

HAAS

Financial
Services Inc.

CENTER FOR FINANCIAL GERONTOLOGY

Money Monitor

NOVEMBER 2009



MARK'S MEMO

Wall Street

The economy, the US dollar, the markets are all terribly cloudy in my increasingly opaque crystal ball. Harry Dent says the stock market is going to drop all the way back down to 3,000 something on

the DJIA. The Haas Financial Services Money Management program has been defensively positioned for nearly two years.

The Market has had a great run since April. It is probably as good of time as any to make some adjustments to your portfolio. If you haven't looked into the Money Management Program consider it as one alternative.

Another strategy is that of conserving principle and harvesting only profits. This strategy is especially useful in retirement, during extended market contractions.

There can be no doubt that we are indeed in an extended market contraction and have been since April 2000. If you are retired or are considering retirement in less than ten years, we need to talk.

Dividends

Harvesting dividends for income is a simple and elegant solution to income generation in retirement. In practice, a dividend is a return based on profit. It is not redemption of principal.

Responsible companies pay sustainable dividends. Irresponsible companies may borrow money to pay dividends. In either case a careful read of the company's balance sheet will tell the story.

Generally, stock prices are still low in relation to prices in 2007. An example is DTE, our local power company. In 2007 at its peak, a share of DTE cost over \$54. Now it is under \$40. The dividend is still the same, \$2.12 per share for a dividend yield of over 5%.

I am not recommending you go out and buy shares of DTE. I recommend however, you consider finding a mutual fund manager to buy you shares of companies that are similar, have better balance sheets and at least some of them should be international companies.

Dividend yielding stocks are one way to create a sustainable, income generating portfolio. Bonds are another instrument. Bonds come in many flavors. Some of them are just as volatile as stocks. Some are far more stable than stocks. Professional management is essential. Bonds should be carefully researched and then continuously reviewed while you own them.

One type of bond actually has the potential to capture stock market gains. This is the convertible bond. Theoretically, this bond can be exchanged for shares of stock in the issuing company. This is probably the most complex bond available.

Only a few mutual fund companies have the expertise to blend stocks, bonds and convertible bonds into investments with which I am confident. ***Please call to review your portfolio if you are within ten years of retirement or if your children are within five years of starting college.***

INSIDE THIS ISSUE:

VETERAN'S SALUTE

RUSTY DEATON

Emergency Rehabilitation Funds

Running low on disposable cash? Need emergency work done on your house such as a new roof, new well, new septic field? Call your city and county to find out if emergency funds are available.

Examples of funding: Repair of damaged roof, well/septic repair, connect to city water, heating cooling repair, weatherization.

Pension Plan Contribution Limits for 2010

NO change in the limits from 2009. A side effect of the government overstatement of inflation last year (The Feds said it was 5.4%), means no inflation adjustments for the majority of limits in 2010.

Contribution Limits:	Regular	With catch-up if 50 or over
IRA	\$5,000	\$6,000
401k	\$16,500	\$22,000
Defined Contribution	\$49,000	\$49,000
Defined Cont. w/401k	\$49,000	\$54,500
Simple IRA	\$11,500	\$14,000
SEP IRA	\$49,000	\$49,000
403(b)	\$16,500	\$22,000
Section 457	\$16,500	\$22,000

Also new for 2010, there is no income limit for converting traditional IRA accounts into ROTH IRA accounts. You still have to pay taxes on the converted amount.

First Time Home Buyer Tax Credit

It has been extended and expanded into April 2010! First time buyers get a little extra time and current home owners can get \$6,500 if they buy-up to a more expensive home.

Happy 234th Birthday, Marines!



Happy Veterans Day!



Are We Out of Our Slump?

Rusty Deaton

Stop the presses! Break out the caviar! I have amazing news for you- we are officially out of our recession. At least, that is what the recently released third quarter GDP figures tell us. A fantastic 3.5 percent increase this quarter! Wait, you aren't convinced we are out of our economic slump? Neither am I. Unfortunately, and as we have seen before, positive-looking figures do not mean everything is back to normal. It is in times like this we should take a long, hard look at what is going on around us. Are things coming back to normal? How can we tell? There are key areas that get talked about constantly, but are rarely given full attention in the echo chamber we call daily news.

The Stock Market

The S&P 500 is seen as an indicator of where the economy is going to go. Since early March, it has gone nothing but up, up, up- as of November 3rd, it has gained approximately 35% from March 9th of this year. It should be noted, though, that these recent highs put us back at the same general level that we were at in the fourth quarter of 2003! It is very hard not to be pessimistic, reading these figures. It needs to be stressed, however, that the stock market is nowhere near the feverish, panicked state it was in a year ago. We can see this reflected in the market in a few ways; namely, through the CBOE Volatility Index (VIX) and the Baltic Dry Index (BDI).

The VIX is an estimate of how far up or down the market will move in the next 30 days. Since its record-setting high in October of 2008 it has come back into ranges that are considered normal. This indicates that many day-to-day traders in the stock market are expecting everything to stay relatively stable— which is a good thing! The BDI measures global demand for materials, as well as the demand for transportation of those materials— it is about as close as you can get to a birds-eye glimpse of where the market is going. Judging by the index, it appears corporations have a cautiously positive outlook; the BDI has come back significantly since a year ago and like the VIX, is con-

sidered to be in a healthy range.

If you are a regular reader of the Money Monitor, you may recall last month that Jim outlined the circumstances for the stock market's regrowth despite being in a recession. I agree with his ideas, but would offer that we may be seeing a glimmer of recovery. Several companies have reported profit increases in this quarter; most notably manufacturers of big-ticket items (Samsung, LG, Ford), technology companies (Google, Unisys, Apple), and business service companies (Pitney-Bowes, 3M, Staples). While these companies may be seeing temporary profit due to government stimulus and extreme market liquidity, I would be hesitant to write these performance gains off as such. The next two quarters should help determine whether or not the economy can stand on its own, as a number of stimulus plans (Cash for clunkers, etc.) will lapse.

Unemployment

If you have checked the news in the past few months, you probably have heard about the idea of jobless recoveries. The idea, simply, is that employment lags behind corporate profits. This happens for several reasons; automation of previously manned positions, offshoring of jobs, large-scale economic change, and so on. A great example of the jobless recovery can be seen if you look back to the brief recessive period we had during 2001. Despite businesses springing back relatively fast afterward, employment did not recover until 2003.

It should be noted that this process is not fair across all businesses. Manufacturing, construction, and sales positions have been some of the most widely cut industries during the recession. While that makes sense- obviously if people are not buying, there will be less people selling and manufacturing products- this next number may surprise you. Per the Bureau of Labor Statistics, 45% of the job losses in this recession have been at firms with 50 or less employees. That number is startling in that small businesses have received almost nothing in the way of government stimulus, and distressing due to how large it is.

There is a silver lining to this dark cloud. As Edward Lazear stated in his *Wall Street Journal Online* article "Stimulus and the Jobless Recovery", "Historically, recoveries have a consistent pattern: Productivity grows first, then jobs are created, and finally wages rise". Productivity has increased since the start of the recession, despite all of these cuts and hour reductions we hear about in the news. If we are to take stock in Mr. Lazear, we should see this productivity give way to new jobs in time. The issue then will be the time it takes to see job growth, and how it relates to the withdrawal of stimulus-related boosts.

My Outlook

The next six months are going to be a very telling time for the American economy. We have seemingly come to a point of stability in the marketplace- while we may not be happy about where we have landed, we certainly are no longer in the free fall we experienced at the beginning of the year. If the economic stimulus has done its job, we will see that as it tails off (and, presumably, its benefits granted) the economy will continue to see recovery. While we as consumers may not feel relief due to sluggish job growth, the recovery does seem to be on its way. While it may be too early to break out the caviar, it is certainly not too early to have a discussion on what we can do to help you best position yourself for the future.



Edward P. Lazear, the author of the credited article, is an award-winning Economist who served as the chief Economic Advisor to George W. Bush- he served from 2006 to 2009.

Quick Quotes

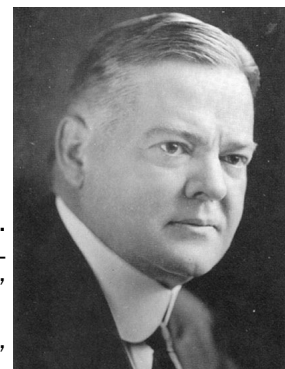


Ronald Reagan, 1911-2004

"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidise it."

"Government exists to protect us from each other. Where government has gone beyond its limits is in deciding to protect us from ourselves."

"Information is the oxygen of the modern age. It seeps through the walls topped by barbed wire, it wafts across the electrified borders."



Herbert Hoover, 1874-1964

"Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves."

"If the law is upheld only by government officials, then all law is at an end."

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