



## ELHOFF FINANCIAL COUNSELING

A compilation of random thoughts, reflections and observations from symposiums, webinars, conference calls and publications follow for your perusal. The contents of which may be forward looking and may or may not come true and while much of the information is believed to be from reliable sources, we make no representation as to its completeness or accuracy.

### Interesting Facts:

**BETTER START** -The S & P 500 was up +2.4% (total return) in January 2011, breaking a streak of 3 consecutive years when the stock index started off a new year with a down month in January. The S & P 500 lost 6.0% in January 2008, lost 8.4% in January 2009 and lost 3.6% in January 2010. The S&P 500 had lost an average of 0.2% during the month of January since 1990. The S&P 500 is an unmanaged index of 500 widely held stocks that generally considered representative of the US stock market (Source: BTN Research)

**LESS THAN AVERAGE** - \$12 billion of new municipal bonds were issued nationwide in January 2011, just a third of the monthly average of \$36 billion of new municipal issues that occurred in 2010 (Source: Thomson Reuters).

**SPENDING** - Our government's projected budget deficit for fiscal year 2011 is \$1.48 trillion. For every \$1 of expected tax revenue, our government is anticipating spending \$1.66 (Source: Congressional Budget Office).

**DOES NOT SOUND GOOD** - The USA's debt-to-GDP ratio is projected to be 69.4% as of 9/30/11, growing to 74.9% as of 9/30/15. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US (Source: Congressional Budget Office).

**AT THE END OF LAST YEAR** - The average price of a new home sold in the USA in December 2010 was \$291,400, its highest monthly average since July 2008 (Source: Commerce Department).

### Sample Headlines I have seen -

- Market Forecasts—Most prognostications miss the mark
- Betting against conventional wisdom in 2011
- A four-month rally; Time to protect profits?
- Outlook 2011—Optimism Returns

So what can one expect for the upcoming year and beyond?

**Positive Thoughts** - Businesses appear poised to put more money to work in 2011; With expenses generally under control and revenues improving, further earnings growth appears likely in 2011; borrowing costs remain historically low with no immediate rate increases expected; retail sales in early 2011 are expected to be back to the peak levels reached in 2007.

**Negative Concerns**— Housing actually remains near record lows. Inventories are elevated and with prices coming under pressure, more foreclosures loom. The federal deficit is the big concern. What can't go on forever, won't. Austerity measures loom. I happen to believe stocks may do well again this year, real estate still offers some opportunities, interest rates have to go up sometime and federal deficit means anything from inflation, to higher taxes and spending cuts. We must observe what those folks elected in November will do.

All that said I like the many financial alternatives we are able to offer, mitigating risks where possible and yet working to grow and protect our client's wealth.

**Long-Term Care Insurance (LTCI)** - There is a misconception held by consumers that perceive the cost of LTCI to be quite a bit higher than the real amounts paid by large percentages of those purchasing coverage, According to the American Association for Long Term Care Insurance. The report shows the average age for new purchases was 57 with 80.5% in 2009 falling under the age of 65 when buying it.

We will be happy to prepare quotes for you and comparisons of benefits so you can know for yourself the actual costs and benefits.

**Surprises of 2011** - The Blackstone Group defines a surprise as a market-influencing event that the average investor would only assign a one out of three chance of taking place during the year, but they believe is "probable," that the event has a better than 50% chance of happening. The Surprises are presented to stretch their thinking so that you will seriously consider a set of reasonably possible events that you might have previously thought were unlikely.

1. Real Gross Domestic Product rises close to 5% in 2011 driven by improved trade and capital spending in addition to stronger retail sales. Unemployment drops below 9%.

## Interesting Facts:

**SUPER PRICES** - The most expensive Super Bowl ticket (face value price, not the price paid through a ticket broker) for Super Bowl # 1 in Los Angeles (1967) was \$12. The most expensive ticket for Super Bowl # 45 in Dallas (2011) is \$1200. The increase in Super Bowl ticket prices from \$12 in 1967 to \$1,200 in 2011 is equal to + 11.0% compounded per year for 44 years (Source: Super Bowl).

**RESULTS** - Actual earnings of the S&P 500 companies for the 4th quarter 2010 are projected to be up +27% when compared to the actual results from the 4th quarter of 2009 (Source: S&P).

**MUCH LESS** - 106 publicly held companies worth \$89 billion filed for bankruptcy protection in 2010. 136 publicly held companies worth \$1.16 trillion filed for bankruptcy protection in 2008 (Source: New Generation Research).

**LIFE AT THE TOP** - The top marginal tax bracket on a joint return has changed 18 times (either up or down) since 1950. The most recent change was when the top rate was reduced to 35% in 2003 (Source: Internal Revenue Service).

**CAN YOU HEAR ME?** - More than 1 of every 4 US households (27%) do not have a landline phone into their home but instead only use cell phones (Source: Centers for Disease Control and Prevention).

**GOT A NEW RIDE** - Auto and light truck sales in the USA totaled 11.6 million in 2010, up from 10.4 million in 2009, but still 5.4 million vehicles less than the 17.0 million sold in 2005 (Source: Treasury Department).

**SOME UP, SOME DOWN** - 27% of Americans surveyed in early January 2011 felt their financial situation had improved from 1 year earlier. Another 27% felt their position had gotten worse (Source: Bank rate).

2. Yield on the 10-year U.S. Treasury approached 5%. Spreads with corporate fixed income securities narrow.
3. Standard & Poor's 500 rises close to its old high of 1500. Stocks correct in the second half as interest rates rise.
4. The price of gold rises above \$1600.
5. The Chinese decide to use their currency as a policy tool. The move is viewed as a precursor to the world-wide adoption of a basket including the renminbi as an alternative to the use of the dollar as the principal reserve currency.
6. Commodities become a component of more institutional portfolios. Housing starts exceeding 600,000.
7. Price of oil to rise to \$115 per barrel
8. Frustrated by the lack of progress against the Taliban and the corruption of the Karzai government, President Obama concludes that whenever American troops return home, Afghanistan will once again become a tribal state ruled by warlords. Middle East will be without a major Western presence in the face of rising fears of terrorism.
9. The European financial crisis becomes less of a concern.

If this year's surprises work out we all will have made some money and the world will be a better place, so I'm cheering for them even more than ever.

**Municipal Bond Facts** - The muni market is enormous with a size of over \$2.9 trillion and over 55,000 different issuers, according to the Municipal Securities Rule-making Board.

In a Moody's study that covered 1970-2009, only 54 of the 18,400 municipal bonds they rated had defaulted. Of those, only 5 involved general obligation debt.

In a Fitch study covering the period from 1999-2009, only 10 entities defaulted, which equates to an average annual default rate of 0.04% over those 10 years.

Even during the Great Depression the default rate for municipal bonds only reached 1.7%.

The number of AAA-rated counties the highest bond rating-has risen from 42 in October 2006 to 67, with 20 counties making the jump in the past two years, according to a January 2011 Standard and Poor's report.

**More Steps Each Day Keep You Healthier** - According to a study conducted on 1,446 adults and published in the June 2010 issue of The American Journal of Preventive Medicine, increasing the number of steps you take each day may reduce the likelihood of developing metabolic syndrome.

In the study, people who took 5,000-10,000 steps per day were considered low to somewhat active, while those taking 10,000 steps or more were deemed active to highly active. About 2,000 steps is considered equivalent to one mile. For men, the odds of metabolic syndrome were 24% lower in the low to somewhat active group, and 69% lower in the active to highly active group. Women in the low to somewhat active group had a 53% decreased risk of metabolic syndrome and the odds decreased by 72% in the most active group., For each additional 1,000 steps per day, there was an approximate 10% decrease in the odds of developing metabolic syndrome. So... let's all take a hike!

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