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Did You Know...?

News you can use for your financial well-being

March 2008

- ✓ **Don't Be a Frog!**
- ✓ **Bear Season**
- ✓ **The End of Easy Money Era**
- ✓ **Timely Tidbits**

Bear Season

An already volatile stock market had frayed investor's nerves over the past six months. Then, the month of March brought the downfall of Bears Stearns. While it's too soon to know for sure, this may have been the type of "watershed event" the markets needed to finish this down period and start on a new up cycle. There are two important things we do know for sure as a result of this tumultuous event:

1. While we don't know if a new up cycle has begun, it's very important to note that the stock market did not go significantly lower than it did in January, and in fact the market rallied strongly in the days following the Bear Stearns situation.
2. The media is in full fear-mongering mode, with an avalanche of cataclysmic headlines and dire forecasts. Many wise investors believe the media is a "contrary indicator", and when the popular press throws in the towel on an investment, it often is the best time to buy (witness the Business Week headline in 1982 proclaiming "The Death of Equities", followed by the greatest bull market in the history of mankind over the ensuing 17 years).

In times like these, it's easy to get caught up in the emotions of the news. Realize that the stock market (as measured by the Dow Industrial Average) is UP 1% versus a year ago. The NASDAQ is down about 3%, and the S&P500 is down about 5% (as of 3/26/08). A balanced portfolio is roughly even with its value one year ago. This is far from the disaster one might expect!

Don't Be a Frog!

On March 25 the Conference Board announced that its Consumer Confidence Index continued to fall -- to 64.5, the lowest it's been since the just before the invasion of Iraq in 2003. More tellingly perhaps, its Expectations Index fell to 47.9, the lowest it's been since the Oil Embargo and Watergate 35 years ago. For the first time in its history, the Federal Reserve is bailing out private institutions such as Bear Stearns. And talk in the press is turning from recession to depression. Yet typical bear market investments like gold and oil seem to have bi-polar disorder, swinging from one extreme to the other on regular basis. Starting to feel left out in the cold?

Market cycles like this help us understand what motivates mother to put cash in her mattress. But don't let uncertainty drive you to your blanket for security. The market will cycle back around. Even a bear can't just hibernate without stocking its den and planning for spring. So what's an average bear to do?

Be prudent. Like a frog in a pot of cold water, we don't always realize the impact of our expenditures as they slowly rise to boiling -- in lock-step with real estate prices. Make sure you understand the balance of your cash inflow and outflow, and that you're comfortable with the full cost of your discretionary choices.

Next, carefully consider your options for that positive cash flow balance. Given your life stage and tax bracket, what are the best choices for you? Building a larger cash reserve? Paying down debt, especially higher-interest, non-deductible debt? Or plowing it back into some of the many stocks that are relative bargains right now? Many international corporations are taking advantage of this market to acquire companies, technology and market share they could have never afforded eight years ago. For example, Brazil, once the poor step-child with run-away inflation, has nearly consolidated the global aluminum industry and made national investments resulting in enviably low dependence on foreign oil.

So don't be frog. Check the temperature of your cash flow balance. And if you're feeling bearish, just don't forget to prepare for spring.

If you're interested in a free, Excel-based cash flow planning tool that lets you enter your recurring income and payments once, easily add your one-time activity, and view your personal and business interests separately or combined, contact the author of this article, Lorre Zuppan of branes, LLC, at zuppan@branes.com.

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The End of Easy Money Era

The credit crunch/ home value decline/ economic slowdown we're currently experiencing may usher in a new era of "fiscal frugality" in the US, a country infamously known for its propensity to consume. This shift from living beyond one's means to living within one's means will be difficult for many, but ultimately it gets our country and economy onto a sustainable track that ensures long-term success.

Regardless of what stage of life you're in, living within your means is crucial to achieving long-term success for you and your family. During working years, it's imperative to set goals and systematically progress towards achieving those goals. In regards to financial goals, employ the "pay yourself first" mindset: make sure you direct income toward goals like paying for your child's college tuition, or building your retirement savings, before spending a nickel on anything else. If you don't use this approach, you'll find that other financial demands absorb your money first, and at the end of the year you're no closer to achieving your personal financial goals.

Retirement reverses the cash flow, from savings to spending, which in many ways make retirement more susceptible to problems than your working years. Having a well thought-out budget and investment plan, and sticking to those plans, will help ensure that you won't outlive your money. Compulsive spending, poor investment decisions, and general lack of financial discipline can have devastating effects on your retirement lifestyle.

Through my personal experience, and working with hundreds of clients over my 20-year career, I've seen what works and what doesn't, and I've developed some great tool and tricks to help you regardless of what stage of life you're in. Whether it's working on a monthly budget for your household, or developing a written retirement plan to ensure your financial security for the rest of your life, I've been through it and I'm ready to help you.

Timely Tidbits:

Tax filing deadline is Tuesday, April 15th! Make sure any IRA/ ROTH IRA contributions are in to us by Friday, April 11th so they can be credited to your account before the 15th.

Response to my recommendation to "front-load" your savings this year (i.e. try to achieve your planned savings in 401k's, etc. early this year) has received a great response. I would encourage you to continue to try to use the stock market decline to your long-term advantage by making your savings in the first half of the year.

Can't find your 1099? Copies of your 1099s, statements, and financial plans are available 24/7 via your Lock Box. Go to www.KeinKennedyLLC.com, click on Client Center, then click Lock Box. Your user name is your last name and password is the last four digits of the primary accountholders Social Security number.

Quote of the month: "Change is the process by which the future invades our lives." *Alvin Toffler*

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