokers”.



They conducted a 3 month investigation and wrote about the ways sales representatives from various financial firms in the industry persuaded the soon-to-be-retirees to put their money into very dangerous and/or illiquid investments.

For example:

1. Bonds that had a less than investment grade rating, on the promise of getting higher returns. These often look good until they don't...think Puerto Rican bonds. The ones making the most money in these kinds of transactions are the brokers making large, upfront commissions.
2. **Non-traded** Real Estate Investment Trust companies (REITS) was another scam investment, looked at by the Bloomberg reporter. I love REITS and usually have several in my client's accounts. The difference however is that the ones I select are high quality and trade on the New York Stock Exchange or the NASDAQ.

The non-traded variety are bought and sold privately and are therefore *very illiquid.* Also, they

tend to come with very high commissions that can eat up to 10% of your money before you even get started. Again, the majority of that money goes to the broker who sells you the product.

3. Oil & Gas private placements are just like they sound. Private. They are typically marketed to what is termed 'accredited investors'. In this day and age many crooked brokers can stretch the definition to included a great number of unsuspecting people. To be accredited you and your spouse's joint net worth should be $1 million or more. If you have a decent retirement account and a house, you can probably qualify. Houses generally should not be included in your net worth calculation, but a broker looking to make a sale might do this.

Although these investments are covered under the Securities Act of 1933, they do not need to be registered with the SEC. I'm not saying that all private placements are bad (think Facebook)...they are not. BUT, they rarely belong in a person's retirement account.

4. Variable Annuities was another investment examined in this investigation. Although VA's are not illegal, or necessarily a scam, I personally do not believe that they belong with a retiree. There are a few exceptions, but not many. The reason why they are called 'variable' is because they are invested in mutual funds therefore subjecting your income to a variable state...dependent on stock market returns.

The insurance component usually guarantees that your heirs will receive, at least, your principal back if you die, however; unless you are prepared to annuitize the contract (turn the money over to the insurance company) your account value could be less than what you started with if you decide to cash in the contract. Also they have very high upfront commissions of 7-8% and annual fees can run as high as 3% every year.

The important take-away from this story is that of the 1.3M agents in the investment & insurance fields, only ten (10%) are being held to a **fiduciary standard.** This standard <u>legally obligates</u> an advisor to act in the best interest of their client **ALWAYS.** No exception.

Typically, brokers and agents are held to a 'suitability' standard meaning that they can sell you a product if they deem it suitable...it doesn't have to be the best. As long as it meets your investment objectives and time horizons, it meets the law.

There has been a concerted movement among regulators for several years now, to place everyone in the financial services industry on a fiduciary standard; but they are getting a great deal of push back from broker/dealers and investment companies. The obvious question is why. Damned if I know! The unfortunate thing is most investors believe the law is already in place. Beware. It is not.

Below is a link to a very good explanation of the two standards at BANKRATE.com
http://www.bankrate.com/finance/investing/fiduciary-standard-1.aspx

MISCELLANY

☺ You are able to post jobs that you want performed and...request bids from people/companies in your neighborhood. Go to www.taskrabbit.com

☺ At www.nerdwallet.com/health/hospitals you are able to check the cost of over 100 of the most common inpatient services performed everywhere in the country.

☺ Social Security lists 225 conditions for which they will process on an expedited basis. Check them out at www.socialsecurity.gov/CompassionaateAllowances

☺ www.ClinicalTrials.gov will provide you with over 4300 worldwide clinical health studies currently being conducted; including over 2000 in North America

☺ At www.MayoClinic.org/first-aid you will find an encyclopedia of information.

☺ Have you ever been looking for conversion charts. Look no more. Find them at www.Convert-Me.com

☺ You can find housing options, online support groups and other resources for people taking care of loved ones at www.Caring.com

☺ See all auto recalls and Technical Service Bulletins at www.SaferCar.gov

THE CASE FOR INVESTING OVERSEAS

Many investors feel comfortable investing almost exclusively in U.S. companies because this is where we live and these are the companies we have come to know and love. But is this always a good decision?

Maybe not. There are two issues here. 1St , there is the question of diversification. A diversified portfolio using asset allocation principles is the safest and generally best way to grow your investments. 2nd , the best deals may not always be found here at home.

The table below shows the average price-to-earnings (P/E) ratio and dividend yield for 20 developed economies…

Country	P/E Ratio	Yield
Norway	11.4	4.4%
Spain	24.1	4.3%
Australia	20.0	4.0%
Finland	22.0	4.0%
Sweden	15.9	3.4%
United Kingdom	22.8	3.2%
New Zealand	18.6	3.1%
Portugal	35.0	3.0%
France	25.6	2.9%
Switzerland	20.0	2.9%
Hong Kong	13.0	2.9%
Netherlands	23.9	2.8%
Singapore	14.4	2.8%
Canada	31.4	2.7%
Italy	317.2	2.7%
Belgium	16.0	2.6%
Germany	18.1	2.5%
Japan	14.7	1.9%
United States	**20.3**	**1.8%**
Greece	9.0	0.4%

Source: Star Capital, iShares

Investing overseas doesn't have to be that difficult. You don't need to go out and research individual companies in these countries to figure out where you should put your money.

There is a much simpler and more encompassing way to accomplish this. Exchange Traded Funds. Country specific Exchange Traded Funds (ETF's) to be more precise.

Twenty years ago when the first ETF hit the scene in the United States, almost everyone was very leery of this new investment product. In fact only the bravest of the brave ventured in and bought shares.

In 1993 the Standard & Poors 500 Depository Receipts (SPDRs) debuted and the growth of this product has been nothing short of spectacular ever since.

By 2002 there were 102 American ETF's available for purchase. More and more country stock exchanges came on board and in 2008 we had 747 globally, accounting for a value of $534 billion.

Today there are now over 1,500 Exchange traded Funds with $1.8 trillion in assets. They are not all main-line. Believe me when I say that some are pretty obscure.

OK, really obscure like: **Japan Interest rate Strategy** (symbol: JGBB) which tracks the performance of U S Treasury bills relative to Japanese government bonds. This is probably not going to become an indispensable part of your portfolio, but there are many others that may.

You are able to find ETF's covering
*emerging markets
*developed markets
*international bonds
*emerging market bonds
*overseas dividends
*region specific (Latin America, Africa, Europe,Asia)
*country specific(Japan, Canada, China, Brazil)

- as well as many other countries & regions-

So go ahead and explore what's out there. ETF's are a great way to fill gaps in any portfolio. What you find may pleasantly surprise you.

GOOD LUCK!