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ABEL Strategy — Fourth Quarter 2009 — January 11, 2010
Retirement Planning & Wealth Management

Got Enough Bucks?

According to a recent Retirement Fitness Survey, baby boomers are in “a state of denial” when it comes to their retirement savings. According to the survey, the financial positions and savings habits of 50- to 59-year-old pre-retirees “are insufficient to last for their expected 20-plus years of retirement.” Specifically, while it is said that \$800,000 is needed to retire – the average person at that age, at his or her current pace, will only be able to come up with \$300,000.

Interestingly, according to one of the individuals involved in the study...

“In the wake of the severe economic crisis, we had expected to find people had become more conservative in their savings and spending behavior. We were surprised to see how few people have increased their rate of savings and how many people in their 50s have no retirement plan at all. For people in the last 10 to 15 years of their working career, the failure to have a thorough retirement plan in place is like driving while blindfolded.”

This is interesting from a couple of angles. The first is that despite the crisis and the clear hardship stalking the land, old habits die slowly. And today’s old habits include spending more than one takes in, hoping things will have improved by the time the ignored creditors calls turn into not-so-easy-to-ignore loud bangs on the front door.

The other angle that pops to mind goes back some years to Seville, Spain, where an old retired Navy man who, no longer able to live here on his pension, had moved to and was living like minor nobility. This trend toward moving to where the living is not only easy but very, very cheap is a trend likely to gain momentum.

Jim Ellman

Skeptics continue to doubt this rally. They worry about events that are either irrelevant to the stock market or so far off into the future as to be of no legitimate concern for many years. This doubt is something we believe typically pervades rallies. Meanwhile, while the naysayers doubt, the stock and bond markets continued their upward marches. Valuations suggest these rallies are sustainable and part of an approximately two-year-long recovery.

Admittedly, all the news is not good yet. We continue to hear disappointing and negative stories, but the news does not have to be good to support this rally. In our opinion, the news just has to exceed the horrible expectations investors had in early 2009, which included a national depression, a seemingly endless recession, bankruptcies, bond defaults, and a whole host of financial and economic disasters. We believe stock and bond prices in early 2009 reflected the worst imagined scenario. Prices today are rallying as investors realize those horrible expectations are less and less likely to materialize. So while economic conditions are not great yet, they do not have to be. They just have to be better than what was once anticipated. In part because we believe economic conditions are better than anticipated earlier this year, we feel this rally is sensible.

Craig Callahan, ICON Advisors

The More You Have The More You Want More Than You Have

Jobs — Jobs — Jobs

Unemployment at 10% the norm, and under-employment over 15%? Twenty-five percent of the lost jobs during this recession lost forever? Could be.

"I don't think many people grasp just how much job creation we need to climb out of the hole we're in. You can't just look at the eight million jobs that America has lost since the recession began, because the nation needs to keep adding jobs - more than 100,000 a month - to keep up with a growing population. And that means that we need really big job gains, month after month, if we want to see America return to anything that feels like full employment. How big? My back of the envelope calculation says that [we need to add around 18 million jobs over the next five years, or 300,000 a month.](#)

This puts [a recent] employment report, which showed job losses of "only" 11,000 in November, in perspective. It was basically a terrible report, which was reported as good news only because we've been down so long that it looks like up to the financial press."

Paul Krugman, Princeton 12/6/09

Bureau of Labor Statistics recently reported they estimate that [the economy will create 15.3 million more jobs in the next ten years, which is an average of about 1.5 million a year, or 125,000 a month.](#) That suggests that continued high unemployment may not be far off target. If you have no social life, you can read the report at <http://www.bls.gov/news.release/ecopro.nr0.htm>

> Performance <

	4th Qtr	12 Mos	3 yrs	5 yrs
Dow	8.1%	22.7%	-3.1%/y	1.0%/y
S&P500	6.0	26.5	-5.6%/y	0.4%/y
Nasdaq	7.2	45.4	-1.2%/y	1.7%/y
ABEL *	0.4	- 4.9	-2.4%/y	2.9%/y

* includes mix of security types listed below

⇒ Indexes from Managers Funds

	4th Qtr	12 Mos
Cash & CDs	+ 0.1%	+ 2.7%
Fixed Income	+ 0.6%	+ 8.9%
US Stock Funds	+ 3.8%	+45.1%
International Funds	+ 3.0%	+18.8%
Abidar Cap Mgmt	- 13.1%	- 46.2%
Miller-Howard Sep Acct	+ 13.5%	n/a

Income down? Laid off? College tuition due? Postponing retirement?

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What information consumes is rather obvious: it consumes the attention of its recipients. Hence, a wealth of information creates a poverty of attention.

-Herbert Simon

Did You Know ...

45... Percentage of 61-year-olds expecting to start Social Security when they turn 62, the vast majority in order to pay for basic needs. (Fidelity)

1954... The year the Dow Jones Industrial Average returned to its 1929 high. (Wall Street Journal)

46... Percentage of US voters who believe workers should be allowed to opt out of Social Security to provide for their own retirement planning. (Rasmussen Reports)

91.4... Percent accuracy which January market returns predict the direction of the market for the rest of the year. (Stock Trader's Almanac)

126... Percentage of final pay the average worker will need for each year of retirement. (Hewitt Associates)

0.5... Percentage of global growth the International Monetary Fund estimates for 2009; the lowest rate in 60 years. (IMF)

2016... Projected year in which Social Security will begin to incur cash flow deficits, as outlays exceed revenues. Year of Trust Fund exhaustion—2037.

2017... Projected year in which Medicare's Hospital Insurance Trust Fund reserves will be exhausted.

(Social Security & Medicare Board of Trustees)

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Household Income's Downward Slide ...

The U.S. Census Bureau reports that the median household income for 2008, in real, inflation-adjusted dollars, was \$50,303. This level marks a 3.6 percent decline from the 2007 amount of \$52,163—the largest one-year loss since the figures were first recorded in 1967. The 2008 drop varied along racial and ethnic lines, with Whites losing 2.6 percent, African Americans 2.8 percent, Asians 4.4 percent, and Hispanics 5.6 percent. The concentration of Hispanics in the construction industry at the very time the

country experienced a housing collapse is seen as a key reason for their sharper decline. The Economic Policy Institute used the new U.S. Census Bureau data to project household income shifts over the next few years. A decline of \$2,456 is predicted for 2009, and a \$601 drop for 2010, resulting in **a 9.3 percent income loss for a typical household from 2007 to 2010**. The Institute points to the unprecedented nature of this decline—it was not preceded by a period of strong increases in income, but rather, for the first time on record, follows a period of already lightly declining incomes between 2000 and 2007.

-Journal of Financial Planning, Nov 2009

From our client, David Shaffer ... another step in preparing for retirement is to pay down your mortgage loan at an accelerated rate. The tool to use is the Home Accelerator. You can go to www.hoasimulator.com and actually "test drive" this product. It is the only thing like it in the marketplace, David says. You can learn more about the concept and the product by going to <http://www.homeownershipaccelerator.net>, or contact David at [David Shaffer <info@moon-ray.com>](mailto:David.Shaffer@moon-ray.com).

Reducing Costs on Investment Trades

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“A recent poll ... If you are earning over \$100,000, then your plans are to spend over 50% more than last year. That’s stunning. Equally stunning was that if you are making less than \$30,000, then you are going to cut your spending by a third.

In a related backdrop, the wealthiest consumers, say those in the top decile of earnings and net worth account for almost half of all spending. The lower 90% account for the other half. You will see weird things happening in consumer spending.

If you go to Wal-Mart, and they are offering a deal, consumers will buy at the right price. Discount stores, if they are executing a good business plan, will make the cash registers ring. At the other extreme, some luxury brands are actually working. Tiffany’s is actually doing well.

In the middle there is a big gulf.”

Lakshman Achuthan is the managing director of the Economic Cycle Research Institute and managing editor of ECRI’s forecasting publications.

“The only reason for time is so everything doesn’t happen at once” -Albert Einstein

Identifying Areas for Improvement in Your Estate Plan

<u>Potential Issue</u>	<u>Revision/Action</u>
1. Determination of incapacity requires written certifications of two licensed physicians	1. Require the signatures of a loved one and attending physician.
2. HIPAA authorizations, allowing the release of healthcare information, were not required until 2003.	2. Execute a HIPPA authorization allowing named fiduciaries access to medical records so they can handle affairs appropriately.
3. Family members don't have powers of attorney for healthcare & living wills (or advance healthcare directives).	3. Execute, you and family members, documents and place information cards in their wallets.
4. No provisions for planning during incapacity.	4. Add language to the property management durable power of attorney and/or living trust to grant this power.
5. Will only.	5. Consider a living trust for probate avoidance and privacy.
6. Individuals named as successor trustees, personal representatives, guardians, and agents for financial and healthcare decisions have moved, died, become ill or grown distant.	6. Execute new documents, updating names. Consider naming an institution as a final back-up fiduciary.
7. Pecuniary funding of sub-trusts	7. Consider revising the funding language to use fractional shares .
8. Surviving spouse lacks sufficient access to bypass and QTIP trust assets	8. Consider adding 'health, education, maintenance & support' invasion powers to the bypass & QTIP trusts.
9. Surviving spouse lacks testamentary limited power of appointment over bypass and QTIP trust assets.	9. Consider giving the spouse a testamentary limited power of appointment in case of changed circumstances.
10. Property is distributed to children outright or in stages.	10. Consider using lifetime beneficiary-controlled trusts for asset & divorce protection.
11. Trusts are not funded	11. Execute deeds transferring real estate to the trust and re-title other assets, as appropriate.

... Everyone should carry a wallet card notifying medical providers that they have executed these documents, identifying the loved ones who will make medical decisions on their behalf, and listing their phone numbers in the event of an emergency. Having the forms in place is not enough; the healthcare providers need to know whom to contact.

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