



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:

MANY OIL AND GAS JOBS - The state of Texas created more jobs in calendar year 2008 than the other 49 states in the country combined (Source: Arthur Laffer, Wall Street Journal).

NO PAY HIKE ? - Social Security benefits have received a formula-driven "cost of living adjustment" (COLA) since 1975 (before that date annual increases were set by legislation). The COLA for benefits in 2010 will be based upon the change of the consumer price index from the 3rd quarter of 2008 to the 3rd quarter of 2009. Unless inflation increases over the next 5 months, it is possible there will not be any COLA adjustment for 2010 benefit payments. The COLA increase for 2009 benefits was +5.8% (Source: Commerce Department).

CHEAPER GAS - American consumers spent \$26.5 billion at gas stations in April 2009, \$15.2 billion less than the \$41.7 billion spent at gas stations a year earlier in April 2008, i.e., Americans spent \$500 million a day less at gas stations in April 2009 when compared to amounts spent in April 2008 (Source: Commerce Department).

GAS GUZZLER ... NOT - President Obama announced plans (5/19/09) that will require US carmakers to produce autos and light trucks that get 35.5 miles to the gallon by the year 2016. The implementation of these new regulations will add an average of \$1,300 to the cost of a vehicle (Source: Financial Times).

THE BIGGEST - The 19 US banks that received "stress test" results from the Treasury Department on 5/07/09 hold 67% of all assets in the US banking system (Source: Financial Times).

UP-FRONT MONEY - The median down payment (stated as a percentage of the purchase price) made by first-time home buyers in calendar year 2008 was 4% (Source: National Association of Realtors).

Rethinking some "old" thoughts 1) Some guarantees should be a part of any plan as diversification may not be as helpful as we once thought. 2) One needs more diversification and more types of diversification 3) Cautious and judicious borrowing is even more prudent than perhaps we thought in past times 4) One's home cannot be expected to make us rich, perhaps only a good savings tool 5) Retiring early maybe a problem due to circumstance beyond our control. Some folks get bored; portfolio losses in the early years can be devastating.

Health Care Facts—Various politicians, news reports and documentations report the number of "uninsured" Americans at 45 to 50 million. From the U.S. Census Bureau and Congressional Budget office some facts on those estimates are as follows: 1) 10 million illegal immigrants; 2) 17 million whose households income is greater than \$50,000 per year and 3) 10 million with income greater than \$75,000; 4) additionally 45% of people "currently uninsured" typically get reinsured within 4 months. Another claim is the U.S. has one of the highest mortality rates among the major industrialized countries. A fact from the 2009 CIA Fact Book has the U.S. at 8.38 deaths per 1000 population, only Ireland, Canada, and Australia are better. The U.S. spends the most on health care and our comparatively lower mortality rates are one indication of the result.

The Foreclosure Crisis—New Evidence—Stan Liebowitz in the Wall Street Journal offered that zero money down, not sub prime loans led to the mortgage meltdown. This may well mean that most of the government policies being discussed to remedy woes in the housing market are misdirected. His research was compiled by McDash Analytics

Reflections on the Economy—1) Although still in recession, it appears to me "the worm has started to turn" and may start to move positively in the second half of the year powered by stronger government spending and rebounds in housing, auto sales and inventories 2) Although shock was reported at a 9.5% unemployment rate, it has been suggested for months that we would eventually hit 10% unemployment. History suggests unemployment is a lagging indicator and recovers slowly by about 1% per year, implying a return to "full employment" unemployment of about 5% is years away. 3) Many are expressing worries of higher inflation due to dramatic monetary and fiscal easing. However, in a competitive economy, inflation may find it difficult to get going before a return to full employment per my previous reflection may be years away.

Investment Opportunities? In light of the above there are opportunities that we have available to include the following: Money market and CD's from EverBank; fixed annuities (similar to CD's, but tax deferred and in many instances higher yields); Participating whole life, universal and term life insurance; variable annuities with guaranteed living benefits; institutional money managers of stocks and bonds, both tactical

Interesting Facts:

MORTGAGE MESS - Mortgage finance giant Freddie Mac (Federal Home Loan Mortgage Corporation) was founded in 1970. Along with Fannie Mae (Federal National Mortgage Association), the 2 government-sponsored enterprises owned or guaranteed \$5.3 trillion of mortgages (out of \$10.5 trillion nationwide) as of 12/31/08. Freddie Mac lost more money during the 2 years of 2007-08 (a \$53 billion loss) than it made during the 36 years from 1971-2006 (\$42 billion of profits) (Source: USA Today, Wall Street Journal and Federal Reserve).

ANOTHER DEGREE - More than 1 in 4 college graduates (27%) from the class of 2009 will not attempt to enter the work force immediately but instead plan on attending graduate school (Source: National Association of Colleges and Employers).

INDICES DIFFERENCES - In the last 25 calendar years (1984-2008), the largest single-year difference in total return between the S & P 500 and the Dow Jones was 10.5% in 1998. Over the entire 25 years, the Dow had an average annual total return of 11.3% while the S & P 500 was up 9.8% per year. The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy (Source: BTN Research)

MATCH THE AVERAGE - The closing low point (so far) of the 2007-09 bear market for the S & P 500 took place 16 weeks ago today on 3/09/09. In the last 16 weeks, the S & P 500 gained 35.8% (Source: BTN Research)

TAKE IT BACK - If the 10 US banks that received permission from the Treasury Department to repay their TARP funds actually do repay the \$68 billion they have received, that would bring the total amount repaid back to Uncle Sam to \$70 billion, representing 35% of all TARP funds paid out to more than 600 banks nationwide (Source: Treasury Department).

A FEW YEARS - 53% of adults surveyed believe it will take them at least 5 years from now to grow their net worth back to the level it had reached in late 2007 (Source: AxiPartners, USA Today).

SUPPLY AND DEMAND - The total production capacity of automakers worldwide is 86 million vehicles annually. Total auto sales are projected to be 56 million in 2009 (Source: Financial Times)

(activity managed) and strategic (passive, buy and hold); real estate investments "taking advantage" of today's markets; oil and gas programs and managed futures which include energy, precious metals, commodities, market indices, currencies and interest rates.

We are ready to visit with you about any and all of the above. None of the above by themselves are the single answer, but in combination may very well help sustain one's wealth through very tumultuous times.

Do the affluent need LTC Insurance? - Advisors have assumed that affluent clients would have the income stream to cover long term care needs regardless of the length of any necessary convalescing. Surprising economic times can reveal fault lines in previous solid assumptions. In a 2008 survey by Northern Trust, the cost of health care came in second after inflation eroding income as a chief concern of Americans with a minimum net worth of \$1 million, the truth is more people need to consider the costs. According to the U.S. Department of Health and Human Services, 40% of those over the age of 65 will require nursing home care. Published averages of nursing care and in home care can be misleading when you consider the likely high service expectations of affluent families. Average rates buy you rooms in facilities that may be perceived as more Motel 6 than the Four Seasons.

Additional reasons to seriously consider long-term care protection are as follows: 1) Home health care, assisted living and other community-based services remain an option with the ability to private-pay with LTCI benefits; 2) Lifestyle for the at home spouse is less likely to be negatively impacted; 3) The LTCI policy may provide the proof that is necessary to get in the nursing home of choice; 4) The senior keeps control of his or her money.

LTC policies have many moving parts. In fact so many, we outsource our analysis to a specialty LTC firm to fully understand what is best for our clients long range economic impact.

Rather than depending on self funding, strategically designed LTC policies can mitigate financial exposure and provide coverage for relatively reasonable sums. Linda and I have our policies. If you don't have yours, maybe we should talk.

Special Recognition—The August issues of Texas Monthly magazine will recognize Chuck Elhoff, Elhoff Financial Counseling as a Five Star, Best in Client Satisfaction Wealth Manager. Crescendo Business Service administered a regional "Best in Client Satisfaction" research process. More than 95,000 high net worth consumers and 7,250 financial service professionals were asked to evaluate wealth managers in the Dallas area. The final list was reviewed by a blue ribbon panel of industry experts. Fewer than seven percent of wealth managers in the Dallas/Ft. Worth area were selected. It's a very nice honor and we will continue to strive to earn your satisfaction.

"Guarantees on Variable Annuities subject to the claims paying ability of the issuing company. Diversification may not protect in a down market."

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