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Did You Know...?

News you can use for your financial well-being

January, 2011

- ✓ **Current Market Views- Are We Out of the Woods?**
- ✓ **Best on the Web- NEW!**
- ✓ **Success Stories- 22 years**
- ✓ **Timely Tidbits-Social Security meeting, tax info key dates**

Best on the Web

The internet is both a blessing and a curse: unlimited amounts of information are now at your fingertips, but along with the good/accurate info comes a lot of misleading and useless fluff. In this space, I'll share with you the most useful and entertaining financial info I've found, condensing dozens of hours of sifting through the info onslaught to present items worth your attention.

Great "Year-In-Review" video (3 minutes):

http://www.youtube.com/watch?v=F0QXB5pw2qE

Where does the average American spend their money? Here's a nice chart:

http://www.visualeconomics.com/how-the-average-us-consumer-spends-their-paycheck/

Curious about expectations for the economy in 2011? Here's a compilation of forecasts:

http://web.rollins.edu/~wseyfried/forecast.htm

And the CA forecast from Beacon Economics (Beacon has been one of the most accurate forecasters regarding State econ trends):

http://beaconecon.com/products/Presentations/2011/SacAI2011.pdf

Still wondering what Quantitative Easing is? Here's a funny video that explains it all:

http://www.youtube.com/watch?v=PTUY16CkS-k&feature=related

Enjoy, and feel free to share other links I can include in my next newsletter!

Current Market Views

Two years ago today, the stock market was tumbling, and headlines warned us of the coming Depression. Not only were investors pulling money from the stock market at a record pace, they were taking money out of checking accounts and putting it under the mattress. Yes, that was only two short years ago!

Today, the question is whether it's better to own emerging-market stocks or junk bonds. The stock market has rebounded almost 100% from its lows. The VIX (a.k.a. the Fear Gauge) is at multi-year lows-- fear is almost non-existent.

Undoubtedly, this is the quickest/most dramatic/most improbable shift from fear to greed in the history of investing. One can't help but feel a little dazed by the emotional highs and lows of the past 24-36 months.

There are two issues front and center in my mind today: risk management, and gauging the "sustainability" of the recovery.

Following on the heels of this highly-emotional period, risk management becomes more important than ever. We're probably not all best served jumping right back on an airplane after Sully Sullenberger just landed us on the Hudson River. If on our next flight we see some birds out the window we're likely to grab a parachute and dive out the door. As we know, emotional decisions can often be very costly, so given our elevated emotional state, being especially conscious of taking on risk is critical. Maybe that means holding a little more cash than normal, moving slowly to deploy investable funds, or keeping your asset allocation a notch below where you'd otherwise be. During times like this, I believe it makes more sense to forego some opportunity cost in order to avoid putting yourself in a position where the markets might force you to make emotional, and potentially costly, decisions.

When it comes to how stable this recovery is, consider whether we've solved the issues that got us into trouble (housing bubble, too much debt, over-leveraging, over-consumption). Back in October 2009 I wrote about the choice we had as a society to either "cure the disease" or just "mask the symptoms" and keep on partying. Clearly we're on the latter path—QE1, QE2, TARP, Cash-For-Clunkers were all efforts to mask the symptoms not cure the disease. If ultimately we still have to cure the disease to truly be healthy, we must remain cautious over the next 12-24 months. Europe to a large degree is being forced to "cure the disease" (austerity measures, tax increases). It's hard to imagine the US won't have to (voluntarily or involuntarily) take that medicine eventually. Being patient and clearly defining your financial goals is as important as ever.

Success Stories

This month I celebrate not only my 44th year of life, but also my 22nd year in this profession. Looking back over my 22 years as a financial advisor, I'm incredibly grateful for the experiences I've had: booms, busts, crashes, melt-downs, melt-ups. I've seen wars, global crises, and divisive politics (on both sides of the aisle). I've seen neighbors quit their jobs to trade tech stocks online (ouch!). I've seen people become overnight millionaires in real estate, only to lose it all and more in the crash. And I've lived through what was in many historians' opinions the closest our country has ever come to outright financial collapse.

I'm grateful for these experiences because I believe the saying "What fails to kill us only serves to make us stronger." (Sorry Bear Stearns, Lehman Bros., Washington Mutual, AIG: greed can kill). I'm better, wiser, ad smarter from all of these experiences. It's been an ongoing crash-course in investing/psychology/counseling/accounting. It's an invaluable pool of knowledge to be able to draw upon.

I'm especially grateful that you're with me on this journey. Many of you have been clients for most all of my career, and it's been wonderful to be on this journey with you. We've celebrated the victories, mourned the losses, had our agreements and disagreements, but all along we've done our best as a team to navigate these crazy times.

While I'm sure we'd all like a little break from the increasingly wild pace of things, I doubt we'll get it. But whatever catchy moniker the press gives the next "crisis", and however weird things get, chances are we've been there together, and that will serve us well as we continue this journey together.

Timely Tidbits:

- Mark your calendar: in response to your requests, we're hosting a **speaker from the Social Security Administration** to answer all of your questions about Social Security. The presentation will take place on **March 10th here in Alameda**, invitations will go out in early Feb. This is a must-see for anyone 60+ years old!

- We've posted a number of **year-end summaries and forecasts from SEI on our website** (including the Q4 2010 version of the **popular Market Review video**). Click here to go directly to that section of our website.

- **TAX INFO TIMELINE**:

  1099s: SEI will be sending out 1099s on February 24th. The additional few weeks beyond the January 31 timeline allows SEI to avoid sending repeated revisions as final information comes in after the 1/31 date.

  1099-Rs: 1099's for retirement account distributions are being mailed Monday 1/31/11.

  Call me or have your CPA call me if you have any questions. If you'd like us to forward your tax info to your CPA, please let my assistant Karen know and we'll do that as soon as the info is available.

Quote of the month: "The first step to getting the things you want out of life is this: Decide what you want." **Ben Stein**

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