

Financially

Speaking

Live Well, Laugh Often

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Providing Professional Guidance for the Future You Deserve

Fall 2009

Volume 4, Issue 2

Dear Clients and Friends *What a year it has been.....*

Recently, I was watching an interview with John Bogle, the founder of Vanguard Mutual funds, who summed it up: Investing is simple but not easy. Simple, he says, because you need to follow some basic rules.

- Diversify across broad bond and stock markets
- Do proper asset allocation based on your risk tolerance and time horizon
- Keep fees you pay to mutual funds and brokerage firms where you invest low
- Keep investing according to your plan, don't try to time the market and don't pay attention to the market noise or read your statements very often.

Not easy because we are emotional and our own worst enemy. Just when we need to stick to a plan, our emotions take over and we sell and buy at the wrong time. With all the ways we can get information today, much of it hyperbole and frantic, it is hard not to be affected and to stick to your financial and investment plan. Mr. Bogle also commented that watching the stock market is a distraction to an investment plan.

So, a year later and the markets have turned positive over the past few months. From the low in early March, the bond, domestic equity and international equity markets have risen substantially. The Treasury Dept. has stated that the recession has slowed if not reversed. In some areas real estate is selling again and prices have stabilized.

Unfortunately, there are still some aspects of the economy that still point to uncertainty. They have been widely reported by the media including consumers are spending less, credit card defaults are at an all time high, international economies are still brittle, many mortgages are still to be reset, unemployment is expected to continue to rise through the end of the year at least and inflation, while not an issue today, looms on the horizon.

All of this leads to continued volatility and some possible really big swings in the markets are yet to come. September and October historically have had some notable big dips in the stock market, as we saw last year. But, overall, the situation in our economy is greatly improved over this time last year.

This leads me back to the beginning of this article. Follow the sage advice of John Bogle. Get a diversified investment plan based on your goals, needs and time horizon and stick to it to weather any future crisis.

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Saving

Saving money is big right now. In the past, "keeping up with the Joneses" might have centered on the new car or other big ticket items. Now, it is all about how many ways can you save money. Savings rates for Americans are rising for the first time in decades. For some it's a realization that financial disasters can occur, for others it is absolutely a necessity to get by day to day.

Here are 10 simple tips or reminders that can help you save small amounts that add up to big amounts in no time at all. How many more can you add to this list?

1. Clean or replace the furnace filter before you start using it.
2. Use store coupons, but only for things you normally buy.
3. Start Christmas shopping now. Use a list and watch for bargains.
4. Inflate your automobile tires.
5. Weather strip around windows and doors.
6. Use a budget. Go to www.mint.com for help.
7. Get that blanket for your water heater or check the one you have to make sure it is still in place.
8. Get your chimney swept. This can save you a little money daily and huge amounts if it prevents a chimney fire!
9. Replace your light bulbs with energy efficient bulbs.
10. Turn off all appliances completely when finished with them. Plug electronics into a power/surge strip and switch it off. Standby mode uses a good deal of power.

OPEN ENROLLMENT OPTIONS

For many of you, this is Open Enrollment time. Whether you are employed or retired, spend some time with the details of your choices. I've seen that many business and government health plan and retirement plan options have some fairly major changes from what has been offered in the past. The names of the plans may be the same, but you will need to pay attention to the details.

Retirees on Medicare should review their Part D prescription plan. Each year, especially if you have had prescription changes or anticipate prescription changes you should check out the various insurance plans offered in your area. Use the www.medicare.gov website or call 800-633-4227 to see what is available.

Health Plans have cut some benefits or are asking you to pay more each month or per service for the benefits. If your employer offers a Health Savings Account, research that option to see if it would be a benefit to you and your family. Age and your general and specific health needs should be considered before making a decision. A conversation with your physician might be wise.

Retirement plan mutual fund choices are changing as employers look for better alternatives for employees. Some of the poorest performing funds in the past year are the lifestyle or target date funds that are often used as a default. You may be faced with a whole new set of fund choices. Pay attention, as noted in the first article of this newsletter, to your goals, needs and risk tolerance. Because of the market meltdown you may be confused by a list of horrible returns. Remember, past performance does not indicate what the fund might do in the future.

FIX SOCIAL SECURITY, THE GAME.....

The numbers for the future of Social Security, as it stands today, are grim if you are younger than 45 or so. Those of us older than that probably have a chance to outlive the dire predictions of the demise of Social Security checks.

You've heard the numbers: Social Security will begin to payout more in benefits than it receives from employees in 2016. The deficits will be made up by redeeming trust fund assets until reserves are exhausted in 2037, at which point tax income would be sufficient to pay about three fourths of scheduled benefits through 2083.

There has been any number of ways to fix the system put forth, simple and complex. All would fix it to some degree, but would impact one or more segments of employees or retirees. How would you fix it? Play the game. Delay the full retirement date of workers under age 50 to 67-69 years of age, increase payroll taxes, decrease benefits, limit the cost of living increases, add all federal and state workers or...

The American Academy of Actuaries has created a game where you fix Social Security. It shows the challenge of the task and gives great educational information also. Link to the game: www.actuary.org/socialsecurity/game.html

GIVING

Winston Churchill ~ We make a living by what we get, but we make a life by what we give.

Maya Angelou ~ I have found that among its other benefits, giving liberates the soul of the giver.

Anne Frank ~No one has ever become poor by giving.

As we move into the holiday season and with so many people and families in need this year, please be as generous with your charitable giving as possible. There are several local charities worthy of your donations. For national charities, visit these websites which give valuable information on how a charity manages its donations and funds.

www.samaritanguide.com/, www.charitynavigator.org/,
www.charityguide.org



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