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Financial
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CENTER FOR FINANCIAL GERONTOLOGY

Money Monitor

AUGUST 2008



MARK'S MEMO

"I'm not so concerned about the return on my money as I am about the return of my money!"

-Bernard Baruch

On Friday the 11th of July, IndyMac Bank was closed three hours early by the US Office of Thrift Supervision (OTS) and reopened Monday the 14th of July with the Federal Deposit Insurance Corporation (FDIC) as Conservator under the new name, IndyMac Federal Bank.

I know of clients who had CDs in IndyMac. They suffered no loss of principal and had to wait about a week to get their money, during which time they did not earn interest. It was frightening, but in the end they lost only a few dollars of interest. I don't know any clients who lost more than a week's worth of interest from this default. No client I know of had deposits at IndyMac that were not protected by The Federal Deposit Insurance Corporation (FDIC).

It appears there were about 10,000 depositors who had deposits that exceeded the insured limits. If you had been in this group, the FDIC said you would get back at least half of the amount above the insured balances. In addition, affected depositors would need to file a claim.

The failure of IndyMac really drives home the need to manage your assets to avoid having uninsured deposits. Most everyone knows something about the Federal Deposit Insurance Corporation. It is an independent agency of the United States Federal Government that backs or insures your deposits up to a complex set of limits.

Determining your coverage can be a bit tricky. For instance, if you have individual savings, checking and CD accounts, in any one bank, all your accounts are added together. The maximum insurance you have for these accounts, in aggregate, is \$100,000. If you and your spouse have accounts, that gives you an additional \$100,000 of protection. IRA accounts and Retirement Accounts have extended insurance, up to \$250,000 per account owner.

Adding a joint account in which the two spouses are the joint owners will not increase the coverage above \$200,000 for the couple. But, you can increase your coverage amounts by adding beneficiaries in a prescribed manner. If you add a joint account in which you name one of your children as joint owner, you could increase your coverage. The deposit will then be considered half owned by your child. (In reality, your child and any of his/her creditors have a valid claim on every dollar in the joint account). Please don't add your child or anyone else as joint account holder unless you talk to us first.

You can also add coverage by using Revocable Trust accounts. Individual accounts with a Transfer on Death (TOD) or Payable on Death (POD) ownership are included in this category. The following was taken out of the FDIC Brochure that shows you just how complicated this is:

Payable-on-death (POD) accounts – also known as testamentary or Totten trust accounts – are the most common form of revocable trust deposits. These informal revocable trusts are created when the account owner signs an agreement – usually part of the bank's signa-

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ture card – stating that the deposits will be payable to one or more named beneficiaries upon the owner's death.

Deposit insurance coverage for revocable trust accounts is based on each owner's trust relationship with each qualifying beneficiary. While the trust owner is the insured party, coverage is provided for the interests of each beneficiary in the account. The FDIC insures the interests of each beneficiary up to \$100,000 for each owner if all of the following requirements are met:

- **The beneficiary is the owner's spouse, child, grandchild, parent, or sibling. Adopted and stepchildren, grandchildren, parents, and siblings also qualify. In-laws, grandparents, great-grandchildren, cousins, nieces and nephews, friends, organizations (including charities), and trusts do not qualify.**
- **The account title must indicate the existence of the trust relationship by including a term such as payable on death, in trust for, trust, living trust, family trust, or an acronym such as POD or ITF.**
- **For POD accounts, each beneficiary must be identified by name in the bank's account records.**

If any of these requirements are not met, the entire amount in the account, or any portion of the account that does not qualify, would be added to the owner's other single accounts, if any, at the same bank and insured up to \$100,000. If the revocable trust account has more than one owner, the FDIC would insure each owner's share as his or her single account.

Let's explore an example...

This couple has individual accounts, TOD accounts with three children listed and they each have retirement accounts. The nice couple is on the ball and every account is loaded to the maximum. How much coverage do they have?

Spouse One	\$100,000
Spouse One IRA	\$250,000
Spouse Two	\$100,000
Spouse Two IRA	\$250,000
Joint w/ TOD to three kids	\$300,000
Total	\$1,000,000.

That's right, if their bank is closed by the Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation (FDIC) is named Conservator our couple will get back all their money. Let's look at another couple without their foresight.

This couple has \$500,000. They have it spread out with \$100,000 in each spouses name, \$100,000 in a joint account together and \$100,000 in a Certificate of Deposit held jointly with a son and \$100,000 in a CD held jointly with their daughter. How much coverage do they have?

Spouse One	\$100,000
Spouse Two	\$100,000
Joint with each other	no coverage
Joint w/ son	\$50,000
Joint w/ daughter	\$50,000
Total	\$300,000

That's right they loose \$200,000 of coverage. If they were at IndyMac, they may very well loose \$100,000. Most of us don't have hundreds of thousands of dollars in banks so we don't really need to be quite that concerned. Furthermore, out of all the thousands and thousands of banks out there only about 30 have been shut down by the OTS since 2000. Most of those shut down were sold by the FDIC to other banks who made good on ALL depositors accounts. I think the chances you will suffer a loss are remote, but why take the chance?

By the way, Credit Unions have insurance too. It's a completely different type of insurance and in my opinion very safe. But that is a whole article in itself.

If you need more information or you want to watch a video on this subject here are two links you may find helpful. If you don't have access to the internet, call Haas Financial to request a copy of the FDIC Brochure and we will get it for you.

Links:

<http://www.fdic.gov/deposit/deposits/video/index.html>

<http://www.fdic.gov/regulations/resources/brochures/index.html>

How many ways can you spell challenging? I can think of at least five ways. They are: DOW, S&P500, NASDAQ, stock mutual funds and bond mutual funds. There may be a few different letters in the composition of these words but they all really spelled challenge in the second quarter.

US stocks ended June and the second quarter with significant losses (all you had to do was look at your quarter end statements to see that). Surging oil prices and failing financial firms continued to haunt the economy and elicit profitability concerns. The Dow closed out the quarter -7.4% and down -14.44% for the year. The final trading day of June was reflective of the Dows' performance thru the first six months of 2008. Shares of Citigroup and Bank of America, the largest banks in the DOW, bled red ink as investors dumped the stocks of these venerable institutions on persistent fears over housing and credit market woes. On the local front, shares of General Motors fell to a multi-decade low as gasoline prices averaged nearly \$4.09 per gallon on a nationwide basis.

During the second quarter, the broader market S&P500 was off a more modest -3.5% leaving it down -12.83% since January 1. The energy components of the S&P helped mitigate some of the losses. Best performing of the major indexes was the technology focused NASDAQ with a loss of only -0.61% for the quarter. Unfortunately, it was still down -13.55% since the beginning of the year. In a bit of irony, the average US stock fund was actually up +0.2% for the quarter but in keeping with the trend, was down over -10% for the year. Natural Resources were the best performing sector of the quarter with an eye popping gain of +24.5%. Latin America was next best at +10.1%. The average taxable bond fund lost -0.6% in April, May, and June.

So where do we go from here? I remember seeing a cartoon one time with a gentleman in a safari hat and a hole in the seat of his pants. The caption read: "It's hard to remember that your objective is to drain the swamp when you are up to your a__ in alligators." No doubt, these are times that try men's (and women's) hearts and pocketbooks. Life in the USA is changing as a burgeoning middle class develops in Asia and India. This new middle class is clamoring for a share of the world's resources like gasoline, grain, and meat that for decades was primarily consumed by the US. It appears that we may need to redefine our lifestyles very soon. Mark and I have been redefining your financial plans and investments as we move forward.

As a final note, I would like to thank everyone for the prompt return of their new account forms as the Money Management Program moved from FISERV/TD Ameritrade to Rydex Financial Services as our new custodian. We apologize for the glitches along the way and we thank you for your patience.

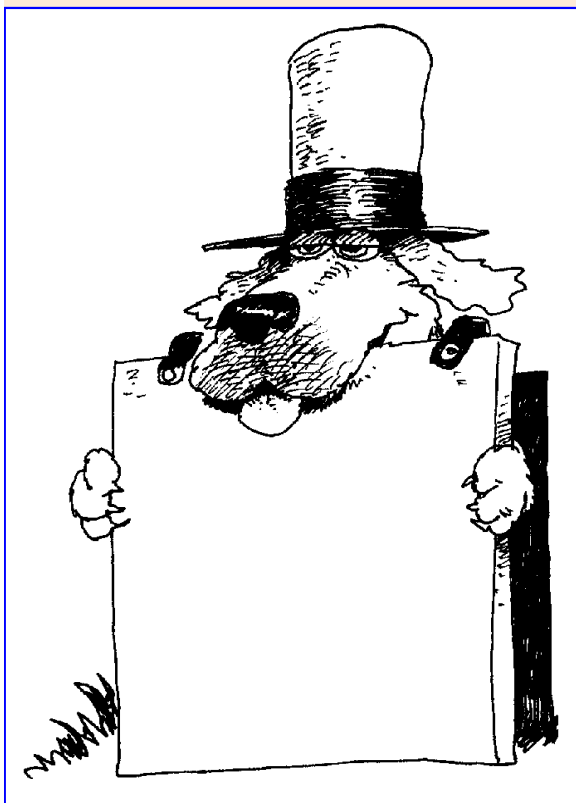
The Money Management Program upheld its objective by showing a positive return, albeit small, in the non-retirement portfolios for the first six months of this year and only modest losses in the retirement portfolios. As we fast forward to today, the third quarter is already presenting a new set of challenges. We will handle them as they come.



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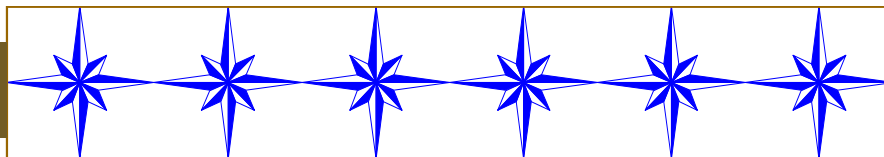
We have two new team members at Haas Financial. Rusty Deaton who we introduced in last month's Money Monitor and Greg Adamczyk.

Greg Adamczyk is our other financial apprentice and started working with us in mid-July. He graduated from Northwood University with a BBA degree in Finance. Greg has started studying for his licensing exams and will be taking the exams in a few months. He is currently working on updating financial plans and sending out MRD's, so keep your eyes open for anything that Greg may be sending you in the mail.

In his spare time Greg enjoys playing golf and watching baseball. If you see him in this office, you can count on him to let you know what's happening around the major leagues and the PGA tour. Greg also has an appreciation for the history of baseball, so feel free to share with him some of your favorite baseball stories.

Also new is the look and feel of our website, www.haasfsi.com. John Yesko has done a wonderful job giving our site a much needed makeover. John added an archive of 2008 Money Monitor issues and Rusty added 2007.

Our ten year old telephone system was completely replaced. Rusty was instrumental in getting the new system installed and working. It was a tough road and we apologize for any difficulties you may have encountered during the installation. We will continue to improve the functionality of the system. The ultimate goal is to give you more reliable access to service when you need it. Thank you for being patient



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