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*A Registered Investment
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in their lives



Glenn Woody
Certified Financial Planner

Time and Timing

We are still pondering daily the question of where the markets will go from here. That is the universal and perennial issue in investing. The most important factor to be considered is time.

Some people are day-traders (or at least short-term traders). In our minds, that is rank speculation. In the short-run, the markets are driven more by emotion than fundamentals and logic. It is difficult to impossible to outguess emotion, so we don't try.

We invest for the longer-term, at least three to five years, and in reality, much much longer. A person's investment horizon is really their life horizon, and for folks retiring at age 65, that could easily be 30-35 years.

We have always coached clients to determine how much of their nest-egg they might need for the next 2-3 years and park that amount on "high-ground". That means someplace where there is absolutely no exposure to market risk. Then replenish that "stash" annually as they draw it down and project their needs for the *next* 2-3 years.

But even long-term investors get emotionally caught up in the short-term roller-coaster of the market. And even for a client's long-term dollars, there are issues with different

time horizons. Some of the prominent ones on our horizon are:

- The health care issue. That may seem like a relatively short-term issue, as we will surely have some resolution to that in Congress by at least early next year. But, the fall-out of what may pass will have extremely long-term implications.
- The economic recovery. That too, may seem fairly short-term in nature, since even the most dour predictions hold that unemployment and economic recovery will happen in 2010. But, there are those who speak of the "new normal" suggesting that our GDP may average only 3-4% rather indefinitely, as higher debt, higher taxes, a weaker dollar, higher inflation, and our losing our place as the economic engine of the world take their toll.
- The rising debt burden. That surely means higher taxes down the road. The rule of thumb used by economists holds that every 1% increase in taxes lowers our GDP by 3%.
- The retirement of the baby-boomers. An increasing number of folks demanding benefits to be paid for by fewer active workers.

These are a few of the longer-term issues that we continually ponder.

Gift Cards

The use of gift cards is increasing rapidly and will be one type of many gifts that are given at this holiday time. While it may not be the gift you will be most remembered for, the ease and flexibility for both the giver and the recipient is attractive. It is estimated that Americans will have spent some \$4 billion on such cards this year.

But, there are hidden perils.

There are two types: cards that are store-specific and general-purpose cards that can be used in many stores.

The general-purpose cards often have a cost of purchase, over and above the value of the card itself, that can run from \$3.95 to \$6.95. That can amount to a high percentage mark-up on cards of smaller value. In addition, some of these cards will start to incur a charge of up to \$4.95 per month after six to twelve months. And, some stores will not let such cards be used for a part of the purchase if the price is higher than the card's limit. It's but possible that some cards may have an expiration date.

The store-specific cards can be used only at the company specified, but usually do not have

any charge above the card value and do not usually have monthly charges after some period of time. They also can usually be used for split payments on a purchase.

Statistics show that some 10% of the cards are never completely used. That's a staggering sum to waste, some \$400 million of the \$4 billion total.

Surveys have shown that:

- One-third of those surveyed knew that some cards charged a mark-up over the card's value.
- Just 54% knew that some start charging a monthly fee if not used after some time period.
- Only 39% knew that some stores would not accept general-purpose cards for split purchase payments.

There is a brochure available to help consumers understand these rules. Go to www.consumerfed.gov, click on "What's New at CFA" and look for the brochure under Educational Resources.

The brochure recommends that attention be paid to a card's expiration date and any charges either at the time of purchase or later. It also recommends that cards be used as soon as possible. It also lists the differences between general-purpose cards and the more prevalent store-brand cards.

NO IRA RMD'S THIS YEAR

We call your attention again to the fact that the requirement for a minimum withdrawal from retirement accounts for those 70.5 or older has been waived for 2009. So, we are not doing our usual processing of those withdrawals. However, that does not prevent one from making a withdrawal. Let us know quickly if you want a year-end withdrawal.

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# Market Highlights

## December 2009

### Positive:

- The Leading Economic Index for October increased 0.4%, following a 1.0% gain in September and a 0.4% rise in August. The Coincident Index was unchanged in October.
- Real (adjusted for inflation) gross domestic product increased at an annual rate of 2.8% in Q3 2009.
- Sales of new one-family houses in October were 6.2% above September and 5.1% above October 2008.
- Existing-home sales surged 10.2% in October from September 2009 and were 23.5% above October 2008.
- U. S. retail and food services sales for October increased 1.4% from then prior month, but were 1.7% below October 2008.
- Economic activity in the manufacturing sector expanded in October for the third consecutive month, and the overall economy grew for the sixth consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business®.
- U. S. retail e-commerce sales for Q3 2009 increased 4.5% from Q2 2009. E-commerce sales in Q3 accounted for 3.4% of total sales.

### Mixed/Cautious:

- The Consumer Price Index rose 0.3% in October. The index has decreased 0.2% over the last twelve months. The Producer Price Index rose 0.2% in October. The index fell 1.9% from a year ago.
- The unemployment rate rose from 9.8 to 10.2% in October. The largest job losses were in construction, manufacturing and retail trade. However, jobless claims for the week ending 11/21 were 466,000, a decrease of 35,000 from the previous week.
- Housing starts in October were 10.6% below September 2009 and 30.7% below October 2008.
- Construction spending during September 2009 was 0.8% above August 2009 but 13.0% below September 2008.
- New orders for manufactured durable goods decreased 0.6% in October 2009. Excluding defense, new orders increased 0.4%.

### Informational:

- In November, large-cap, growth and U. S. funds had better gains than their counter parts.

## FYI: Short-Term Observations

*These comments are offered for your information and thought. They are short-term and tactical in nature. We invest for the long-term, three to five years plus. Don't confuse these short-term observations with what may be the best decisions for the long-run. Some even believe it is confusing, at best, and distracting, at worst, to involve short-term issues in long-term investing.*

### Onward and Upward

**T**his past month included very few surprises, other than the fact that the market continues to gain at a remarkable pace, a pace that cannot possibly be sustained.

The FED met, and as expected, kept interest rates steady and spoke of continuing that policy for some time.

The Friday after Thanksgiving gave the non-U.S. markets a scare when Dubai World, an investment company that manages and supervises a portfolio of businesses and projects for the Dubai government, announced financing problems. Asian and European markets fell 2-4%, while our Dow was off only 134 points. By the first of December, our markets were trading flat to up.

Reports of housing sales were very positive. For the month of October, the latest month for which numbers are available, existing house sales were up 10.2%, and new home sales were up 6.2%.

Unemployment remained slightly above 10%, but new unemployment claims dropped below 500,000 in the last week of November, for the first time in months.

In spite of the stellar gains in the market since the March 9 low, stock valuations are not particularly high compared to their historical average value.

Predictions of where the market goes from here remain divided between positive and negative.

So, we enjoy it while it lasts and wait (and worry a little) for the next shoe to drop.

### A Great November

**N**ovember produced outstanding returns in the several stock indexes, as shown below.

Unless, we stumble badly in December, the year that felt so horrible in the beginning will show better than average returns. That is a testimony to hanging-in in the face of pain.

Here are the results:

|                |           |
|----------------|-----------|
| November       | + 6.50 %  |
| Last 3 months  | + 8.90 %  |
| Year to Date   | + 17.88 % |
| Last 12 Months | + 17.17 % |

#### Dow Jones 30 Industrials

|                |           |
|----------------|-----------|
| November       | + 5.79 %  |
| Last 3 months  | + 7.34 %  |
| Year to Date   | + 21.37 % |
| Last 12 Months | + 22.32 % |

#### Standard & Poor's 500 Index

|                |           |
|----------------|-----------|
| November       | + 4.89 %  |
| Last 3 months  | + 6.77 %  |
| Year to Date   | + 36.02 % |
| Last 12 Months | + 39.65 % |

#### NASDAQ Composite

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