

# Quarterly Newsletter

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## Review & Summary



By Jordan Gary, CFP®

A year ago the S&P 500 was about 800 after falling from reaching above 1500 in 2007. Today it has reached about 1200. In other words, people's 401ks became 201ks and are now about 301ks. The economy is several months into recovery, the great fear in the markets has subsided, and even employment is starting to creep up. Corporate profits are growing a lot, and many investment ratios such as price/ earnings and dividend yields are now more attractive than five and ten years ago. The corporate bond and municipal markets are largely recovered from the steep sell off of a year and two ago.

This has caused our clients to recover very well. Last year our clients had strong profits and this quarter accounts are up about 4 or 5%. So will this continue?

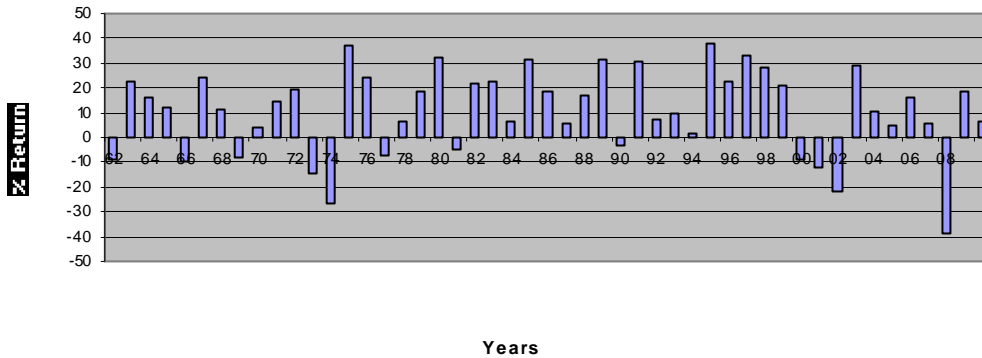
We expect this good news to continue. The FED is still holding interest rates at almost zero to stimulate the economy. Government stimulus programs are still adding to the recovery, and income taxes are still low and reduced from two years ago. Currently corporate profits announcements are very good.

That is not to deny that we have very real problems in the US and the world. The large deficits that the US and now state and municipal governments are facing is a big problem. The home and mortgage markets have improved but may well decline again as government stimulus declines and more people default on loans.

But in this economy many investments will do well and some will do poorly. We are working hard to invest looking forward and choosing investments with much potential over the next year.

**Please call us with any questions.**

**Annual Returns of S&P 500 Index w/ Dividends (50 Years)**



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## Current Market Commentary

By Jordan Gary CFP®  
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Many things are looking up. The current crop of company earnings are almost all better than expected. UPS, CSX railroads, and aluminum company, Alcoa have already posted encouraging results. J.P. Morgan Chase

posted a 55% surge in profits. Brisk sales of Intel chips suggest that businesses are buying again as well as retailers reporting increased sales of most types of items, only gasoline sales are down.

Another positive sign is that inflation remains very low (currently 1.4%/year) and most projections by ex-



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## *Current Market Comments (Cont'd from Page 1)*

perts such as the FED, expect low inflation for at least another year.

Another very good news is that the Government TARP bailout is now projected to cost us citizens very much less than expected. According to the Wall Street Journal in an article on April 12, (Bailout Looking Much Less Pricey), almost all the banks are repaying the loans and injections. Even AIG is expecting to repay the \$48 billion injection within the next year. Yes, even General Motors sounds promising. They will repay all loans by this summer, but the US citizens will still own 60% of GM stock because we paid \$50 billion cash infusion for the stock. This is expected to come back later when the US sells its stock holding, and we should be expecting a profit.

Let me remind you that during the Bush Administration congress agreed to invest \$700 billion into banks to keep them afloat and to greatly reduce the crisis. This worked, and the banks have now mostly repaid the money. Under the new Obama Administration, they followed the Bush suggestion and bailed out GM and Chrysler and put many billions into mortgage programs to help homeowners, raising the public investment greatly. Believe it or not, the projected cost to the public is now down to only \$89 billion for these bailouts.

Little more than a year ago, financial markets were in turmoil, major auto companies were on the verge of collapse and most people expected a Japan like lingering economic difficulty that would last many years. Now even Obama critic Phil Swagel, assistant secretary for economic policy under George W. Bush, acknowledges that White House policies (of both administrations) have been successful. He is quoted in Business Week, (April 19, page 31) as saying the Obama "economic policies, including the stimulus, have helped move the economy in the right direction." Mark Zandi, chief economist at Moody's Economy.com said: "When you take it all together, the response was massive, unprecedented, an ultimately successful."

There is good and bad news about taxes. Since income taxes have been greatly cut for poor and middle class people, 48% of families will not owe or pay any income taxes this year! Many middle income people will pay nothing and instead get a tax credit check from the IRS. CNN on April 15 was comparing income taxes within the developed world and the US currently has the lowest top income tax rate. So if you are an advocate of low income taxes, this is the current reality. The bad news is that budget deficits on the federal, state, and local levels mean that spending must come down greatly or taxes must rise, or a combination of these. For the short term, since wealthy people now expect rising capital gain and income rates, many will be

choosing to report profits and gains this year and pay more taxes this year at lower rates than later at higher rates. (If you want to do such tax planning then please let us know and we can help you.) So the budget deficit may be less during 2010-2011 and worse later than current projections. Another thing that we are watching carefully is interest rates. Bond rates and mortgage rates are already up a little and we expect them to rise a little more as the year goes along. Short term rates such as the FED sets and CDs should be raising by this fall. Always, as recessions begin the FED lowers rates and after the recovery is well under way they start raising rates. Since they are about zero now they have a long way to go to the more normal 3-4% range. Low rates, like now, stimulate the economy and the stock and real estate markets. This means that the stock market has a lot of stimulus to keep going up this year and low interest rates are just one of them.

So what are we expecting to do in our clients accounts during the next few months? We expect to be selling corporate and municipal bonds which have made great profits and to be reinvesting in different open end bond funds which take lower risk and can be expected to give a modest and safe return. We also be putting some of this into small cap stocks and foreign stocks. We have already begun this process and most of our clients have a new small cap stock fund. We also expect to be increasing the investments in the stocks of mid sized and companies which seem to be growing in the economy of today. We will always be doing this only when there are real valuation opportunities and the potential reward is much greater than the potential risk.

Lastly, let me quote the most famous Alan Greenspan who was the FED chief for many years as he testified to Congress on Oct. 23, 2008: "Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief." In other words he now admits that Wall Street cannot be trusted to regulate or police itself. We then really need better government regulation and supervision of the large banking and investment companies. Even those, like me, who have a bias against regulation must admit when it is needed and required.

As for me, your investment advisor, I am regulated a lot but not supervised very much by the SEC. So for your safety, I am always open to being accountable to you my customers. If you have questions or concerns or just want more information, do not hesitate to ask me. It is my job to earn your trust and to work each day to keep it. If your trust or convictions are wavering or your belief and trust in our investment process and results are declining, then please bring your concerns to us.

## *Political War with Truth Lost?*



By Jordan Gary,  
CFP®

About 12 years ago, my friend, State Sen. Tom Haywood was running for re-election. I was talking to his campaign manager from Austin. I asked the young manager: "Sen. Haywood is such a nice man, why are you using such negative attack ads?" His answer was that they worked. I asked how do they work as they make so many people angry. He explained that much research had showed that they really work by discouraging the likely voters of the opposition from voting. In other words that by attacking Sen. Haywood's opposition they were causing the other party's likely voters to become discouraged and just not go to the polls.

I responded, "Congratulations, you have done a great job. Every year fewer and fewer people go to the polls and vote. But it seems to me you are destroying democracy as both parties resort to negative campaign ads and voters of all types become discouraged." Of course I was referring to the attack ads of all parties as destroying democracy.

At the end of March as Congress was passing the Health Care Reform bills, I heard commentators on both CNN and Fox News comment that Washington DC has become a "war zone" with bitterness, attacks, misinformation, distortions, and partisanship reaching new heights. Since then I have heard commentators saying that the current poisoned political atmosphere is about as bad as it was during the 1960s with the Civil Rights struggles, Vietnam, both which led to riots and upheaval.

What worries me about "war" is that all morality, truth, and diplomacy is thrown away and all types of distortion, lies, propaganda, and evil attacks are used for victory. The diplomats and statesmen who work for compromise and win/win resolution are attacked by both sides and Godly peacemakers are considered as enemies by both sides.

Let me remind you that with every war, those seeking power and victory view any destruction of society, people, innocents, truth, and economies, as just acceptable and necessary.

Every time I study the US Civil War, I weep for the many losses and the destruction and evil which the politicians and war leaders brought.

Likewise, when I see history TV shows about the 1960s, I cringe and grieve because our society was so taken over by violence and hatred and misrepresentation and political evil was so great. It led to the assassinations of President Kennedy, Robert Kennedy, Martin Luther King and so many others.

Let me remind you that America has survived all evil times and once again we are living through another evil and deeply troubled time. Let me ask you to not become discouraged by negative attack advertising and to not quit voting and to be always seeking for truth and goodness. Please demand that our leaders in Washington and Austin stop the political warfare and to join in putting the good of the people ahead of their political power and victory.

Further, let me remind you that wars such as we have against terrorists, Afghanistan, and Iraq require great sacrifices. Real wars are very costly in many ways and we must join together and sacrifice together.

I read an article in which the writer talked of this. He commented that the only ones who have made great sacrifices for our current wars are the soldiers who have been rotated into combat time after time. Meanwhile at home our politicians have cut taxes, refused to pay for the wars, and borrowed all costs of the wars. They have decided that we, the electorate, want to avoid all sacrifices and pass these huge debts to our children and grandchildren, expecting them to pay later for our wars.

When the horrible hurricanes hit the Gulf of Mexico states, our Republican president and leaders decided to borrow all of the \$150 billion and more of aid with 40 year bonds. They invented the 40 year bonds for this purpose. They thought that this was the will of the people. (Give lots of aid but make no sacrifices.) I wanted to help but I wanted to dig deep to pay for it. How about you?

I recently met a businessman from Austria (Europe). Over dinner he told me that the US President has so often been called the "leader of the free world", which as a man from Austria he believed was true. Then he commented that over the last 20 years our presidents have been so vilified by opposition hatred here in the US that the prestige and influence of "the Leader of The Free World" has been greatly diminished.

So maybe you can now see the connection between the two issues I just wrote above about. Just now, when we need greater political leadership and influence in the world to fight the real wars with evil countries, terrorists, and economic disasters, and problems; the political warfare in Washington and the country has diminished our standing in the world and diminished our ability to address our national and world problems. Of course this makes sense, our political warfare is destroying our country just when we need all the strength, willingness to make sacrifices, and cooperation and working together to deal with the problems and real wars we find ourselves in. I see these problems but I don't know what to do about them. What do you think?

## Lipper Stock and Bond Fund Benchmarks

Investment Objective	Performance					
	Mar.	1st Qtr.	1 Yr	-- Annualized --		
				3 Yrs	5 Yrs	10 Yrs
<b>Stock Fund Types:</b>						
S&P 500 Funds	6.09	5.34	49.03	-4.63	1.41	-1.13
Large-Cap Growth Funds	5.99	4.20	46.16	-1.73	2.64	-3.11
Large-Cap Value Funds	5.89	5.79	49.90	-6.32	0.93	2.77
Small-Cap Growth Funds	7.88	7.32	59.33	-3.63	2.78	-0.78
Small-Cap Value Funds	7.44	9.48	72.58	-4.20	3.14	8.79
Equity Income Funds	5.31	4.69	46.52	-4.35	2.23	3.26
Utility Funds	3.35	-1.86	28.93	-5.98	4.57	2.37
International	6.58	1.60	54.63	-6.57	4.05	1.43
European Region Funds	6.62	-0.40	56.97	-8.35	3.59	2.38
Emerging Markets Funds	8.23	3.34	85.31	2.00	13.48	9.33
Avg. U S Stock Fund	6.34	6.11	54.41	-3.74	2.50	1.19
<b>Bond Fund Types:</b>						
General Municipal Debt Funds	-0.06	1.34	12.86	2.51	3.18	4.45
High Current Yield Funds	3.00	4.25	47.35	3.62	5.56	5.42
Intermediate U.S. Government Funds	-0.03	0.86	5.84	4.88	4.12	5.45
Intermediate Investment Grade Debt Funds	0.29	2.41	15.67	4.88	4.51	n.a.
Avg. Bond Fund	0.78	2.42	19.60	4.26	4.44	5.22
<b>Balanced Funds (Stocks and Bonds)</b>	<b>3.99</b>	<b>3.49</b>	<b>38.37</b>	<b>-1.20</b>	<b>3.27</b>	<b>2.65</b>
<b>Conservative-Allocation Fund Averages</b>	<b>2.31</b>	<b>2.80</b>	<b>27.20</b>	<b>1.32</b>	<b>3.46</b>	<b>3.36</b>

Source: Lipper Analytical Services, Inc., Summit, NJ 07901 and Wall Street Journal Online— APRIL 4, 2010

These are averages of all the reported funds that have the stated objective. Average total returns based on NAV with all distributions reinvested. An investment cannot be made directly in an index, including the Lipper indices listed. Some funds are normally front end commission funds. Our clients do not pay commissions in their managed accounts. We buy shares at Net Asset Value (NAV). Past performance is not indicative of future results. The performance presented is for illustrative purposes and is not indicative of any investment.

The investment return and principal value of an investment may fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investments outside the United States involve special risks such as currency fluctuation, political instability, differing-securities regulations and periods of illiquidity. For a prospectus containing more complete information on any fund, please contact Investment and Asset Planning, LLC or Jordan Gary & Associates at 940-761-2527. Investors should read the prospectus carefully before investing.

**The balanced stock/bond is a moderate risk way to invest. The traditional balanced fund has a portfolio of approximately 60% Blue Chip stocks, 35% conservative bonds and 5% cash. We have highlighted the above because we suggest that you use these numbers as the benchmark we are trying to beat in many of your portfolios. Our method of out performance is that we have far more diversification into different types of stocks and bonds, and we more actively manage the portfolio choosing the best mutual funds we can find to build your portfolio. Our objective is to match or beat the performance of the balanced stock/bond return. Check your quarterly report. How have we done?**

## *Safety in Cyberspace*

*By Sarah Eads - [sarah@investmentplanner.net](mailto:sarah@investmentplanner.net)*

Over the last week, I have received numerous e-mails from Nigerian businessmen, kindly old men and women on their deathbed, and even foreign royalty all wanting to share their millions out of the goodness of their hearts, because God told them to, or in order to launder their money into the United States. All I have to do is share my bank account information and they tell me I could be wealthy. It is easy to spot the dangers of sharing such private information with total strangers (no matter what their story is) but the dangers on the internet to you and your accounts can be much greater and harder to see.

There are other dangers lurking in your e-mail. Your bank or credit card is not going send you an email requesting you to 'click on this link' to confirm your account information. They have your account information and are not going to lose it. Recently we received numerous e-mails supposedly from the IRS, asking us to click on a link and give out information on their fake website. Scammers have become proficient at recreating websites that look very close to the actual website. If you are not sure, call first. Your bank will not mind answering your questions and would love to know about fraudulent websites out there carrying their name. Likewise, please do not open attachments, zip files, or anything else that is sent from anyone without having requested the information first as these can contain malicious software designed to separate you from your money.

Facebook has become an incredible tool for finding and reconnecting with old friends and classmates and discovering new ones, but here, too, you need to use caution. Cyberspace feels like a private anonymous place because you don't actually see anyone else and they can't see

you. But it's not private. It is a very public place. And just as you wouldn't shout out your social security number in a crowded mall, you want to keep your private information, well, private online. Recently, a journalist (Tom S. Noda, Computerworld Philippines) setup two dummy Face book accounts and asked 200 random people to 'friend' him. Nearly half accepted and most of those who accepted gave away private information, such as birthdays, to a total stranger. Some even gave information about friends and family. This is all a "cyber crook" needs to steal an identity.

Shopping online has almost completely overtaken the catalogue business. It's fast, convenient and it has a wide variety of offerings, from toasters to tumbleweeds. By being careful, you can safely explore online shopping. Look for third party seals of approval, such as the Better Business Bureau. Don't use a debit card to pay online; it does not offer fraud protection like a credit card does. Lastly, make sure that the website is secure (starts with https: instead of http:) if you are entering credit card or personal information.

I am not trying to scare people away from using the internet and all its wonderful tools; just be very careful about how you do so. Don't open e-mails, e-cards, or accept invites from people you don't know. If the e-mail looks suspicious, call and confirm. Don't put credit card or debit card information on non-secured websites. And assume anything you post, whether it is on a blog, Facebook, or the comment section of a news site, will be in cyberspace forever. You do not have to approach the internet with fear, just a healthy dose of caution.

## MARKET FEAR IS LESS, So Is It All Right to Come out of Hiding?

By Oscar "Buddy" Jackson III - [oscar@investmentplanner.net](mailto:oscar@investmentplanner.net)



Let's face it. There has been a lot of fear in the market since the year 2000. And fear is a strong force in the stock market. What has happened in the last 10 years is very abnormal. Nothing as bad as this has occurred since 1929. Let's examine what has happened since 2000. One of the terms that is etched in my mind is the "irrational exuberance" (foolish, greedy investors of the 1990's). Technology was running wild and hugely overbought (the technology bubble). Bubbles usually go bust and that is exactly what happened in March of 2000. The Federal Reserve was actively raising interest rates in order to offset the bubble. The decline was foreseeable but ignored by most people.

The market started recovering in 2001, however, we were then hit by the Al-Qaeda on 9/11/2001. This was totally unexpected and the market fell. The market really does not like surprises. The market again recovered in 2003 and was climbing with a normal run-up until 2008. Then came the crash of the housing market led by Country Wide, Washington Mutual, and Lehman Brothers which uncovered much corporate deception. There were warning signs which were mostly ignored because some of these loans were encouraged by the federal government and more or less guaranteed by the federal government (that is open for debate). A large part of the problem was excessive borrowing (above what can be afforded) by credit card holders, homeowners, investors, hedge funds and investment banks, for the purpose of investing. 2009 was a great year for the stock market. Even the housing market was showing signs of life. The economy is growing and unemployment is starting to decline.

Now let's look back to 1929. I wasn't there, but I would say that irrational exuberance was a very large problem. Stocks were being bought with more borrowed money than could be paid back. The infamous stock market crash of 1929 actually started in 1928 and bottomed in 1931. Little was known about what to do at the time and not much was done for the economy. Franklin D. Roosevelt came out with his new deal and the government financed many public projects. It somewhat helped unemployment, but did little to make the economy grow. The stock market completely recovered by 1936, but the economy did not fully recover until the beginning of World War II. A new rise in the stock market began in 1942. I guess you might be able to give Hitler credit for the recovery of the world economy.

There are huge differences in how the world governments are handling these recent crises as opposed to 1929. There are many tools available and our government seems to be using them. The stock market had recovered from 9/11 and the downturn of 2000 by 2003. By 2007 it was setting new highs and then came 2008. Now, in 2010, we have made significant recovery. I believe we will break out of the current barriers and again set new highs. Looking back, it is easy to see many drops in the market. As a matter of fact, there is usually at least one 10% decline each year. These declines should not be viewed with fear but with gratitude because of a new opportunity to buy at bargain prices. Market fear has always provided the opportunity to come out and buy. There is no way that I can explain why this time should be different.

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