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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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My mechanic told me he couldn't repair my brakes ……...so he made my horn louder
Steven Wright scientist/humorist/actor

A major mistake many U.S. Investors make is what is known as 'home country bias'. This merely means that as Americans we have a tendency to invest in what we are most comfortable with and know best – American companies.

But is that a wise decision? To paraphrase the title of an old movie from the mid 80's, almost everyone is 'DESPERATELY SEEKING YIELD" and home country bias may not be in your best interest, or the place to find it.

As a follow-up to last month's article, we'll take another look at overseas investing and dividends.

Key Country Market Statistics

Country	Index	Current P/E	Current Div Yield (%)
Spain	IBEX 35	22.87	4.67
UK	FTSE 100	19.43	4.64
Brazil	Bovespa	17.23	4.29
Australia	S&P/ASX 200	19.58	4.28
Hong Kong	Hang Seng	10.90	3.86
Sweden	OMX 30	16.97	3.73
Singapore	Straits Times	13.88	3.29
France	CAC-40	25.46	3.27
China	Shanghai Comp	10.09	3.18
Switzerland	Swiss Market	18.96	3.14
Malaysia	Kuala Lumpur	16.86	3.12
Taiwan	TWSE	19.88	2.89
Russia	Russian Trading	6.40	2.80
Germany	DAX	18.15	2.73
Canada	S&P/TSX	20.55	2.71
South Africa	FTSE/JSE Top 40	19.92	2.69
Italy	GBTPGR10 Index	Neg.	2.67
United States	S&P 500	18.09	1.90
Mexico	Mexican Bolsa	26.46	1.71
Japan	Nikkei 225	20.15	1.56
India	Sensex	17.50	1.50
South Korea	Kospi	Neg.	1.11

The thing is, by looking a little farther afield, we can find yields that, in some cases, are more than twice what the US stock market is offering today.

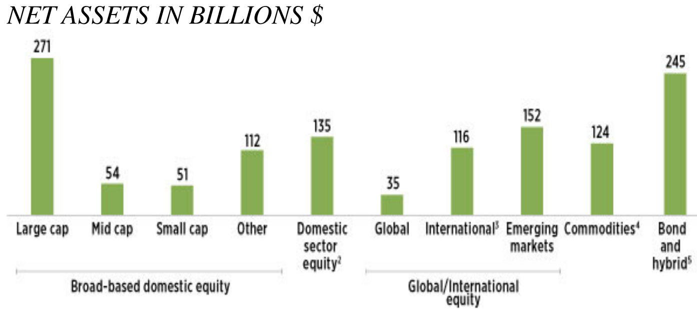
The adjacent chart illustrates the yields available in other places around the world. Having lived abroad for more than twenty years, I can state confidently that many foreign countries are not 'backward', nor are they providing caves for their citizens to live in.

What you do in here at home, prior to making investment decisions, is to check out a company's vital stats; price/earnings, price/sales, book value, growth rate, free cash flow, etc.

When it comes to investing in other countries you can either do it through individual stocks, or Exchange Traded Funds using the same kind of research criteria.

Today there are over 1,500 ETF's domiciled in the United States, whose assets exceed $1.8 trillion. The chart below gives you a summary of how these funds are constructed.

NET ASSETS IN BILLIONS $



The disappointing statistic is that there are only 3% of U.S. Households currently using this investment mechanism. Today you can find specialized ETF's based on country...or industry...or sector... or class... or geography...or...you get the point...just about anything! This represents a double edged sword however.

On the one hand it offers an array of diversified investment choices. On the other, some are so specialized that they can be an illiquid asset class. Meaning, in a down and falling market, it may not be possible to redeem your shares when you'd like to sell them.

This is not a likely scenario for the larger and less specialized funds because of the involvement of the major investment banks and brokerage houses (like Goldman Sachs), however; highly specialized funds like the 'Japan Interest Rate Strategy' fund you may be left holding a falling knife.

To mitigate the risk of being caught in a market downdraft, ensure that the daily volume being traded on the ETF you like is somewhere in the range of 100,000 or more. At this level there should be enough liquidity to get you into and out of your trades.

Whenever I think about the past, it brings back so many memories
Steven Wright scientist/humorist/actor

Social Security is a pay-as-you-go system. Revenues from payroll taxes go into a pot to pay promised benefits. What is left over is supposed to go into a Trust fund to cover shortfalls in years when there isn't enough payroll tax revenue to pay for the benefits.

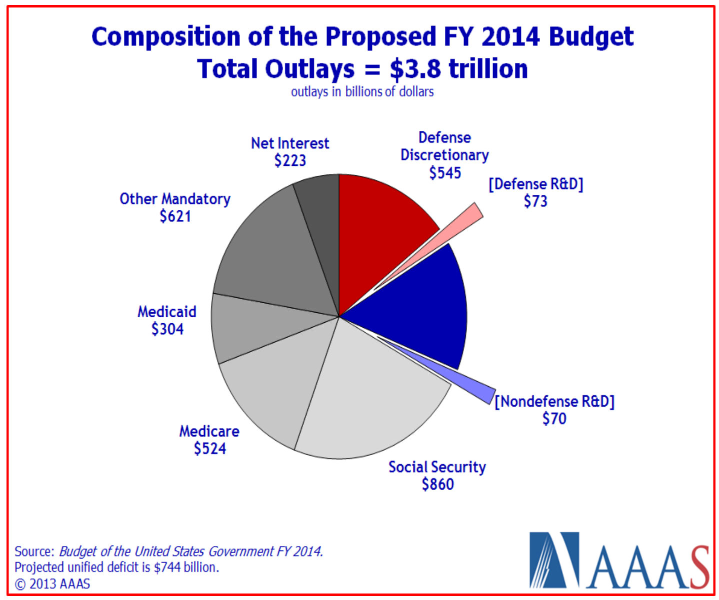
Now, you may ask, what happens to all the money in the Trust fund. By law, all excess funds must be placed in U.S. Treasury debt securities. Unfortunately, what has happened all along is that those proceeds have traditionally been borrowed by the government to pay for the budget deficits...but that's another story.

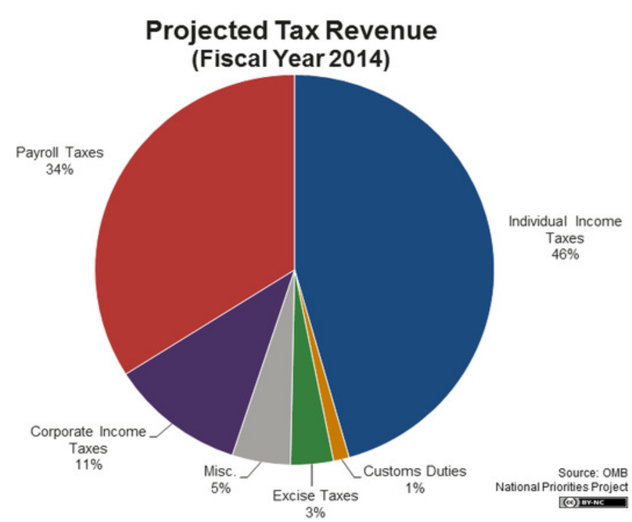
The latest trustee's report says that the Treasury will need to redeem trust fund asset reserves after 2019. What the report doesn't say is where the money will come from...seeing as the Trust fund is really an empty box filled with IOU's. The expectation is that the $2.7 trillion of imaginary money will be depleted by 2033...at which time benefits would have to be cut by 25% to stay solvent through 2088.

Next, we have Medicare and Medicaid:
Medicare is federal health insurance for seniors and the disabled. It costs American taxpayers $486 billion a year. Medicaid, on the other hand, is a federal and state government health insurance program for the poor. The states run it but the feds put up, half or more of the money. Medicaid costs American taxpayers $415 billion a year.

Medicaid is already America’s third-largest government program, trailing only Social Security and Medicare, as a proportion of the federal budget. Almost 8 cents out of every dollar that the federal government spends goes to Medicaid. That’s more than $265 billion per year.

Between the BIG 3 - Social Security, Medicare and Medicaid, they account for 46% of federal spending. Within the next few years, they will eat up more than half of federal expenditures.





This is all pretty gloomy. So what can be done to fix these problem?. There is a terrific 38 page report issued by the Heritage Foundation (link http://www.heritage.org/federalbudget/pdf/2014/all-budget-chart-book-2014.pdf)

The answer is so simple and can be summarized in 3 simple steps:

1. Cut spending
2. Fix the Debt
3. Reduce the Tax Burden

Let's hope Congress can get it done. Our children's and grandchildren's futures depend on it.

I was asked, if I was stranded on a desert island, what book would I want to bring. I thought long and hard about this and decided on ...... "How to Build a Boat"

Should you be worried about a bear market. If you listen to the news or read a financial magazine, you're probably thinking YES.

I'm fond of saying to people who believe that the market is due for a correction because of how much it's risen in the past 5 years...'if you think the Dow is high at 17,000, wait till you see it in 20 years'

I'm not suggesting that the market will go on forever without a correction. It will indeed have a correction at some point. BUT, there will be real economic reasons for that to happen.

If you recall the bubble talk back in the late 90's and early 2000's, everyone was 'all in' when it came to the market. Non-professionals were giving advice to everyone who cared to listen. Everyone was making money.

The sad fact however was that those individuals mistook a raging bull market for...genius on their part. It's like an old punch line: "I intend to live forever...so far so good". Keep your analysis real and stick to the facts.

To help keep things in perspective I've included another chart which clearly shows that the stock market today is NOT over-valued by most historical measures. Again, look back to the 'go-go' years for comparison. Also, the chart below is looking at **trailing twelve months** data...not forward looking, which can be deceiving.

Date	S&P 500 PE Ratio
Aug 21, 2014	19.75 estimate
Jan 1, 2014	18.15
Jan 1, 2013	17.03
Jan 1, 2012	14.87
Jan 1, 2011	16.30
Jan 1, 2010	20.70
Jan 1, 2009	70.91
Jan 1, 2008	21.46
Jan 1, 2007	17.36
Jan 1, 2006	18.07
Jan 1, 2005	19.99
Jan 1, 2004	22.73
Jan 1, 2003	31.43
Jan 1, 2002	46.17
Jan 1, 2001	27.55
Jan 1, 2000	29.04
Jan 1, 1999	32.92
Jan 1, 1998	24.29

Finally, as further thinking points, remember these facts:

- The Fed is accomodative with interest rates.
- The economy is growing.
- There is no sign of an impending recession.
- Company earnings are growing.
- Bond yields are still very low.
- Inflation is still benign.

When put in this context, it's hard to be bearish.

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☺ If you get bumped off an airline flight, you're due compensation if the airline can't get you to your destination within an hour of your scheduled arrival. For 1 hour late, you might get 200% of your one-way ticket price. Two hours late entitles you to 400%. If you don't want the fight a long fight with the airlines you can get help for not a lot of money. Go to www.getairhelp.com and for about 25% of the take, and they'll do everything for you.

☺ Beware of wire bristles from your BBQ grill brush. If they fall off and don't get cleaned away, they could get imbedded in your food and swallowed by a family member.

☺ If you wish to check on airline flight status and airport delays, go to www.FlightStats.com

☺ You can access free video talks and lectures from famous people at www.ted.com

☺ If you're curious about movie details and trivia you can find just about anything on the most comprehensive database available at www.imbd.com

☺ For you two finger typists, there is the coolest site to teach you how to type for free. Check it out at www.TypingWeb.com

☺ Now here's something to contemplate: BIG DATA. Just how big is it? Taken together with the Internet, social media, smart phones, Ipads, etc. these devices create 2.5 quintillion bytes of data every day. How much is that?
One feature film on a DVD equals 1 gigabyte. 5 billion DVD's would fill a football stadium. That equals all the data produced from the beginning of time till about twelve years ago. In 2003 humanity created the equivalent of 5 billion DVD's in one year. By 2011 it only took two days. This year it's EVERY 10 MINUTES. It's predicted that by 2016, it will be every two seconds. Are there any investment opportunities here???

When everything is coming your way, you're probably in the wrong lane

Steven Wright

A recent survey of American households and retirement, yielded some startling results:

*31% of pre-retirees had no retirement savings, and more shocking 19% of those were between the ages of 55 to 64.

FINANCIAL PLANNING magazine had a recent article entitled “12 Terrifying Retirement Facts Keeping Boomers – and their advisors- Up at Night”.

1. 46% of American workers have less than $10,000 saved for retirement. Of those, 29% have saved less than $1,000.
2. Currently there are 40 million senior citizens in the United States. By 2050 there will be more than 90 million, all competing for government benefits and jobs.
3. According to a study conducted by Boston College, American workers are $6.6 trillion short of what they need to retire comfortably.
4. The U.S. Census Bureau estimates that one out of every six elderly Americans is living below the poverty line.
5. Over the next 20 years, more than 10,000 Baby Boomers will be retiring every single day. Health & medical insurance needs are projected to grow to $865 in the next 5 years.
6. At the moment about 13% of all Americans are 65 years of age or older. In 15 years, that number will have risen to 18%. Again, this is going to put tremendous stress on medical expenses not covered by the government.
7. Between 1991 to 2007, the number of Americans, ages 65-74, that filed for bankruptcy increased by an astonishing 178%.
8. In 1991, 50% of workers planned to retire before age 65. Now it's only 23%.
9. 74% of American workers expect to need to work in retirement.
10. In fact, 40% plan to work till they drop.
11. 56% retirees had debts going into retirement.
12. Finally, 88% are worried about having enough money.