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JIM'S JOURNAL

From Russia With Love – Part II

Zdrastvuyte! (Hello in Russian)

Over 160 million people speak Russian as their first language. It is a Slavic language using the Cyrillic alphabet, which is based on the Greek alphabet with some Hebrew letters. Russian is mostly phonetic and many complications in speaking the language arise from where the emphasis is placed in pronouncing the words and sentences.

Needless to say, I did not master the language in the short period of time I was there. After an interlude with last month's Look Back-3rd Quarter, my Russian financial planning odyssey of summer 2008 continues in this issue of the Money Monitor.

The Financial Planning Delegation to Russia consisted of almost 90 professional planners and traveling companions. The program was sponsored by People to People and the Financial Planning Association. The People to People Citizen Ambassador Program was founded in 1956 by President Dwight Eisenhower with a goal of creating understanding between peoples of different cultural backgrounds. I feel very fortunate to have been chosen to be a part of this program.

We left JFK International, New York on Friday, August 22 and arrived in Moscow the next day after a stop in Frankfurt. Later that day, a speaker from the American Embassy briefed us on the "Current Status of the Economic and Financial Reforms in Russia". The next three days were a whirlwind of tours and presentations. A panel discussion on "Emerging Market Investing in Russia" and a visit to the oldest and largest private investment bank in Russia were on the agenda. One of the professional highlights was a presentation from the economic advisor to Vladimir Putin.

On the cultural side, it was almost surreal to be standing in Red Square, seeing Lenin's tomb and visiting some buildings within the Kremlin. Cecelia and I returned there the following evening it took my breath away to see Red Square and the Kremlin lit up at night with St Basils cathedral in the background. We were astounded to learn that Red Square and the Kremlin

had histories that dated back hundreds of years and were not simply products of the Bolsheviks and Communists. In Russian, Red means "beautiful" so it is the beautiful square and Kremlin means "fortress" - walls that were built around a group of buildings to protect from invaders. We found a quaint Georgian restaurant where we feasted on chestnuts and sturgeon that evening before walking back to the Marriott Tverskaya Hotel where we were staying. It was not unusual to see the remnants of liquor bottles in the parks and streets but we felt relatively safe and did not think that the KGB was following us. Short skirts, tight pants and cigarettes seemed to be the dress of the day for Moscow women (not that I noticed, of course).

Late Thursday afternoon, August 26 we flew to St. Petersburg (I am sorry to say that my glasses decided to remain somewhere in Moscow for an extended visit, never to be seen again). The next day we toured the truly spectacular Hermitage Art Museum and returned later that evening to enjoy a performance of Swan Lake at the Imperial Hermitage Theatre. It was my first ballet and I was truly impressed with the grace and splendor of the performance. The museum was founded by Catherine II as a home for her art collection and as a retreat connected to her private apartments,

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GUEST: JACK COUZENS

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the Winter Palace. From the 1760s onwards, the Winter Palace was the main residence of the Russian Tsars. Magnificently located on the banks of the Neva River, this Baroque-style palace is one of St. Petersburg's most impressive attraction.

In addition to the Hermitage we visited Peterhof, a summer residence for the tsars, and Catherine's Palace, another summer residence of the Russian Imperial family. We also toured Our Savior on the Spilled Blood Cathedral, the site where Emperor Alexander II was mortally wounded in a terrorist attack and where Nicholas Romanov, the last of the Russian tsars, and his family are buried.

Our professional program included meetings with Lukoil-Garant and Citibank Russia. Lukoil is the largest non-government pension fund in Russia with 800,000 clients. The program focused on the emerging Russian middle class and eldercare in Russia.

From St. Petersburg, we traveled to Novgorod for the final 2 ½ days of our Russian adventure. Novgorod (new city) is the oldest known settlement in the European part of Russia, founded in 862 A.D. The city functioned as a trade route for over a thousand years and was long a cultural center with paved streets and a literate population who used birch bark letters to communicate. It is considered the birthplace of Russia's democratic and republican traditions.

Let me offer some final observations on the trip...financial planning in Russia has little resemblance to the process we have here in the United States. There is little long range planning. Life expectancy for the average Russian male is 59 years. The majority of the population is financially illiterate and 20% of the people live in poverty. Most people do not have personal planners. The average Russian lacks trust and confidence in banking and financial institutions. More than two thirds of the people do not have bank accounts at all. Cash is king and checking accounts are almost non-existent although credit cards are widely used in the bigger cities. There is also an expanding middle class who hope to shape politics for the better.

I'm running out of my allotted space so I will end here. It was both an eye opening and fantastic journey all at the same time. I am grateful to have been a part of this experience. And one final comment. Despite our current economic and social problems, we still live in a great country! You truly realize that when you visit other parts of the world.

Do svidanya (Good-bye)

An Estate Planning Tip From Jack Couzens

Under **EPIC** (the Estates and Protected Individuals Code which was enacted in Michigan on April 1, 2000), if a person marries after executing a last will and testament, the surviving spouse can elect to receive his or her interstate share.

This would not include property titled in a trust prior to the death or property devised to or in a trust for the benefit of a child born before the marriage and is not the surviving spouse's child, or such property devised to or in a trust for the benefit of such a child.

The provision does not apply if it appears from the will or other evidence that the will was made in the contemplation of the testator's marriage to the surviving spouse or if the will expresses the intention that it is to be effective notwithstanding a subsequent marriage.

Therefore it is very important that estate plans should be reviewed to make sure that language is inserted which would limit a spousal election upon subsequent marriage to the lowest allowed by the new Michigan law.

Should you have any questions, please do not hesitate to contact me.

Mr. Jack Couzens is available for contact should you have any estate planning questions at (248) 489-8600.

GREG'S INSIGHT

Light at the End of the Tunnel

Recently I have gotten back into the habit of reading the Wall Street Journal. Aside from all of the negative news that the author's like to report, I have noticed that the London Inter Bank Offer Rate (LIBOR) rate is frequently mentioned. After seeing the LIBOR rate used as a reference a few times I began to ask myself why everyone was making such a big deal over this issue and yet there was never an explanation of what the LIBOR rate is and how it affects us.

In order to understand the current recession that we are in, the LIBOR rate provides a way for us to see how we got here and what needs to be done to get us out of this recession. LIBOR is the interest rate that banks can borrow funds from other banks in the London inter-bank market. I know most of you are now thinking something along the lines of "I live in the United States, why do I care about what banks are doing in London?" Your not alone, that was my first reaction.

I am not going to go into detail on what the actual calculation of LIBOR is, but it is important to know that LIBOR is basically an average of the world's most creditworthy banks interest rates for high dollar amount loans with maturities of less than one year. Thus, LIBOR is the world's most widely used benchmark for short-term interest rates.

Think of LIBOR as the prime rate but on a global scale. Both are interest rate benchmarks; the prime rate is a base interest rate used here in the U.S. while LIBOR is a base interest rate used abroad. Now, I've noticed that the Fed Funds rate is mentioned more than the prime rate but both are equally important. The Fed Funds rate is the interest rate U.S. banks charge other banks for overnight loans. The Fed Funds rate and the Prime rate move in the same direction, as one goes up so does the other, when one goes down then so does the other. Now that we understand what LIBOR is we can examine movements in the LIBOR rate as it relates to current events in our economy. This recession that we are currently in started because of a lack of liquidity in the marketplace. In an attempt to fix this problem, the Fed-

eral Reserve attempted to pump liquidity into the market. Liquidity in the marketplace leads to more money being borrowed through the availability of loans. Whether an individual or an institution is going to borrow money; their goal is to borrow those funds at the lowest interest rate possible, thus lower interest rates leads to more money being borrowed. We are aware that this recession has affected the U.S. in a negative way however, virtually every country is experiencing some sort of recession. To get out of this recession there needs to be more liquidity in each country's economy. We have been able to achieve higher levels of liquidity on a global level through a substantial decline in the LIBOR rate.

In January 2008 the LIBOR rate was 4.22%, as of December 1, 2008 the current LIBOR rate is 2.77%. This large decrease is proof that there is a strong attempt to pump more liquidity into the global market. Looking at historical recessions, the LIBOR rate begins to decline near the start or shortly after the recession has already started. LIBOR rates tend to remain low through the end of a recession and continue to stay low until the economy starts to pick up. If you compare the current LIBOR rate to the historical average, we currently have a very low rate which promotes a favorable borrowing environment. This is an essential step towards recovery. As the current LIBOR rate has remained low for a few months now, this is a good sign that this recession may be over sooner than most people think. When you start to see the LIBOR rate rise and become stable at higher levels you can feel confident that this recession is behind us. Lower LIBOR and Fed Funds rates are very positive indicators for the future. As with all recessions on historical record, lower costs of lending have been an early sign that the economy is starting to move toward recovery.

I have always enjoyed reading the Wall Street Journal and digging deeper into the concepts behind some of the articles. I plan on continuing to examine different content and ideas in the Wall Street Journal in future Money Monitor articles. As a recent college grad and someone who is new to the firm, I would appreciate any opinions or input that you have regarding the topics discussed in my articles. I am sure you have been reading the Wall Street Journal for longer so if you have any topics that you would like me to write about in future additions please let me know!

MARK'S MEMO

Then and Now: Comparing the Recessions

	Great Depression ('29-'32)	Today
Economic Contraction ¹	25% unemployment	6% unemployment
Banks ¹	Hundreds of Failures	~20 failures Increased deposit coverage amount
Monetary Policy ¹	Decreased Money Supply	Massive liquidity injections; rate cuts
Federal Government Policy ¹	Small steps, raised taxes, tariffs	Massive recapitalization of financial system
Global Response ¹	"Beggars thy neighbor" policies raised tariffs and destroyed world trade	"Rush to rescue" policies to aid banking systems
Regulatory Environment ²	Very little oversight Fraud and corruption rampant	SEC, FINRA, and more promote open and honest markets
Investor Protection ³	"Buyer Beware" "Robber Barrons"	FDIC, NCUA, SIPC and more protect investors
Economic Base	Agrarian in transition to industrial line; "Subsistence economy"	Mature industrial in transition to industrial robotic; "Affluence economy"

1.) FMRCo (MARE) as of 10/31/2008

2.) Investment Act of 1940

3.) Michigan Department of Labor and Economic Growth FAQ

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