

An Attitude of Gratitude...

“A *Thousand Marbles*” –The more one gives, the more one receives. In response to my sharing “*The Banker and the Fisherman*” story last month, I received the following story from a client. No question that we are living in stressful times. One of life’s challenges is to learn and then keep everything in perspective, and to know what’s really important to you.

A Thousand Marbles

The older I get, the more I enjoy Saturday mornings. Perhaps it's the quiet solitude that comes with being the first to rise, or maybe it's the unbounded joy of not having to be at work. Either way, the first few hours of a Saturday morning are the most enjoyable for me.

A few weeks ago, I was shuffling toward the kitchen with a steaming cup of coffee in one hand and the morning paper in the other. What began as a typical Saturday morning turned into one of those lessons that life seems to hand you from time to time. Let me tell you about it.

I was listening to a Saturday morning talk show and heard an older sounding man with a golden voice talking about 'a thousand marbles' to someone named Tom. I was intrigued and sat down to listen.

“Well, Tom, it sure sounds like you're busy with your job. I'm sure they pay you well, but it's a shame you have to be away from home and your family so much. It's hard to believe a young fellow should have to work 50-60 hours a week to make ends meet. Too bad you missed your daughter's dance recital.”

He continued, “Let me tell you something, Tom, something that has helped me keep a good perspective on my own priorities. You see, I sat down one day and did a little arithmetic. The average person lives about 75 years. Some more, some less, but on average 75 years.”

“So, I multiplied 75 times 52 and came up with 3900 which is the number of Saturdays the average person has in their lifetime. I was 55 when I thought about this in any detail, and by that time I had already lived through over 2800 Saturdays. I got to thinking that if I lived to be 75, I had only a thousand of them left to enjoy.”

“So I went to a toy store and bought every single marble they had. I had to visit three stores to round up a thousand marbles. I took them home and put them in a large plastic container in my workshop next to the radio. Every Saturday since, I've taken one marble out and thrown it away.

“I found that by watching the marbles diminish, I focused more on the really important things in life. There's nothing like watching your time on earth run out to help get your priorities straight.

“Now, let me tell you one last thing before I sign off with you and take my wife out for breakfast. This morning I took the very last marble out of the container. I figure if I make it until next Saturday then I've been blessed with a little extra time to be with my loved ones.

You could have heard a pin drop when he finished. Even the show's moderator didn't have anything to say for a few moments.

Jim Ellman

Remaining Cautious

Global equity & credit markets remain dysfunctional despite the beginnings of a growth recovery in China. Skepticism abounds over American & European measures to address bank failures & ailing housing markets.

In early March, US stocks rallied on belief that the worst was behind us and that prices were unrealistically low. It is too early, however, to conclude that the E in P/E has hit a trough, especially considering that unemployment is rising at a record pace.

We are in a 'balance sheet recession', a rare thing in the US. Consumer spending appears to be in a secular shift that could take the savings rate much higher. This is in response to lower asset values on their homes & investment portfolios, coupled with threats to their earning potential. There is a huge imbalance between assets and liabilities in this country.

New sources of financial anxiety seem to crop up daily. Overseas, the problems are similar. We believe it best to remain defensive.

The US government is in the process of unchaining credit markets, and freeing the global banking system from an era of too much leverage and interlinked debt. It will be a slow and painful process and is likely to keep us in an environment of slow sluggish growth for some time.

If there is light at the end of the tunnel, it could be China that has the potential for real sustainable growth in 2010. Infrastructure spending is 40% of China's growth while net exports are just 7%.

Benchmarks & ABEL Performance

	1st Qtr	12 Mos	3 yrs	5 yrs
Dow	-12.5%	-35.9%	- 9.5%/y	-3.6%/y
S&P500	-11.0%	-38.1%	-13.1%/y	-4.8%/y
Nasdaq	- 3.1%	-32.9%	-13.2%/y	-5.2%/y
ABEL *	- 2.9%	+ 6.9%	+ 1.4%/y	+4.2%/y
Cash & CDs	+ 0.2%	+ 1.8%		
Fixed Income	+ 2.0%	+ 3.2%		
US Stock Funds	+ 1.5%	-13.1%		
ETFs	-15.0%	+19.8%		
Separate Accts	- 6.1%	n/a		
Internat'l Funds	-10.1%	-36.9%		

* includes mix of Stocks, Funds, CDs and Cash

⇒ Indexes from Morningstar

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Statistics ...

3... Number of pages in Treasury Secretary Henry Paulson's original bailout proposal to Congress.
(Fortune)

451... Number of pages in signed Emergency Economic Stabilization Act of 2008 based on Paulson's proposal.
(Fortune)

10... Number of years since Dow last suffered a fourth-quarter decline. (WSJ) *Now it has suffered 2 in a row.*

20... Number of market corrections (10 percent decline or more) from 1950 to March 2008. (WSJ)

18,500... Estimate of how high the Dow Jones Indus-

trial Average will rise within the next 3 years. (Morningstar-April08) *That means the Dow needs to triple in the next 2 years. I don't think so!*

5500... Average annual out-of-pocket dollar cost to care for an aging parent or spouse. (Nat'l Alliance of Caregivers)

9... Average percentage that working one additional year boosts annual retirement income. (Urban Institute)

28... Percentage of workers age 55 and over who have less than \$10,000 in total savings and investments. (EBRI)

60... Percentage of American couples who argue over money at least once a month. (PayPal)

Which One Describes You?

While most of us look forward to retirement, many find the transition into retirement a time of great stress. According to a study by Transamerica of people age 50 and older, people fall into four “investing personality types” that reflect their emotional ability to deal with the changes brought about by retirement and their confidence about financial security in retirement.

Venturer: The smallest group of the four types (19% of the population), they find change more exciting and less stressful than the other types. Their attitude toward investing is “nothing ventured, nothing gained”, though only 45 percent say they are “very comfortable” with stock investments. The majority (54%) are male, and 46 percent prefer to be involved in their retirement planning rather than having others decide.

Adapter: This group makes up 33 percent of the population and the majority of them are females. Their investing attitude is “take it as it comes”. They find change both stressful and exciting.

Anchored: Comprising 21 percent of the population, and again predominately female, they seek consistency in their life. They view the transition into retirement with trepidation. Their investing attitude is “stay on the safe side”. They don’t like managing their savings and investments.

Pursuers: They represent 26 percent of the population and the majority are female. Sometimes they feel in control of life and sometimes it’s the other way around. From an investing standpoint, they’ll “pursue anything once”, though lack confidence in their investing. They are less prepared for retirement than the other personalities.

Journal of Financial Planning, Feb 2009

Workers and Retirees Put Retirement on Hold

Not surprisingly, older Americans whose portfolios will have a harder time recovering from the market collapse plan to delay retirement or return to work, according to several polls.

A poll by Golden Gateway Financial in Oakland, CA shows 80 percent of senior citizens are worried about their retirement savings, 75 percent are making lifestyle adjustments, 25 percent are borrowing against their home or trying to sell it for income, and 25 percent are delaying purchases. Over 20 percent are considering returning to work and nearly a third plan to delay retirement.

In an AARP survey, 65 percent of respondents age 45 and older said they’re thinking of delaying retirement if the economic mess doesn’t get cleaned up soon. Twenty percent aren’t helping their chances by halting contributions to their retirement accounts.

In an Eons.com survey of people 45 and older, over half expect to postpone retirement for at least 5 years.

Ibid.

“The market can stay irrational longer than you can stay solvent.” - John Maynard Keynes

Right & Wrong Way to Name a Beneficiary

Imprecise wording when you name your IRA beneficiary can cost your heirs. In a private letter reply an IRA owner wanted a trust he set up in his will to be the beneficiary. But he wrote “as stated in will” on the form, without specifically identifying the trust. In the Service’s view, the lack of specificity meant that his IRA did not have a designated beneficiary and thus had to be emptied within five years.

Had he identified the particular trust, the trust’s beneficiaries would have been able to receive their shares over the oldest one’s lifetime. Thus they lost the ability to benefit from many years of tax free buildup in the IRA.

Check the beneficiary wording not just on your IRA, but also your 401k and pension plan at work.

Old Age Isn’t What It Used To Be

The front wave of baby boomers turned 62 last year, but they sure aren’t feeling “old”. That’s according to a survey by MetLife Mature Market Institute.

- The average age these baby boomers expect to become “old” is 78, and if they’re in excellent health now they won’t be old until age 83.
- Only 5% have both parents living, and 27% have only one parent alive.
- Thirty-one percent plan to take Social Security when they turn 62 while 32% plan to wait until age 66 or later in order to get full benefits.
- Thirty-eight percent have stocks and 38% have mutual funds.
- Sixteen percent would consider a reverse mortgage to pay for long-term care needs.
- Twenty-five percent plan to move somewhere else for retirement.
- Just 2% claim to have attended Woodstock in 1969 (it’s been claimed that every baby boomer was there).

Timely Quotes...

Our modern shadow banking system craftily dodges the reserve requirements of traditional institutions and promotes a chain letter, pyramid scheme of leverage, based in many cases on no reserve cushion whatsoever. - *Bill Gross, PIMCO Investment Outlook, Jan 2008* *If only our leaders in Washington would have listened to this guy, and understood him...a year ago.*

Bear markets are painful and emotionally grinding, but they also present us with exceptional opportunities. There’s a saying that you make all your money in bear markets; you just don’t know it until later.

- *Toan Tron, Morningstar.*

Be at war with your vices; at peace with your neighbors, and let every new year find you a better man.

- *B. Franklin*

Pick battles big enough to matter, small enough to win. - *Jonathan Kozal*

Twenty years from now you will be more disappointed by the things that you didn’t do than by the ones you did do. - *Mark Twain*

“Seriousness is stupidity sent to college” - *P.J. O’Rourke*