



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.

How Long Might It Last -

The current stock bull market began its 29th month as of 7/09/11, having started when the S & P 500 bottomed at 677 on 3/09/09. There have been 9 other bull markets since 1950. The average length of time for these 9 previous bull markets has been 4 1/2 years or 54 months. 3 of the 9 previous bulls lasted less than 3 years. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market (Source: BTN Research).

One Percent With a Million

3.1 million Americans own investable assets worth at least \$1 million (i.e., not counting the value of their primary residence). The population of the USA is 312 million today (Source: Merrill Lynch Cap Gemini World Wealth Report, Census Bureau)

Still in Trouble -

Banks and federal saving associations servicing home mortgages modified 985,540 loans from 1/01/08 to 12/31/09. As of 3/31/11, just 39% of these modified home mortgages remained current with their monthly principal and interest payments or the mortgage has been paid off (Source: Office of the Comptroller of the Currency).

Seven Positives for Today's Markets -

1. The micro story is better than the macro. Employment may be down today and manufacturing is flat, but other indexes-especially CEO optimism-are showing meaningful improvement.

Economic Fundamentals	Last Year	Current
Private employment (millions of persons)	107.2	108.9
Corporate profits (\$,billions)	\$1,567	\$1,727
Durable goods orders (\$, billions)	\$2,153	\$2,347
S & P 500® index	1027	1340

(Source: FactSet and ISI Group, as of July 1,2011)

2. Dividend investors received an 11% pay raise. S&P reports a 32.5% increase in dividends for 2Q 2011, with further increases expected at year end. Buybacks are up too-all of which benefits shareholders (i.e., people who are invested in equities).
3. Banks are proactively fixing ARMs. Yes, there is some moral hazard involved, but it's a step that supports a housing recovery.
4. Salaries are slowly trending upward. Salaries went up for about 88% of all employees in 2011, with high performers receiving an average pay increase of 4% and medium performers getting a 2.7% raise
5. Taxes have declined 34.7% in the last nine years. In 2000, combined federal, state, and local taxes amounted to 14.4% of personal income. In 2009 they were down to 9.4%.
6. Hiring is imminent. The U.S. is producing 1% more goods and services than it did at the pre-crisis peak with six million fewer jobs. Exports are up, corporate profits are at an all-time high, and corporations have never been so liquid. Banks are beginning to lend, as they have a lot in cash and excess reserves. Prepare for growth in 2012.
7. Doug Kass: The curse of negativity. The big picture is this: stocks generally rise over the long term, people invest because they believe in the future, corporations work to succeed, and governments always promote economic growth. Which means for investors that "the fear of being out should trump the fear of being in over nearly any meaningful time frame."

State Medicaid Costs-

The federal stimulus package passed by Congress in February 2009 was originally valued at \$787 billion, later revised to \$862 billion, and has since been priced at \$814 billion. The package provides funds to assist in the Medicaid payments made by 50 states. As a result of the termination of federal assistance as of the end of June 2011, 14 states have cut Medicaid payments to hospitals or doctors in July 2011. E.G., Florida implemented a 12% cut to hospitals that treat poor Americans through Medicaid in July 2011 (Source: State Medicaid Agencies).

Less Coming In -

Social Security tax receipts are projected to drop by \$73 billion in 2011 compared to 2010, largely due to the 2% reduction (from 6.2% to 4.2%) of the employee Social Security payroll tax rate that was effective on 1/01/11 (Source: Social Security).

Some Skin in The Game -

If every US taxpayer that filed a tax return but ultimately did not pay any federal income tax (FIT) would have paid \$100 in FIT for tax year 2008 (i.e. The most recent year that tax data is available), an additional \$5.2 billion of FIT would have been collected by the Internal Revenue Service (IRS). 52 million taxpayers were able to pay zero FIT through the legal use of exemptions, deductions and credits (Source: IRS)..

Inflation Versus CD's No Contest -

Savers with cash in longer-term certificates of deposit are losing out to inflation, according to Market Rates Insight.

The annual inflation rate of 3.16% in April topped the best five-year CD rate of 2.4%, according to a report released last week by Market Rates Insight. Inflation was 2.11% in February, surpassing the long-term CD rate of 2.1%. That was the first time inflation had topped the CD rate since October 2008, Market Rates said.

51% Paid No Income Tax in 2009 - John Cornyn

Cornyn, R-Texas, highlighted the statistic in a Senate floor speech. According to PolitiFact.com, he was correct.

The Joint Committee on Taxation, which scores the cost of tax legislation for Congress, pointed this out in a recent report.

The Committee's report further showed: While 22percent of taxpayers owed no income taxes, about 30 percent were refunded enough that their net income increased, thanks to special types of tax credits that mostly go to people earning less than \$30,000 a year. (The largest such credit is the Earned Income Tax Credit, which cost the government about \$55 billion in 2010.)

"In a more typical year, 35 to 40 percent of households owe no federal income tax," the report stated. "In 2007, the figure was 37.9 percent."

Long Term Care -

In a recent review session with a long term care analyst, a few observations got our attention. One in two people over 65 is expected to need long term care. Those needing long term care may expect costs to run up to \$300,000 or more. The question to be answered is where will that come from? One's assets or perhaps long term care insurance. We know how to guide you through the many choices. Please call if this is a concern you have, we can help.

U.S. Debt Issues -

As a follow-up to the May newsletter, I wanted to report that we have reviewed many of our clients portfolios at their request. In most all cases they were already hedged, (that is protected against a dollar devaluation, inflation, higher interest rates, etc.) in one way or another more than the suggested 10-15%. Should you have concerns or have friends who have expressed concerns, please let us know and we will be happy to do a review for you.

The budget, the deficit and the national credit ratings are some of the things we can't control. What we can do is implement some time tested strategies. Diversification by asset class and management style are key to effective planning. We are here to help and guide you. Please be sure to call us if you have any questions, want to discuss an idea or change your situation. As always we thank you for the continued opportunity to be of service.

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