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Annie Finds a Friend

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It took me 46 years to adopt my first dog although I keep telling my wife and kids that she's their dog. Exactly one year ago, Annie the yellow lab came into our lives from Arkansas. Happy Birthday! She is such a sweet and gentle animal as long as you don't appear to be dangerous to the kids. About the only time she runs from the yard is when the deer saunter by for a meal or a squirrel gets too close.

Not long ago, my wife texted me the picture below. My first thought was the bad one, that Annie attacked and killed little Bambi. That we had a killer living in our house. What would we do? Get rid of the dog? Lock her up?
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I quickly called home to find out what happened. "Do we need to call the vet and get her shots", I asked. "For what", Teri asked. "Rabies, the blood, whatever little Bambi was carrying", I replied.

"The deer isn't hurt and she certainly isn't dead", Teri explained.

It turned out that a pack of deer were having lunch on our lawn which is very typical. I could drive the car down the driveway and they barely lift their heads. In the middle of their group was Bambi. When Annie came outside and saw the deer she went into full sprint mode. Apparently, Bambi was so young that she couldn't run with the group so she flopped down on the lawn and literally played dead although at the time, Teri thought she really was dead.

Using her maternal instinct (my interpretation), Annie ran circles around Bambi trying to get her up and into the woods with her family. All to no avail. Finally, Annie lay on the ground next to Bambi, at first protecting her and then nudging the baby deer with her nose to get up. After several minutes, little Bambi sprung to her feet and raced into the woods to find her relatives.

Annie is one sweet dog.

In between newsletter editions, I post a fair amount of information on our blog. You can find that at http://investfortomorrowblog.com. If I am correct, you can also subscribe to the RSS feed and receive automatic updates.

Political Posturing Time

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The government may be closed but the markets are open for business and apparently not too concerned about the shutdown. This week stocks are essentially breakeven and trade as if a solution is not too far off. That's not how I see it, but what do I know?!?! My thoughts were and remain that if we saw a shutdown for more than a day, it would be a lengthy one that would bleed into the debt ceiling deadline on or about October 17. That's not a good thing because those geniuses in DC might just be stupid enough to play chicken with the debt ceiling.

Let's face it. We all know, dems and repubs, that the debt ceiling is going to be raised. Period. If the market was collapsing like we saw in the fall of 2008 with the TARP bill, I guarantee you the geniuses would be working 24/7 on a compromise. But the markets are not the least bit concerned, yet. Let's hope that DC gets their act together on a budget solution well before a debt ceiling crisis.

It seemed like yesterday that we discussed raising the debt limit. Wait, it was yesterday and last week, last month, last quarter and last year. In fact, it's been a never ending saga for decades. The party in power sells fear and disaster while their opponents balk and talk about fiscal responsibility, etc. Thanks to the internet, we are able to easily find the flip floppers.

President Obama says he will not negotiate with the debt ceiling. It must be increased no matter what. I agree 100% with the president on this topic, but in 2006, then Senator Obama voted against raising the debt saying,

"The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. Government can't pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our Government's reckless fiscal policies. ... Increasing America's debt weakens us domestically and internationally. Leadership means that 'the buck stops here. Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better."

Senate Majority Leader Harry Reid, a huge proponent of raising the debt limit right now, was quoted in 2006 as saying,

"If my Republican friends believe that increasing our debt by almost 800 billion dollars today and more than 3 trillion over the last five years is the right thing to do, they should be upfront about it. They should explain why they think more debt is good for the economy.
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How can the Republican majority in this Congress explain to their constituents that trillions of dollars in new debt is good for our economy? How can they explain that they think it's fair to force our children, our grandchildren, our great grandchildren to finance this debt through higher taxes. That's what it will have to be. Why is it right to increase our nation's dependence on foreign creditors?

They should explain this. Maybe they can convince the public they're right. I doubt it. Because most Americans know that increasing debt is the last thing we should be doing. After all, I repeat, the Baby Boomers are about to retire. Under the circumstances, any credible economist would tell you we should be reducing debt, not increasing it. Democrats won't be making argument to supper this legalization, which will weaken our country. Weaken our county."

I know I am picking on the democratic leadership now, but the GOP did the same thing in 2006, supporting raising the debt limit then but not now. Chuck Grassley was a big flip flopper and I know there are many others. The bottom line is that the party in power cries wolf and the opposition tries to exact a pound of flesh although it seems to have gotten worse over the years.

The Administration Who Cried Wolf

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With the exception of those directly affected and impacted by the government shutdown, it doesn't seem like the public really cares. If it wasn't constantly shoved down our throats by the media, I am not sure most people would even know. From the polls I have seen, the public is not in favor of closing the government as a strategy to forestall ObamaCare, but at the same time, they are also not in favor of ObamaCare itself. So conclude what you may.

Over the years, I think we have learned that with any public and serious negotiation, the two sides never really compromise or present reasonable offers until the second before midnight. This happens almost all of the time with the airlines and their unions. It happens every time with anything in Congress. In sports, sadly, we often see the two sides dig their heels in so much that a lockout or strike ensues.

My opinion today remains the same as it was before this began. Once the shutdown got passed a day or two, it was going to continue at least until the debt ceiling was hit in mid October. The incentive to open government now only to have the debt ceiling in a few days is very small. And speaking of the debt ceiling, the administration has said that October 17 is the hard date, the line in the sand. No matter which side of the aisle you sit, it's generally accepted that the ceiling absolutely must be raised.
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But it's a long way between now and that compromise, or is it?

Yesterday, the Treasury Department pulled out all stops in screaming "FIRE" in a crowded theatre.

"In the event that a debt limit impasse were to lead to a default, it could have a catastrophic effect on not just financial markets but also on job creation, consumer spending and economic growth... Credit markets could freeze,the value of the dollar could plummet, US interest rates could skyrocket, the negative spillovers could reverberate around the world, and there might be a financial crisis and recession that could echo the events of 2008 or worse."

As I recall, we heard the same garbage regarding the "dreaded" fiscal cliff late last year with recession and interest rates spiking and markets collapsing. I laughed each and every time DC spoke (actually called it a hoax) and used it to our clients' advantage in Q4 2012 and especially Q1 2013. Only a few months later we were bombarded with sequestration, automatic budget cuts across the board resulting from a bipartisan compromise reached in August 2011. If you recall, these cuts were going to send our economy spiraling into recession with spiking interest rates and collapsing financial markets.

By my count, the economy is the same mediocre, post crisis economy it was six months ago or maybe even a bit stronger. The stock market is up more than 10% and while rates have risen substantially, I think it's fair to say that the reasoning behind it is the Fed taper and not anything having to do with sequestration.

So forgive me if I completely and utterly dismiss the scare tactics and hyperbole from the U.S. Treasury. Talk about the administration who cried wolf! The problem is that one day there will really be a crisis just ahead of us and after all this nonsense, it will be largely ignored.

So how do I think this will all end and what will the impact be on the financial markets?

Putting myself in John Boehner's and the GOP's shoes, they are being viewed as the culprit so far with the President carrying the message about the debt ceiling and Armageddon. If I am Boehner, I would send a bill to the House floor raising the debt limit immediately without any strings attached. It would easily pass both chambers without much debate. Then I would dig my heels in on the budget and stop trying to repeal ObamaCare until the GOP has the majority of the Senate. That takes the President's disaster scenario off the table and changes the message. At the same time, I would get in front of every microphone and tell the public that the republicans recognized the severity of the debt ceiling and raised it without negotiation. It's time for the President to come to the table and work out a budget solution.

The President's best path is to stay the course and tone down the rhetoric a bit. I would keep painting the GOP as obstructionists and harping on the fact that ObamaCare is a law that was upheld by the Supreme Court. A law that needs some tweaking but only after we get by these two crisis'. He should offer specific concessions on entitlement spending and tax reform to try and fracture the republicans into a deal.

In the end, we are likely to see what we have seen for several years, a last minute deal that raises the debt ceiling and funds the government for 3-6 months. Sad and pathetic, but true.

Flexibility is Essential Retirement

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How much can you afford to spend each year from your retirement account? The answer is... it depends. It depends very much on how much your account balance is and current market returns.

In declining markets, you typically want to cut back on withdrawals as much as possible. You want as much of your capital intact as possible to gain value when financial markets turn back up. There is also the uncertainty of not knowing how long a downturn might last. If you maintain pre-decline withdrawal levels, your account may not have the ability to recover and last throughout your retirement.

For example, suppose an investor begins withdrawing $10,000 a month in 1990 from a $1,000,000 portfolio that earns the equivalent of the S&P 500 index. By January 2008, the money would be gone. If at the end of 2000, the investor faced facts and reduced withdrawals to $6,000 the portfolio would have approximately $52,000 in early 2012. Better yet would be an initial $8,000 monthly withdrawal rate reduced to $6,000 in 2001. In this situation, the investor would still have approximately $660,000 in early 2012, despite two bear markets.

Not Talking to Your Spouse Can Cost You

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You and your spouse have saved diligently. You think you are positioned to enjoy retirement without financial issues and you are looking forward to that first day of pursuing your dreams rather than the company's goals. But before you walk out the door, make certain your retirement plans mesh with those of your spouse.

Often retirement is the first time couples have spent a prolonged period together. If their views differ on how to spend retirement and there's no compromising, the result can be messy. A retirement fund built for two typically doesn't work as well split in half.

Over-50 couples are divorcing at twice the rate they did 20 years ago. They accounted for 9.7% of all divorces in 2009 compared to 4.7% of divorces in 1990, according to census data. In addition to the emotional turmoil of divorce, there's a considerable financial impact, including legal fees if the divorce becomes hostile. Divorce can also eliminate survivor benefits for retirement plans and insurance products.

Planning for retirement needs to start with a sound financial understanding involving both spouses. That's why we advocate that both members of a couple attend investment review sessions and understand what their investments are and how much they can reasonably assume those assets will return under current market conditions. Next, the couple needs to discuss what they want from retirement. Assuming your spouse's goals are the same as yours can be dangerous. Conflicting goals need to come out into the open. And then there's the question of whether or not your goals feasible in light of what you have saved for retirement.

Sharing goals and talking about finances is important throughout a relationship, but when retirement is approaching, it is even more important. In fact one of major stresses of retirement can be watching your savings diminish. While this is a natural part of retirement - you saved the money in order to be able to spend it - having less money can be a source of considerable insecurity. Will you have enough? Can you afford that trip? Should you sell the house and move into somewhere less expensive?

Putting your decisions in perspective is often easier with the help of your financial adviser. Not only does that introduce a neutral third party to the discussion, but your adviser can bring considerable experience to the discussion including expected returns, withdrawal rates, and alternative sources of income. Retirement planning works best when both members of a couple are involved and you have the right financial advice.

Upcoming Appearances

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Yahoo Finance Breakout - October 29, 2013

Fox Business' Markets Now - October 29 at 1:00pm
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You can view most of the past segments by clicking below.

Media Appearances

(http://www.investfortomorrow.com/InMedia.asp)

Investment Quotes/Adages To Live By

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"The only easy day was yesterday."
- The U.S. Marines

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."
-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."
-Robert Rhea

"Luck is the residue of effort."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."
-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.
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-Milton Friedman

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for,that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it." - Dr. Adrian Rogers, 1931

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is often erroneously assumed to be the beginning of a bull market."

- Robert Rhea via Tim Woods

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."

- Mohamed El-Erian

Friends And Family Plan

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

Sign Up Here

You can also forward this email to family and friends by hitting the "forward email" hotlink at the bottom of this email.
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