

FINANCIAL *Insights*

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SEC not alone in missing the Madoff debacle

Happy Holidays

The entire CFS staff extends its heartiest wishes to you and your family.

Kenneth A. Marinace

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- Study shows couples split on future income, advice
- Struggling to save for the american dream: college
- Americans saving marginally more
- Retirement confidence hits new low

From Ken's Desk

■ **SEC not alone in missing the Madoff debacle**



The Securities and Exchange Commission's inspector general, David Kotz, rightfully excoriated the agency for its failure to expose the Madoff scheme during its investigations of the firm.

The lack of curiosity displayed by SEC examiners is inconceivable and inexcusable, given that there were many occasions when the commission received hints that something wasn't right at Bernard L. Madoff Investment Securities LLC.

Top SEC officials allowed Mr. Madoff to disarm the commission by letting him infiltrate it through his role in the founding of The Nasdaq Stock Market Inc. and as a director of what is now the Securities Industry and Financial Markets Association.

No doubt, reforms have been made at the SEC, and hopefully, its examiners will be more on their toes as they look for fraud.

Perhaps the financial reforms that will be debated in Congress this fall will produce ideas that will help hold the SEC's feet to the fire so that the fervor doesn't fade.

In one reform effort, Sen. Charles E. Schumer, D-N.Y., will introduce a bill to make the SEC self-funded by allowing it to keep the fines it levies against wrongdoers and the fees it collects from financial institutions for transactions, mergers and registrations. Currently, it has to turn over all fines and fees to the Department of the Treasury and is then funded by congressional appropriations.

In 2007, the SEC collected \$1.54 billion in fees but received just \$881.6 million through appropriations.

The SEC, however, can never be big enough, can never be smart enough, can

never have enough resources to catch all the crooks attracted to the financial markets. The bad guys go where the money is, and these days, the real money is in the financial markets, not in the banks.

The SEC will need the help of financial planners, investment advisers and brokers. They, too, must be more alert to possible fraud and be more willing to alert the SEC or the Financial Industry Regulatory Authority Inc. when they suspect that something is amiss.

The SEC wasn't alone in missing warning signs about Mr. Madoff's firm. The failure to detect the fraud was a widespread industry failure.

Third-party marketing firms, often masquerading as investment consulting firms, failed to do even reasonable due diligence on the firm. They never questioned Mr. Madoff's claimed investment returns, though those big boasts struck at least a few observers as too good to be true.

So-called industry experts allowed themselves to be reassured by his powerful connections and seduced by the rich finder's fees he paid. So they didn't examine too closely the documents that Mr. Madoff provided, and never checked with third parties to make sure that those documents were real.

Many advisers also were incurious about the steady returns Mr. Madoff claimed, when their years of training should have told them such consistency was unlikely. These advisers were thrilled when some of their clients were allowed into his fund.

All these groups, and their clients, forgot the old truth: If it seems too good to be true, it probably is.

Financial fraud is unlikely ever to be eliminated from the financial markets, but if it is to be reduced, all honest investment advisers and brokers must be on the alert for signs of it and be willing to blow the whistle to the SEC.

The industry's anti-fraud antennae must be tuned to higher frequencies to catch the faintest signals.

Information compiled by Ken Marinace

Retirement Confidence Hits New Low



Workers who feel confident about having enough money for a comfortable retirement hit the lowest level in 2009 – just 13 percent – since 1993, when the Employee Benefit Research Institute (EBRI) began asking the question. Many factors contribute to the sink in confidence, including job losses, increasing debt, economic uncertainty, and the rising cost of living.

The EBRI 2009 Retirement Confidence Survey found that just 25 percent of workers are very confident they will have enough money to cover basic expenses in retirement, down from 40 percent in 2007. Only 13 percent are confident they'll have enough to pay for medical expenses, down from 20 percent in 2007.

So what are Americans doing to improve their situations? Eighty-one percent say they have reduced expenses, 43 percent are changing the way they invest, 38 percent are working more, 25 percent are saving more money, and 25 percent are seeking advice from a financial professional.

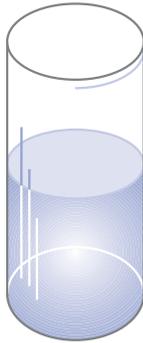
These are valid efforts; however, many workers don't know how much they need to save, with 44 percent saying they have not even tried to calculate how much they'll need; instead they're simply guessing.

Source: Journal of Financial Planning

Contemporary Twist

Finding a bright spot in the ominous task known variously these days as “rightsizing” or “workplace reengineering” isn’t easy. But one consultant brought in to help remaining managers through the process of reducing the workforce while maintaining productivity added a contemporary twist to the old classic.

“What does the optimist say about the glass and water?” he asked. “It’s half full,” was the reply.



“And what does the pessimist say?” he queried. “It’s half empty.”

“And what does the process reengineer have to say about it?” Silence – until the consultant revealed the new additional answer: “Looks like you’ve got twice as much glass as you need there.”

See Yourself In A New Way

Big career changes are becoming more and more common, especially among boomers. But reinvention isn’t cost free.

51% of 1,700 executives said they’d likely choose a different field if they could start over.

3 in 5 said they anticipate making a major career change.

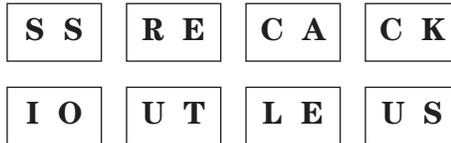
63% of older adults are happy in their careers, the most in any age group.

Source: AARP; Korn/Ferry International

Brain Teaser #47 Q & A

Antonym Wall

Pair up these set of letters correctly to spell out two words of the same length but with opposite meanings.



&

Answer: RECKLESS & CAUTIOUS

The first response with the correct answer came from Jan Fear. Her gift certificate is on the way. Congratulations Jan!

Brain Teaser #48

Dicey Arithmetic

Using three of the arithmetical signs \div , $-$, \times and $+$, can you achieve the correct total?



The first response with the correct answer will receive an American Express Gift Card.

Please email your answer to Martha at Martha@cfsburbank.com or call her at 818.846.8092, Ext 4

Motivation Is Everything

You can do the work of two people, but you can’t be two people. Instead, you have to inspire the next guy down the line and get him to inspire his people.

—Lee Iacocca, automobile executive

HOLIDAY CLIENT DINNER

You are cordially invited to the upcoming holiday client dinner. Our co-host for the evening is Kristina M. Zimmerman from Jackson National, Regional Vice President. You can be sure the evening will be enjoyable and enlightening!

Saturday, December 12, 2009
6:30pm Cocktails • 7:00pm Dinner

Oakmont Country Club
3100 Country Club Drive
Glendale, California 91208

— APPETIZERS —

Butternut Squash

— SALAD —

Mountain Salad
Gorgonzola, Caramelized Pecans,
Pears with Balsamic
Vinaigrette Dressing

— ENTREES —

Oven Roasted Prime Rib of Beef,
Au Jus, Creamed Horseradish
Or
Breast of Chicken filled with
Spinach and Ricotta Cheese
topped with Chardonnay Sauce

— ACCOMPANIED BY —

Oven Roasted Potatoes and
Italian String Beans

— DESSERT —

Cheese Cake

Guests are invited. There is, of course, no charge for the dinner, but advance reservations are required. Please make your reservations **as soon as possible** by calling Martha at CFS, 818.846.8092, ext. 4, and let her know your choice of entree.

All guests at functions at Oakmont Country Club are asked to be aware of the Club’s dress code; no denim is permitted on club premises. Oakmont prohibits the use of cell phones, unless medical emergency.

Happy Birthday

NOVEMBER

- 1 - Lori McClaury
- 1 - David Smith
- 3 - Jodie Xua
- 6 - Dino Fulgoni
- 6 - Deron Petoyan
- 8 - Dennis Packer
- 9 - Suzanne Peterson
- 12 - Philip Rapa
- 13 - Philip Clements
- 13 - Jean Girard
- 13 - Edwin Roeters
- 16 - James Burgess
- 16 - Connie Froeberg
- 17 - Joe Dilibert
- 19 - Sandra Gordon
- 19 - Sylvia Carson
- 19 - George Diamond
- 20 - Rayna Boehme
- 20 - Harley Higginbotham
- 20 - Marisa O'Neil
- 20 - Gary Gordon
- 21 - John Simes
- 21 - Carole Zwickel
- 23 - Cynthia Schmidt
- 29 - Cathy Milward

DECEMBER

- 1 - Laura Male
- 2 - Eunice Greenwood
- 3 - Iona Stein
- 4 - Carol Mackin
- 5 - Richard Long
- 6 - David Girard
- 8 - Mary Lumel
- 10 - Dave Bochard
- 11 - Jim Forman
- 12 - Ed Knutson
- 12 - Ann Longo
- 14 - Paul Kasper III
- 14 - Bud Shapiro
- 16 - Rich Johnson
- 16 - Mitch Kaye
- 20 - Gary Peterson
- 21 - Sharon Wienke
- 21 - Charles Hardinghaus
- 22 - Kari Groth
- 23 - Erna Haag
- 24 - Joan Bruner
- 24 - Joan Pappy
- 27 - Maryalice Milward
- 28 - Harlene Button
- 28 - Richard Male
- 29 - Patricia Lowry
- 29 - Susan Moyer
- 31 - Michael Malone

CFS Golden Circle

Clients for 20 years or longer



New Inductees: L to R: Ken, Pat Maskell, Jane & Ham Lloyd, and Randy Maskell

Annette Alender
 Connie Alvero
 Arnie Baker & Wendy Glaus
 Irv & Zel Bagley
 Martin Barmatz & Carolyn Small
 David Bremner
 Verna Bretonne
 Kelley Brock
 Joan Bruner
 Jim Burgess
 Harlene Button
 Louis & Doreen Darin
 Joe & Liz Dilibert
 Rita Dillon
 Marshall & Mimi Drucker
 Reg & Jan Fear
 Dave & Jean Girard
 Tullio & Valerie Giudici
 Ed & Barbara Glosup
 Vorda Gordon
 Stuart Grant
 Helena Gratland
 Connie Greenberg
 Eunice Greenwood
 Chuck & Gwyn Hardinghaus
 Buddy & Linda Haworth
 Evelyn Himmel
 Hans & Lilo Holzer
 James & Julia Kinmartin
 Emil & Chiching Klimach
 Ham & Jane Lloyd
 Harry & Carol Mackin
 Jay & Nancy Malinowski
 Al & Maddy Maskell
 Randy & Pat Maskell
 Robert Mazzocco
 Peter & Juliane McAdam
 Jeanine McMahan
 Mary Alice Milward
 Dave & Pat Newsham
 Bruce & Vicki Oldham
 Eugene Orłowsky
 Leora Ostrow
 George & Joan Pappy
 Gary & Joyce Peterson
 Ruth Ritter
 Debbie Ruggiero
 Joe & Pearl Ruggiero

Louise Sanchez
 William & Evelyn Schirmer
 Phil & Marlene Scozzola
 John & Dianne Simes
 Carole Steen
 Giselle Temmel
 Don & Lorraine White
 Jack & Teena Wolcott
 Toby & Carole Zwickel

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REGISTRATION UPDATE

Pursuant to the SEC Brochure Rule 204-3, of the Investment Advisors Act of 1940, advisers are required to offer a copy of the ADV, Part II to every adviser client on an annual basis. Please send a written request within 30 days if you are interested in receiving an updated copy of the National Planning Corporation (NPC) Form ADV, Part II and/or a copy of the Comprehensive Financial Services Form ADV, Part II.

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Study Shows Couples Split On Future Income, Advice

Call it “agreeing to disagree.”

Research conducted by Fidelity Investments has found that married couples with investable assets of \$100,000 and up, or household income of \$75,000 and above, generally agree on which retirement products they own; however, they often differ on their plans and expectations for retirement.

In more than 30 percent of couples surveyed, or 150-plus out of 500 pairs, the spouses gave completely different answers when asked at what age they will retire, what lifestyle they expect to have in retirement and whether they plan to keep working. Less than 40 percent of the couples agreed upon their primary source of retirement income. And close to 60 percent did not give matching answers when asked to whom their partner would turn for financial guidance in the event of their death.

In terms of advisors, 22 percent of couples did not agree on whether or not they use the services of a financial advisor to help them plan for retirement. Most couples knew about their retirement savings plans. But, of those owning annuities, only about half of the spouses knew when they could draw income, and less than one-quarter of the husbands and wives understood the actual dollar amount that would be generated by their annuity during retirement.

“It was surprising to us that given how close many of these couples are to retirement, they had yet to sit down to discuss and agree on basic retirement goals, aspirations and income sources with each other,” said Steven P. Akin, President of Fidelity Personal Investments. “That’s why creating a retirement plan is so critical.”

Source: Fidelity Investments

Struggling To Save For The American Dream: College

While 90 percent of parents agree that sending their kids to college is an essential part of the American dream – right up there with home ownership – 60 percent say that if tuition costs keep rising college will be unattainable for most families, according to an Oppenheimer Funds survey.

With 92 percent of parents intending to send at least one child to a four-year college, parents have a lot of saving to do. In fact, nearly 25 percent of survey respondents agree that space travel will be more affordable than college by the time their youngest child is ready to attend!

The good news is that 60 percent of parents surveyed have not put college savings on hold or reduced the amount they are saving for college, despite the tough economy. The bad news is that 55 percent of families with kids ages 15 to 18 have saved less than \$10,000 for college, and 13 percent have saved nothing at all.

It costs an average of \$34,132 a year to send a student to a private, four-year college, according to statistics from the College Board. The average annual cost for an in-state student at a public, four-year college is \$14,333.

“These are particularly challenging times for families,” said Donna Winn, President and CEO of OppenheimerFunds, subsidiary OFI Private Investments Inc. in a prepared statement. “As admirable as these savings efforts are, the reality is that many families just aren’t saving as much as they should.”

A similar survey by Country Financial found that, for the first time in three years, parents are putting saving for college ahead of saving for retirement.

Source: Journal of Financial Planning

Americans Saving Marginally More

American workers are showing slight improvement in saving for retirement, but still are far short of where they need to be to maintain their quality of life, according to a recent survey.

The 2009 Retirement Index, conducted by the Fidelity Research Institute, found that the average American household is on course to replace about 58% of its income in retirement through savings and Social Security.

That represents a slight increase from a year earlier, when the Retirement Index calculated the average household was saving enough to replace 57% of its income. The annual index is established through an online survey of more than 2,000 Americans who work full time, are 25 years or older, earn \$20,000 a year or more, are married or partnered with individuals who also are not yet retired and who are the financial decision makers in their household.

“We’re beginning to see a positive savings trend in the index, as significant number of workers have reported taking financial action during the past two years to improve their retirement readiness,” says Guy L. Patton, executive director of Fidelity Research Institute, an investment and public policy research arm of Fidelity Investments. “But these numbers also tell us that the typical American household... will need to adjust to living on 42% less income when they retire. This is worrisome, since many retirees say they’re spending more money than planned and some have not been able to work as long as they would have liked.”

Patton attributed the rise in savings to a combination of better savings habits and improved stock market performance. The survey found Americans have a median of \$22,500 in household retirement savings and expect a median Social Security benefit of about \$29,500 per year.

Baby boomers – the generation that is currently at or near retirement – were the most prepared for retirement, according to the survey, with an income replacement level of about 62%, up two points from a year earlier, and a median of \$45,000 in household retirement savings.

Source: Fidelity Research Institute

By The Number\$

More School

An average American male that graduates from college will earn \$367,000 more during his lifetime than he would have earned if he had achieved only a high school diploma.

Source: Organization for Economic Cooperation and Development

Taxes

The top 1% of US taxpayers (i.e., those taxpayers reporting at least \$410,000 of adjusted gross income) pay an effective tax rate of 22.5% (i.e., federal income tax paid as a percentage of adjusted gross income earned).

Source: Tax Foundation

Count Me In

Only 13% of the American workers that have access to an employer-sponsored retirement plan decline to participate.

Source: Congressional Research Service, Current Population Survey

Half As Many

Only 1 out of every 5 retirees (20%) are "very confident" that they have sufficient assets set aside today to maintain their desired retirement lifestyle. Just 2 years ago (2007), 2 out of every 5 retirees (41%) were "very confident" that they had set aside adequate retirement assets.

Source: Employee Benefit Research Institute

Cheaper Gas

American consumers spent \$31.2 billion at gas stations in August 2009, down \$11.4 billion from the \$42.6 billion spent at gas stations in August 2008.

Source: Commerce Department

Market Direction

The number of properties nationwide that were involved in some stage of foreclosure (i.e., default notice, auction sale notice or a bank repossession) was 240,000 in August 2007, increasing to 304,000 in August 2008 and was 358,000 in August 2009. *Source: RealtyTrac*

Moving On Up

Since 2005, China has moved from the world's 7th largest economy to the 3rd largest today. China has passed Italy, then France, then the UK, and most recently Germany. Only the economies of Japan and the US are larger.

Source: The Economist

Not Up But Down

Actual worldwide demand for oil in 2008 was 86.2 million barrels a day. Worldwide demand for oil for 2009 is now expected to finish the year at 83.8 million barrels a day. When the year began, global demand had been projected at 88.0 million barrels of oil a day. *Source: Facts Global Energy*

Texas Big

An oil field believed to contain 500 million barrels of recoverable oil (i.e.,

the field may be as large as 3 billion barrels in size) has been discovered in the Gulf of Mexico. The field is 250 miles southeast of Houston and sits 6 miles below the gulf's sea bed.

Source: Financial Times

Time Off

The average worker in France is provided 3 times the number of vacation days per year (38) that an average American worker receives (13).

Source: Harris Interactive

Cutbacks

During the current nationwide recession, the state of California has laid off 27,000 teachers.

Source: Wall Street Journal

Land Of Midnight Sun

Alaska is the only state in the US that does not have a state income tax and does not have any state sales tax. New Hampshire does not have a state income tax but does tax dividend and interest income that exceeds \$4,800 (for joint filers), while also avoiding any state sales tax.

Source: Kiplinger's Personal Finance

Out Of Business

43 of the 91 banks that have failed in the country YTD are in 3 states. Georgia leads with 18 failures, Illinois is 2nd with 16 and California is 3rd with 9 bank failures.

Source: Federal Deposit Insurance Corporation