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# MAKING A DIFFERENCE

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Glenn Woody  
Certified Financial Planner

## The Good News

**I**n this column, we are going to emphasize the longer-term outlook, rather than the immediate future.

We do this for two reasons:

- We invest your long-term money, constantly telling you that your short-term funds should not be even in our conservative portfolios but rather on "high ground", without risk, available for you when you come for them.

- The longer-term view is, in our opinion, quite positive. It looks over the rubble of immediate issues that always seem dire to consider.

We, as human beings, place more emphasis on the negative and less on the positive. We complain a lot about the financial media which always plays up the negative side of anything. But, we are the cause of that. They know that bad news "sells" better than good news. So, they feed us the sensational negative stuff.

We are right on the edge of the greatest acceleration in innovation in the world's history. In 1900, the average American spent \$76 of every \$100 on food, shelter and energy. Today, that same person spends only \$37. Compared to 1955, the average human on earth earns three times as much money (adjusted for inflation), eats one third more calories and is less likely to die as a result of childbirth,

war, murder, cancer, heart disease, famine, malaria, tuberculosis, typhus, smallpox or polio.

The average human on earth is also more likely to be literate, own a telephone, have a flush toilet, a refrigerator and a bicycle. The United Nations estimates that poverty, especially absolute poverty (defined as less than \$1 per day in income in 1985 inflation adjusted terms) has fallen more in the last 50 years than in the previous 500 years.

Economist Paul Romer points out that, "every generation has perceived the limits to growth that finite resources and undesirable side effects would pose if no new recipes or ideas were discovered. And every generation has underestimated the potential for finding new recipes and ideas. We constantly fail to grasp how many new ideas remain to be discovered."

The continued development of info-tech, bio-tech and nano-tech discoveries will continue to bring great improvements in efficiency and productivity. Our life expectancies have been lengthening for years and that will continue, but now with even better quality of life in those expanding years.

For an exciting look at how the world has developed, go to:

<http://www.wimp.com/countriesyears>

# More Changes

**L**ast month we shared with you some of an email that came across our computer screen (author unknown) regarding some of the many changes that are happening in our world and our lives. Here are a few more:

Music. This is one of the saddest parts of the change story. The music industry is dying a slow death. Not just because of illegal downloading. It's the lack of innovative new music being given a chance to get to the people who would like to hear it. Greed and corruption is the problem. The record labels and the radio conglomerates are simply self-destructing. Over 40% of the music purchased today is "catalog items," meaning traditional music that the public is familiar with, the older established artists. This is also true on the live concert circuit. To explore this fascinating and disturbing topic further, check out the book, "Appetite for Self-Destruction" by Steve Knopper, and the video documentary, "Before the Music Dies."

The "Things" That You Own. Many of the very possessions that we used to own are still in our lives, but we may not actually own them in the future. They may simply reside in "the

cloud." Today your computer has a hard drive and you store your pictures, music, movies, and documents. Your software is on a CD or DVD, and you can always re-install it if need be. But all of that is changing. Apple, Microsoft, and Google are all finishing up their latest "cloud services." That means that when you turn on a computer, the Internet will be built into the operating system. So, Windows, Google, and the Mac OS will be tied straight into the Internet. If you click an icon, it will open something in the Internet cloud. If you save something, it will be saved to the cloud. And you may pay a monthly subscription fee to the cloud provider.

In this virtual world, you can access your music or your books, or your whatever from any laptop or handheld device. That's the good news. But, will you actually own any of this "stuff" or will it all be able to disappear at any moment in a big "Poof?" Will most of the things in our lives be disposable and whimsical? It makes you want to run to the closet and pull out that photo album, grab a book from the shelf, or open up a CD case and pull out the insert.

Privacy. If there ever was a concept that we can look back on nostalgically, it would be privacy. That's gone. It's been gone for a long time anyway. There are cameras on the street, in most of the buildings, and even built into your computer and cell phone. But you can be sure that 24/7, "They" know who you are and where you are, right down to the GPS coordinates, and the Google Street View. If you buy something, your habit is put into a zillion profiles, and your ads will change to reflect those habits. And "they" will try to get you to buy something again and again, and again.

All we will have that can't be changed are memories (unless, of course, the dreaded Alzheimer's sets in ...).

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# Market Highlights

## March 2011

### Positive:

- Personal income increased 1.0% and disposable personal income increased 0.7% in January.
- Economic activity in the manufacturing sector expanded in February for the nineteenth consecutive month, and the overall economy grew for the 21st consecutive month.
- Existing-home sales increased 2.7% in January and are 5.3% above January, 2010. This is the first time in seven months that sales activity was higher than a year earlier.
- U. S. retail and food services sales for January increased 0.3% from the previous month, and 7.8% above January, 2010.
- The unemployment rate dropped to 8.9% in February. That marked the first time it has been below 9% since April, 2009.
- Real gross domestic product (adjusted for inflation) increased at an annual rate of 2.8% in the fourth quarter of 2010. In the third quarter, real GDP increased 2.6%.
- The index of Consumer Sentiment in February was 77.5 compared to 74.2 in January and 73.6 in February, 2010. Higher income households were responsible for all of the February gain over the prior month.
- The Conference Board Leading Economic Index increased 0.1% in January. The Coincident Economic Index increased 0.1% and the Lagging Economic Index decreased 0.1%.
- New orders for manufactured durable goods in January increased 2.7%. This increase followed three consecutive monthly decreases including a 0.4% December decrease.

### Mixed/Cautious:

- Construction spending during January was estimated to be 0.7% below December and 5.9% below January, 2010. The effects of the weather were considered to have a significant effect on the decline.
- Sales of new single-family houses in January were 12.6% below December and 18.6% below January 2010.
- Privately owned housing starts in January were 14.6% above December, but 2.6% below January, 2010.

### Informational:

- Large value, small growth and domestic bettered their counterparts in February.

## 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.*

### A Black Duck?

**W**e have all become familiar with the term "Black Swan", introduced by the author Nassim Nicholas Taleb in his 2007 best seller of the same name. It is used to refer to a highly improbable event of some significance.

Someone has now coined the term "Black Duck". This term is used to refer to an event that some (usually the media) play up as a Black Swan but one that turns out to be a much lesser event, thus merely a Black Duck.

Most learned economists and market experts are referring to the recent bid for freedom in the Middle East as a Black Duck. They, as a group, feel that the eventual result of the struggles in Egypt, Libya and other countries will not have a major effect on the supply of oil as feared by the markets.

The market has been on such a long positive run now that it is overdue for a pull-back of some 5-10%. Such a move would be very normal and actually healthy for the longer-term health of the market.

One never knows what seemingly unrelated event will trigger the pull-back. When the market is poised for the pause, any little event which can be taken initially for the makings of a Black Swan can provide the trigger. Fear of a serious interruption in the world's oil supply is a legitimate example of such an event.

If the world's oil supply actually is disturbed in a major way, this will turn out to be a legitimate Black Swan.

If the end result is nothing more than a scare which provides the market with its normal 5-10% correction, we will call it a Black Duck.

### A Positive February

**I**n spite of Egypt, Libya and rising oil prices, February gave us another month of positive results in the major U. S. stock indices.

Other economic data points are largely positive in nature. The strong positive days in the early part of the month overcame the several negative days at the end of the month. Here are the results:

#### Dow Jones 30 Industrials

|                |           |
|----------------|-----------|
| February       | + 2.80 %  |
| Last 3 months  | + 11.08 % |
| Year to Date   | + 5.60 %  |
| Last 12 Months | + 17.51 % |

#### Standard & Poor's 500 Index

|                |           |
|----------------|-----------|
| February       | + 3.19 %  |
| Last 3 months  | + 12.36 % |
| Year to Date   | + 5.48 %  |
| Last 12 Months | + 18.90 % |

#### NASDAQ Composite

|                |           |
|----------------|-----------|
| February       | + 3.04 %  |
| Last 3 months  | + 11.37 % |
| Year to Date   | + 4.86 %  |
| Last 12 Months | + 22.34 % |

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