



Interesting Facts:

One Opinion - Warren Buffett predicted on 11/12/09 that "the bottom has come in stocks" and encouraged investors to "not pass on something that's attractive today." From the close of trading on 11/12/09 to the close of trading on 11/12/10, the S & P 500 gained +12.5% (total return). 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).

Pension Backstop - The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of 44 million workers and retirees in the private sector. The PBGC was forced to take over 147 failed pension plans in its latest fiscal year that ended 9/30/10. Over the last 9 years, the PBGC took over an average of 130 failed plans per year (source: PBGC).

Hey Big Spender - Only 5 out of the last 50 fiscal years in US history have ended with a surplus, i.e., tax receipts in excess of outlays. Fiscal year 2010 spending (i.e., \$3.46 trillion spent during the 12 months ending 9/30/10) is nearly double the \$1.79 trillion the government spent in fiscal year 2000 (source: Treasury Department).

It's A small(er) World - The average size of a new home constructed in the USA in 2009 was 2,137 square feet, down from a peak average size of 2,277 square feet in 2007. That reduction of 140 square feet is roughly equivalent to a 12 foot X 12 foot room. 30 years ago (i.e., 1980), the average size of a new home built in the USA was 1,595 square feet (source: Joint Center for Housing Studies of Harvard University).

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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.

In a recent visit with American Funds they shared the following information I found interesting:

Heightened volatility and discouragingly low results have made the past 10 years seem like a "lost decade." History, however, has shown that there have been many reasons for investors to be optimistic about the future. For one, many companies started during similarly tough times have become household names. And companies often made changes that strengthened their business and increased their attractiveness to investors—a trend we're starting to see signs of today

Since June 30, 2000—the beginning of the "lost decade" - U.S. Companies generally have increased their cash holdings from 3% to 11.9%; seen their profits rise from \$831.7 billion to \$1,614.1 billion; and increased their dividend payments from \$140.5 billion to \$197.3 billion based on 12- month payments.

More concerning was Standard & Poor's negative outlook on the AAA credit rating on the U.S. government. Additionally, I have seen research reports warning that the U.S. dollar soon may no longer be the world's revenue currency and could be replaced by a basket of currencies. What does that mean to those of us in the U.S.? Higher interest rates, higher inflation including gasoline of course. In the past when we wanted to be defensive and preserve and protect our wealth, we would go to cash (U.S. dollars). Should the U.S. dollar collapse, that will no longer be a good idea. I have seen and heard the odds of this happening to be anywhere from 1 in 3 to 1 in 5. There is still time to prevent this happening, but it is dependent on proper actions by the U.S. Congress and President. I'll leave that to your speculation.

So, what to do? To preserve and protect our wealth, consider money to a 10-15% defensive position against the fall of the dollar. We have the capability to offer the following alternatives for your consideration:

- Gold and Silver- Coins, bullion, exchange traded funds (ETF's)
- Commodities and natural resources—ETF's
- Currencies of other countries—Australia, Canada, and with some caution the Euro
- Nondollar denominated Bonds—Norway, Australia, Germany
- "Shorting" U.S. Treasury Bonds—ETF's
- Owning stocks and assets that benefit from inflation, i.e. real estate, energy, mining
- Managed Futures

Then depending on the actions, or lack there of, by the U.S. government one may chose to increase or decrease the 10-15% allocation.

Interesting Facts:

Home Building - Housing starts (i.e., new residential real estate construction) was 519,000 in October 2010 (annualized total), equal to just 25% of 2005's actual total of 2.07 million starts (source: Treasury Department).

We Teach The World - 44% of the 690,923 foreign students studying at US colleges during last year's school year (2009-10) are natives of China, India or South Korea. The University of Southern California (USC) has more foreign students than any college in the country (Source: Institute of International Education).

Double Red - The US Postal Service lost a combined \$12.3 billion in its latest 2 fiscal years ending 9/30/10, including \$8.5 billion in the latest 12-month period. 65% of the fiscal year 2010 loss was attributable to the projected health benefit costs of future retirees (source: US Postal Service).

Four In a Row - Retail sales have increased on a month-over-month basis in each of the last 4 months (July-October), reaching \$373 billion in October, an average of \$12 billion per day (source: Commerce Department).

Bigger Numbers, Similar Ratio - The cost of tuition, fees, room & board at an average private college for the current school year (2010-11) is \$36,993. 2.3 times the \$16,140 cost that a college student would pay this year at an average in-state public college. 30 years ago (i.e., the 1980-81 school year), the cost at an average private college (\$5,594) was 2.2 times the cost at an average in-state public college (\$2,551) (source: College Board).

The Max - The maximum amount an employee may contribute on a pretax basis to his/her 401(K) plan in 2011 will be \$16,500, unchanged from the 2010 maximum. The \$16,500 amount does not include the \$5,500 catch-up deferral amount available to individuals at least age 50. The maximum pretax deferral was \$10,500 in 2000 and was \$7,979 in 1990 (source: IRS)

Here is hoping these actions are not needed, but to me it makes sense to have an "insurance" policy just in case.

One of my favorite quotes comes from Sir John Glubb ... "The only thing we learn from history, is that men never learn from history". His thesis "The Fate of Empires and Search for Survival" maybe worth your time to Google. His thesis adds to my concern.

Please give this some thought and let my office know if you would like to take some action or visit about the various alternatives.

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