FINANCIAL *Insights*

MAY/JUNE 2010

A PUBLICATION FROM COMPREHENSIVE FINANCIAL SERVICES

VOLUME XLVII • NUMBER 37

Washington the biggest threat to economic recovery

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From Ken's Desk

■ *Washington the biggest threat to economic recovery*

Politicians of both parties are giving us lessons in how to snatch defeat from the jaws of victory. The victory in this case is economic recovery. There are many signs that the economy is on the mend from the financial crisis, even though the employment figures have not improved.

Yet foolish anti-business rhetoric, poorly timed policy announcements, uncoordinated legislative proposals, populist appeals and ideological rigidity are threatening the recovery.

The latest moves in Washington have shaken investor confidence, contributing to a temporary halt in the stock market rally.

That in turn likely will lead to a new decline in consumer confidence and delay a rebound in consumer spending and business investment. All are needed for the incipient recovery to take hold.

As unemployment figures have remained high, housing prices have stayed low and wages have stagnated, the one hopeful sign for many workers has been that many of their 401(k) balances have begun to recover from the damage they suffered in 2008 and early 2009. That hopeful sign has been tainted.

The latest bout of Wall Street weakness was triggered, at least in part, by the Obama administration's announcement that it will seek to impose new levies on the nation's largest banks. A few days later, the administration announced plans to put limits on the size of the nation's financial firms and force them to choose between commercial banking and activity that could include investment banking, proprietary trading and running hedge funds.

While some of the steps may be justified, the timing of the announcements — while the economy is showing the slightest signs of recovery and when banks are being urged to increase lending to businesses to help that recovery blossom — could not have been worse.

Further, these moves came after the House of Representatives had passed a financial-reform bill and while the Senate was working on its reform package, showing a lack of coordination in the government.

The proposals should have been submitted to Congress at the beginning of the financial-reform debate, not near its completion.

If these policies could not be decided on by the administration in time to be part of Congress' deliberations, they should have been held until the economy was on firmer footing. There was no need to rush them.

As it is, they look like punitive steps seized upon to feed on populist anger at the banks and their compensation policies, rather than carefully considered policy proposals, especially given that they lack detail in key areas.

As a result, they simply introduced an additional level of uncertainty into the stock market, and the stock market always seems to react badly to uncertainty.

The situation was compounded when 30 senators from both sides of the aisle — 11 Democrats, one independent and 18 Republicans — bowing to populist winds, voted not to back Federal Reserve Chairman Ben Bernanke for a second four-year term.

Surveys show that most in the financial community wanted Mr. Bernanke to stay on as chairman. Still, uncertainty about whether he would continue in that role was another weight on the stock -market.

An inability to determine what will now happen to the health care reform bill and the cap-and-trade environmental legislation, given the change in the composition of the U.S. Senate, also weighs heavily on the minds of investors.

However, given that both parties in Congress now are eyeing the November midterm elections and are unlikely to cooperate on any meaningful legislation between now and then, businesspeople and investors should husband their resources and wait for better days.

Unfortunately, that likely means a continued weak economic recovery.

Source: Information compiled by Ken Marinace

Go Figure …

12% - The percentage of households in Las Vegas that defaulted, were auctioned off or were repossessed in 2009, the highest foreclosure filing rate of any city in the U.S. Cape Coral Fort Myers., Fla., had the second – highest foreclosure filing rate at 11.87% *Source: Realty Trac Inc.*

67% -The percentage of Americans who said in a survey that they think it will be at least two years before the U.S. economy starts to recover. Forty-six percent believe it will be at least three years. *Source: Gallup, Inc.*

55% - The percentage of surveyed Americans who say buying a home is the best investment families can make. That figure is down from 59% last November 67% last May and 79% in June 2008. *Source: Rasmussen Report*

$24B – The estimated amount that would be saved in annual medical costs if Americans consumed just half a teaspoon less salt each day. It could also prevent as many as 92,000 deaths a year. *Source: New England Journal of Medicine*

15.5% - Increase in online sales this past holiday season. While significantly higher than the 3.6% increase in total holiday retail sales, e-commerce still made up less than 10% of those sales. *Source: MasterCard Advisors' SpendingPulse*

$10.5B – The amount shelled out at U.S. movie theaters in 2009 as of Dec. 27th, a record gross for Hollywood. *Source: Hollywood.com*

58% - Percentage of parents who say that are not currently setting aside any money for their children's college education. *Source: Finra Investor Education Foundation survey*

235 – Number of federal securities class actions brought in 2009, down 7% from the year before, a sign that litigation over the financial crisis might be slowing down. *Source: NERA Economic Consulting*

Client Dinner

You are cordially invited to the upcoming client dinner.

Our co-host for the evening will be
Tyler Bain, Senior Regional Business Consultant, *Curian Capital.

You can be sure the evening will be both enjoyable and enlightening!

Saturday, June 19, 2010
6:30 PM-Cocktails
7:00 PM-Dinner

Oakmont Country Club
3100 Country Club Dr.
Glendale, CA 91208

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

Entrees
Filet Mignon, Maitre D' Butter or
Port Wine and Thyme Sauce
Or
Oakmont Chicken, Lemon Rosemary Sauce

Accompanied by
Garlic Mashed Potatoes & Medley of Seasonal Vegetables

Dessert
Ice Cream Sundae

Guests are invited. There is, of course, no charge for the dinner or the program, 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, except for medical emergency or specified areas.

Sincerely,
Kenneth Marinace

Kenneth A. Marinace, CFP®, CLU, RFC

**Curain and CFS are separate and unrelated companies*

Gender Differences in Insurance Knowledge

Sixty-four percent of women in the workforce say they completely or mostly understand life insurance, compared to 79 percent of men, according to recent survey results from The Harford Financial Services Group, Inc. The survey of more then 1,000 U.S. adults also showed that 61 percent of women workers have life insurance through their employers, compared to 68 percent of men.

"Women are making importance contributions to the U.S. economy and to their family finances", said Laura Marzi, assistant vice president of marketing in The Hartford's group benefits division. "We are concerned about the number of women who still lag behind men in protecting their wages. We're encouraging all workers, particularly working women, to take steps to protect their physical and financial health."

Other survey findings include:

- Although 32 percent of women consider it extremely important to discuss end-of-life issues, including life insurance, survey data show men are more comfortable having these discussions.
- Only 28 percent of women have a will, compared to 42 percent of men.
- 32 percent of women say they are just meeting their expense or don't have enough income to meet expenses, compared to 19 percent of men.
- 97 percent of all workers would have to change their lifestyle to meet expenses if they lost part of their family income for three to six months.

"We hope a lesson from recent tough times will be the importance of financial planning, including life insurance for all wage earners in a family", said Marzi.

Source: Journal of Financial Planning

Happy Birthday

May

5 - Philip Stein
7 - Galen Petoyan
7 - Marci Watson
8 - Karen Griffin
8 - Elizabeth Lloyd
10 - Roland Neundorf
11 - Dorothy McDonald
12 - Joanne Petoyan
12 - Robert Siecke
14 - Daniel Gollnick
15 - Alison Lewin
17 - Kathy Forman
17 - Tony Wade
18 - Mimi Drucker
19 - Victor Galdos
24 - Pearl Ruggiero
25 - Martin Barmatz
25 - Evelyn Himmel
25 - Jeanette Hoeft
25 - Loren Jonkey
27 - Egil Quist
30 - Susan Leeper
30 - Linda Vanlaw
31 - Vincent Campisi

June

1 - Craig Braun
2 - Vorda Gordon
3 - Antonio Luisoni
4 - Rebecca Galdos
4 - Doug Froeberg
11 - Carolyn Small
11 - Lorraine Leach
12 - Rosella Bagley
14 - Barbara Glosup
14 - Marilyn Graves
14 - Peter Moyer
14 - Diane Schoolsky
15 - Carl Joy
15 - Susan Siess
16 - Sherrell Williams
17 - Stanley Adelman
17 - Louis Darin
18 - Dorothy Fulgoni
18 - Bill Southern
19 - Liz Dilibert
19 - Diane Beekman
19 - Dennis Hall
21 - Patricia Banuilos
22 - Diane Vogelsang
22 - Jeffrey Rosell
23 - Gwen Houlemard
24 - Alice Higginbotham
24 - Peter Vanlaw
25 - James Dyrness
26 - Jack Ryan
27 - Verna Bretonne
27 - Janis Malone
29 - Dick Plank
29 - Laraine Kaye

CFS Golden Circle

Clients for 20 years or longer

Annette Alender
Connie Alvero
Irv & Zel Bagley
Martin Barmatz and 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 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 McMahon
Mary Alice Milward
Dave & Pat Newsham
Bruce & Vicki Oldham
Eugene Orlowsky
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 Zwikel

Here are new inductees to the CFS Golden Circle.
Pictured from left to right: Irv and Zel Bagley and Ken.

Referrals

We Appreciate Those Referrals!

We certainly welcome your referrals and are always most appreciative when clients pass our name along to others. We would like to take this opportunity to express our thanks for your continued confidence and look forward to providing quality confidential financial services to you, your friends, and associates.

When you refer us to others, you can be assured that your personal information provided by you and those whom you refer is treated with a high degree of confidentiality.

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Here's Ken with Steve Forbes during the Forbes Cruise in March 2010.

Here's Ken at a recent Genworth Meeting in Laguna Beach with Dr. David Kelly, Chief Market Strategist for J.P. Morgan Funds.

What Do You Mean, You're Retiring Tomorrow, Dear? …

It looks like couples need to talk a bit more about retirement. Questioned individually, spouses approaching retirement differ on when they'll actually retire, their retirement lifestyles, and who might work during retirement, according to a survey by Fidelity Investments.

- 35 percent of the couples (especially the husbands) differed on when they thought their spouse would retire.
- 37 percent differed in their optimism of whether their nest egg would allow them to retire comfortably or less comfortably (the men were more optimistic).
- 41 percent disagreed about whether either or both of them would work during retirement.
- It's little wonder they differ. Only 38 percent said they worked together on retirement planning.

Source: Journal of Financial Planning

Once Bitten, Wealthy Now, Twice Shy

High-net worth investors felt the burn of the market downturn last year and have become more risk averse and distrustful of financial institutions, according to the Northstar/Sullivan Rebuilding Investor Trust Survey. Fifty-four percent of survey respondents now classify themselves as conservative investors, up from 22 percent in late 2008.

Concerns about the economy have led to vast decreases in confidence among the affluent relative to their ability to meet financial goals. Households that characterized themselves as very confident about meeting goals dropped from 54 percent before the downturn to just 14 percent at the end of 2009. Most respondents blame "big Wall Street firms" for the shakeup (79 percent), and feel greater oversight is needed.

One positive finding: 89 percent of those surveyed who had an advisor prior to the downturn were still using that advisor a year later, with 20 percent reporting a greater reliance on their planner than before the drop.

Source: Journal of Financial Planning

Why Bother Planning for Retirement? …

Those who most can afford to retire don't seem inclined to. A survey of millionaires by Northern Trust, a personal trust company in Chicago, found that while 48 percent of millionaires claim to be "retired", 29 percent have re-entered the workforce in some capacity.

Admittedly, those millionaires ($1 million in investable assets) include a lot of young wealthy who got bored with not working. But the survey found that 17 percent of millionaires over age 70 are still working.

While boredom and the desire to work keep many wealthy from retirement, about half are worried about health care cost wrecking their nest egg.

Source: Journal of Financial Planning

Quotations about Happiness

The Constitution only guarantees the American people the right to pursue happiness. You have to catch it yourself.
~Benjamin Franklin

Happiness is excitement that has found a settling down place. But there is always a little corner that keeps flapping around.
~E.L. Konigsburg

Happiness is always a by-product. It is probably a matter of temperament, and for anything I know it may be glandular. But it is not something that can be demanded from life, and if you are not happy you had better stop worrying about it and see what treasures you can pluck from your own brand of unhappiness.
~Robertson Davies

Those who can laugh without cause have either found the true meaning of happiness or have gone stark raving mad.
~Norm Papernick

Man is fond of counting his troubles, but he does not count his joys. If he counted them up as he ought to, he would see that every lot has enough happiness provided for it. ~Fyodor Dostoevsky

What a wonderful life I've had! I only wish I'd realized it sooner. ~Colette

The foolish man seeks happiness in the distance; the wise grows it under his feet.
~James Oppenheim

Financial Insights

A bimonthly newsletter published by Comprehensive Financial Services, 3811 W. Burbank Blvd., Burbank, CA 91505.
Tel: 818.846.8092. Fax: 818.845.2010.

FINANCIAL Insights

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In This Issue

Brain Teaser #50 Q&A

What letter comes next in the series?

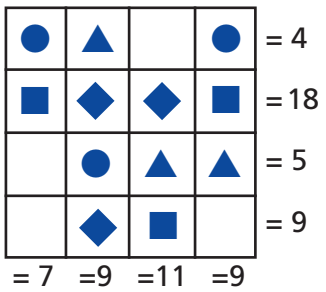
Answers

1) TWTFS	**S - Sunday**
2) IVXLC	**D - Roman Numerals**
3) OTTFFSS	**E - for Eight**
4) ASDFG	**H - look at your keyboard's middle row**
5) JFMAMJJ	**A - August**

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

Brain Teaser #51

What whole number value between 1 and 9 should be allocated to each different symbol in order to reach the sum totals shown at the end of each row and column?



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.

BY THE NUMBER$

1. ***TAKING CONTROL*** - 37% of American workers age 45-59 have increased their retirement savings percentage and anticipate working longer before retirement as a result of the 2007-09 bear market for stocks *(source: Center for Retirement Research).*
2. ***WE'RE SPENDING LESS*** - Total retail sales in the USA in calendar year 2009 were $4.1 trillion, down 6.2% from its total in 2008. That's equal to a drop of $274 billion of annual retail sales or $1 million less in retail sales every 2 minutes. Most of the categories that make up retail sales were down for the year including motor vehicles (down 12.3%), furnishings (down 11.1%), clothing stores (down 3.1%), electronic equipment (down 7.8%), and building materials (down 11.6%). Grocery store sales were up +0.3% and pharmacy/drug store sales were up +3.3% *(source: Census Bureau).*
3. ***NOT A GREAT OPTION*** - If every government department reduced their actual expenditures by 40% in fiscal year 2009, the nation would have had a balanced budget. Instead, our deficit last year was $1.4 trillion *(source: Treasury Department).*
4. ***JUST FIVE YEARS OFF*** - Our government's projected tax receipts of $2.6 trillion in fiscal year 2011 (i.e., the 12 months beginning 10/01/10) is essentially equal to our government's actual spending of $2.7 trillion in fiscal year 2006 *(source White House).*
5. ***BUDGET TRIVIA*** - In the first 186 years of our nation's history where financial records were maintained (i.e., the period from 1789-1974), the USA spent $3.8 trillion in aggregate. The total of projected government outlays during the current 2010 fiscal year is $3.7 trillion *(source: Office of Management and Budget).*
6. ***NO KIDDING?!*** – Some 5 years ago on March 2, 2005, then Fed Chairman Alan Greenspan told the House Budget Committee that the US government needed to undertake "major deficit-reducing actions." Greenspan said "I fear we may have already committed more physical resources to the baby-boom generation in its retirement years than our economy has the capacity to deliver" *(source: House of Representatives).*
7. ***PER HOUSEHOLD*** - The average American household has $7,800 of credit card debt as of the end of last year. Credit card issuers collected $20.5 billion in penalty fees in 2009, up from $10.7 billion in 2003 *(source: Federal Reserve).*
8. ***BAD BANKS*** - The 20 bank failures that have occurred in the USA through 2/22/10 will cost taxpayers $4.3 billion or an average fee of $215 million per failed bank. The biggest outlay for taxpayers YTD was the failure of La Jolla Bank (La Jolla, CA), estimated to cost $882 million *(source: FDIC).*