



Change In a New Year

Jeffrey Hahn CFP®

I recently went to a mall looking for a pair of shoes. Nothing fancy just black suede laced shoes with a soft sole. I've purchased pairs of these for years. They are comfortable, warm at the ice rinks, easy to walk in, last well, are inexpensive (a good value) and my beautiful wife and fashionably hard to please teenagers say they look ok. I couldn't find them anywhere. The only thing close was a more "modern" version at a trendy (expensive) store with a designer label. They are less comfortable but more desirable in the eyes of said teenagers. I still haven't resigned myself to buying them, the 42% cost increase being the objection on principle.

While walking from one store to another I ran into a couple who are clients. They were doing a mall walk for exercise so the conversation was brief. I mentioned that we should meet soon, as I often do. They said fine and asked, as many of you often do, if there was anything to be worried about. Then said that if there were any changes that needed to be made to go ahead and do what I think is best.

I left the mall without new shoes but with much on my mind as I drove the "taxi" back to the ice rink to pick up one of the afore mentioned teenagers. (Just to give a "taxi" update: I picked up the new car in June of 06. The mileage is over 40,000 now and that has all been accomplished within a 100 mile radius of home. As I once said, driving my three kids around *seems* like a part time job as a taxi driver. But to be fully clear and avoid a repeat of last year's questions, my "taxi cab job" is only a metaphor. Our firm and my career is very successful, growing and fulfilling.) Back to the shoes. A couple of days later I sat down at the computer and checked the internet for the shoes at the site of the company whose brand I've purchased in the past. They don't offer them anymore except in an updated version at almost twice the cost. So what has now become a quest continues...

There is a point to all this, several in fact. The first is that economic activities are always changing and we don't always like it. I can theorize as to why a company would stop offering a seemingly good product and can assume they either weren't selling enough at a profitable price or that management made a mistake. There may be multiple reasons as to why they weren't selling. Market conditions may have changed, material costs went too high, transportation costs became prohibitive, regulation became prohibitive, safety concerns etc.... The possibilities are endless but in any case not selling that shoe effects that company's business and profits one way or another and that definitely effects the company's stock price. *(continued on page 3)*



2008 Personal Financial Calendar

by Jennifer Jurek ®

The new year provides a great opportunity to give yourself a financial check-up. Here is a month by month guide to help you get organized. Remember, we are here to help!

- **January** - Start the year fresh with a look at your New Worth statement (Assets – Liabilities). Create a monthly budget (or adjust last years).
 - **February** - Collect your tax information. Contribute to an IRA (You have until April 15th to make a contribution for 2007). Invest in a Roth IRA if you qualify.
 - **March** - Systematically invest on a monthly basis. Invest in your company's 401K plan (take advantage of any match!).
 - **April** - Create a Will. Name the executor, power of attorney, & guardians for your children. Check beneficiaries on retirement plans, IRA's, & life insurance policies.
 - **May** - Check to be sure you are adequately insured. Life insurance, homeowners, car, umbrella, & long term care.
 - **June** - Make sure your investment portfolio matches your risk tolerance and time frame. Rebalance your investments if necessary.
 - **July** - enjoy the summer
 - **August** - Get a free copy of your credit report & check for accuracy. Check the interest rates on any credit cards you own.
 - **September** - Set-up a 529 savings plan for your child. Make sure that large amounts of money are not titled in your child's name.
 - **October** - Make sure you have enough money in an emergency account. Take advantage of annual gifting to remove assets from your estate.
 - **November** - Check your progress for retirement. Are you saving enough? Take your Required Minimum Distribution if you are over 70 ½.
- (continued on the bottom of page 4)*

A personal message from Joe

Dear Valued Client,

“This market is driving me nuts” well, not completely (I hope) ☺!! I do admit, I really am getting frustrated. Fed chairman Bernard Bernake recently spoke to Congress and it was a complete disaster. He’s really a very nice gentleman with good intentions and great educational credentials, but has no leadership capabilities whatsoever. He needed to step up, be strong and directly answer all questions. Instead, he danced around like a ballerina. Result - no confidence and the market was down 300 points by the end of the day. My gosh, we have the best valuations in the history of the stock market (40-45% under valuations means stocks are very cheap), corporate profits here and abroad are generally doing great and on and on. It’s NOT like March of 2000 when stocks were 62.2% OVER valued (way over priced). We are not in a recession. Between horrible irresponsible press (that thrive



on promoting negative news) and a weak Fed Chairman, we’ve had extraordinary volatility and the market is way below where it should be. Sir John Templeton, the father of global investing, often said, “buy when the blood is running in the streets”. Well, if we’re not there, we’re close...my feeling is that this is definitely not the time to sell. The opportunities out there are incredibly positive. It’s so important to ride thru these tough times...especially when valuations are so good.

I recently read a study that showed the average investor (in the market) averaged an annual return of 3.9% from 1986 thru 2005. The S&P index did 11.9%. What does this tell us...people bounce in and out of the market (primarily emotions stirred up by negative press) way too often. All they had to do was stay invested and their \$100,000 in 20 years

would have grown to \$947,549 instead of only \$214,936. That is a \$732,613 mistake...per \$100,000 over that time frame. Maybe this example will help you understand why I so heartily emphasize staying the course...as long as you have a 5+ year time horizon and are able to sleep nights. If you are losing sleep at night worrying about your money, then you should probably look at more conservative investment options.

Thanks for your confidence and your incredible support of my firm. We will continue to work as hard as we can to support you.

I truly hope that you have a wonderful 2008!!

A handwritten signature in black ink, appearing to read "Joe". The signature is stylized with a large, looping initial "J" and a smaller "oe" following.

Change In a New Year... continued

A second point on economic change is the use of the internet. Just as malls and superstores have effected small shops and older shopping districts so the internet effects them all. This is an economic trend that continues to grow and have an impact on nearly every sector of the economy, not just retail shopping. There is a concept in Economics called the "Waves of Creative Destruction". My interpretation is that companies must change and some will fail as change enters an economy and that is the way growth and expansion occurs. I think that the flow of communication within the system is what facilitates that change and I think the internet and other technological advances speeds communication like nothing seen on earth before. That means change happens faster than at any time before, including and especially changes in the investment markets.

Which brings us to the final point. We understand our duty to you and the trust you place in us. It is an enormous responsibility to do what we "think is best". We have now experienced five uninterrupted years of stock market growth. It would have been normal to have a couple of corrections during that time. We are in the midst of a correction right now with the market down about 15% since it peaked in early October. Markets always have times when they pull back and investors should be willing to deal with that. If you are not then please let us know and we'll gladly help you invest in lower risk options.

After a decent year in 2006 the stock markets came in with below average returns in 07 and most of that came in the first half of the year. The S & P 500 Stock Index was up about 5.4% with dividends reinvested, The Dow Industrial were up about 8.8% and the NASDAQ about 9.8%. Larger company stock's performed better than the smaller company's for the first time in a while. Foreign stocks performed best of all. Bonds, with the exception of municipals, had a good year with many of the funds we use returning 5 to 9 percent. The local "Buffalo / Western New York Stock Index" did much better than the national markets with an 11.6% gain. Certainly a good sign for this area.

There are a number of factors currently effecting economic and market activity as well as their future outlook. Included in these are the price of oil and the ongoing ripple effect that has on other areas of the economy. See the cost of groceries, plastics, airline tickets etc... for examples of that. The other major issue has been the decline in housing prices and the related "sub-prime" mortgage defaults.

"Sub prime" mortgages are really just mortgage loans given to those who don't have the financial credit standing normally required to get a mortgage. So they usually pay a little more interest and extra fees to the bank and that's that. This situation has fallen apart for a number of reasons. One is that the mortgages had adjustable rates that started around 5% and ramped up to about 9%. In addition a lot of

the houses were over valued because the housing market kept going up so much in many areas of the country. The "logic" was that someone could borrow more because the home would just go up in value anyway and if something went wrong they could just sell the property at a profit and pay off the loan.

What happened is that houses couldn't just appreciate at 20% or more a year indefinitely. In fact they were not worth what they had been mortgaged for. Then the payments were increased by 50% because the adjustable rate almost doubled and the person had shaky credit to begin with and the house was no longer worth it so the owner walked away. Do that with a few million mortgages and a couple hundred billion dollars and you create enough impact to negatively effect our 14 trillion dollar economy. Add in a healthy amount of greed on the part of the loan providers, appraiser, mortgage brokers, the investors who put up the money and got the fees to lend, add the "flippers" along with some fraud and "liar" loans and you get what we have today. Countrywide Financial the largest mortgage provider and servicing company in the country has seen it's stock go from \$55 to \$5 and will likely see itself bought out for a fraction of it's former worth. Citigroup stock has gone from \$56 to \$24. M&T from \$125 to \$71. The list goes on and on but you get the point. This whole scenario will take a while to work itself out and the market will likely overreact in the process as it may be doing now.

What we are seeing with all this is a "Wave of Creative Destruction". It's not fun but it is "normal" .or at least usual. As I said we have not had a 10% or better correction in 5 years. In that respect one is overdue. It could go into a "Bear Market" where things have dropped 20% or more and don't look positive. If a recession comes about it could all happen pretty fast. If all that happens there will be a great buying opportunity and we will count on our fund managers to do their job.

Against that background I will make my annual predictions. The market will continue down in the first half and stagnate for a while before rallying near the end of the year. The foreign markets will give better returns than the domestic but the difference won't be as great. Bonds will have a more normal year and the municipals will rebound and catch up some of the distance they lagged.

For our part we will continue searching for the best quality investments for you, given your circumstances. We are very pleased with the managed portfolios both in how they performed when the market was rising and also as the market has pulled back. We think that a diversified portfolio is now as important as ever. We also think that good financial management systems put in place by you in the handling of your income will be very important. If you are carrying debt it's good to take steps to eliminate it as much as possible.

As always, we wish you and yours a successful year. Please make sure we meet at least once, preferably twice. We are here for you and the closer we work together the more you will benefit from those inevitable changes to come.

Employee Profile



Sandra Turchiarelli Title - Service Manager

Sandy was hired for the service department in November 1998. She soon became one of Joe's assistants and one of his right hand girls. Through this position she gained both the knowledge and experience of the

business needed to make an easy transition to becoming the offices' Service Manager. Sandy has continued to increase her knowledge about the financial industry, by completing her Series 6 and 63 security licenses; becoming a Registered Para Planner and also an appointed Notary Public.

On her own time Sandy most enjoys spending time with her family which includes her husband Carl, her two children Tyler & Eli and also her two cats Elwood and Emma.

One of her claims to fame in the office is her cooking talents which include her special holiday candy. Sandy is very much a team player and keeps us all on our toes with her help and guidance.



Kim Cuevas-Parks

Title - Client Call in Department

Kim joined the firm in March of 2000, and has held many positions in her 8yrs. She has her Life Insurance license and is a Registered Para-Planner.

Although all the positions she has held have been a positive learning experience, her favorite project has been making sure clients are contacted at least once a year. Kim knew that when this project was presented, it would definitely develop better planner/client relationships so she was happy to jump right in. This project has been well received by all of our clients.

Although Kim has done some traveling and was out of the Buffalo area for about 14 years, there is no place like home and she was happy to return to the area. In her free time she likes to study, visit with friends and family. Her plans also include traveling as much as possible to visit her 3 sons Christopher, Jonathan and Jordan, of whom she is very proud!

IRA Contributions have increased for 2008

Here are the new limits for Roth and Traditional Individual Retirement Accounts (IRA) along with a short history.

<u>YEAR</u>	<u>Age 49 & below</u>	<u>Age 50 & above</u>
2002-2004	\$3,000	\$3,500
2005	\$4,000	\$4,500
2006-2007	\$4,000	\$5,000
2008	\$5,000	\$6,000

2008 Triggers a Rate Decrease for Capital Gains

<u>Tax Bracket</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>
<u>10%</u>	5%	0%	0%	0%	10%
<u>15%</u>	5%	0%	0%	0%	10%
<u>25% - 30%</u>	15%	15%	15%	15%	20%

**The capital gains rate will revert to pre-2003 levels unless Congress extends the lower rates.

Newsorthy...

- Shawn McLaughlin and his wife Jesse had their second child on November 5th. A healthy girl, Fiona Ellen, was 8 lbs and 2oz and 20 ¾ long. Congratulations and many more!
- Erika Vranjes and her husband Dan had their second child on December 20th. A healthy boy, Griffin, was 9 lbs 5 oz and 21 ½ long. Erika is the Director of our Insurance Department. Congratulations!

2008 Personal Financial Calendar...continued

- **December** - Get organized! Keep those year-end statements and throw away unnecessary paperwork. Set your financial goals for 2009!

I hope this time line offers you help in some of the areas that should be addressed throughout the year.