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*A Registered Investment
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Glenn Woody
Certified Financial Planner

Fiduciary for All

AS the economy and the stock market began to come out of the recent downturn, the folks at PIMCO coined the term "New Normal" for what the economic world would look like going forward.

They gave three descriptors to paint a picture of what the New Normal might look like:

- **De-Leveraging**—Consumers and corporations paying down debt and increasing savings.

- **De-Globalization**—A trend toward nationalism.

- **Re-Regulation**—The normal government reaction to a problem, that of trying to fix things by making rules to never allow it to happen again.

It doesn't matter whether one tends to be politically liberal or conservative, one would have to admit that the re-regulation part has played right into the Obama administration's hands.

Schwab's consultant who observes and comments on matters from "inside the beltway" is pointing out that it is clear the Administration has decided to be very aggressive in trying to get as much of their agenda passed as quickly as possible, believing that their large majority in Congress will at least shrink, if not disap-

pear with the November elections.

He believes the nature and timing of the Goldman Sachs investigation is no coincidence. It lends support to the effort to pass the financial regulation bill currently in Congress.

It would be hard to argue that some type of financial reform isn't necessary. As always, the argument comes over the type and degree of such changes.

One part of the financial regulation bill that is off-again and on-again is the provision that would require stockbrokers and other commission sales people to be held to a fiduciary standard, as are we Registered Investment Advisors.

Fiduciary means putting the client's interest first, ahead of even your own. Most of the public doesn't know there is a difference in the required standards. Brokers are governed only by a "suitability" standard, meaning a recommendation merely has to be "suitable" for the client, not necessarily best.

The fiduciary standard was a part of the original bill, and removed by Sen. Dodd under extreme lobbying pressure by the insurance and brokerage community. It is being proposed again. Let's hope it stays in the bill through passage.

More Coaches Quotes

It seems sports in general and football in particular provides a wonderful platform for very graphic observations by the coaches. Here are some of the most memorable:

"They cut us up like boarding house pie, and that's real small pieces."

Darrell Royal / University of Texas

"Show me a good and gracious loser, and I'll show you a failure."

Knute Rockne / Notre Dame

"They whipped us like a tied up goat."

Spike Dykes / Texas Tech

"I asked Darrell Royal, the coach of the Texas Longhorns, why he didn't recruit me and he said: "Well, Walt, we took a look at you and you weren't any good."

Walt Garrison / Oklahoma State

"Son, you've got a good engine, but your hands aren't on the steering wheel."

Bobby Bowden / Florida State

"Football is not a contact sport - it is a collision sport. Dancing is a contact sport."
Duffy Daugherty / Michigan State

After USC lost 51-0 to Notre Dame, his post-game message to his team:

"All those who need showers, take them."

John McKay / USC

"If lessons are learned in defeat, our team is getting a great education."

Murray Warmath / Minnesota

"The only qualifications for a lineman are to be big and dumb. To be a back, you only have to be dumb."

Knute Rockne / Notre Dame

"Oh, we played about like three tons of buzzard puke this afternoon."

Spike Dykes / Texas Tech

"We live one day at a time and scratch where it itches."

Darrell Royal / University of Texas

"It isn't necessary to see a good tackle. You can hear it."

Knute Rockne / Notre Dame

"We didn't tackle well today but we made up for it by not blocking."

John McKay / USC

"Three things can happen when you throw the ball, and two of them are bad ."

Darrell Royal / University of Texas

"I've found that prayers work best when you have big players."

Knute Rockne / Notre Dame

"Gentlemen, it is better to have died a small boy than to fumble this football"

John Heisman

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# Market Highlights

## May 2010

### Positive:

- The Leading Economic Index increased 1.4% in March, following a 0.4% gain in February and a 0.6% rise in January. The Coincident Index rose 0.1% in March, following a 0.1% increase in February. The Lagging Index increased 0.2% in March, following a 0.1% gain in February.
- U.S. consumer spending rose twice as fast as income in March, as saving dropped to its lowest level in 18 months, and a closely watched indicator of inflation remained stable.
- Nonfarm payroll employment increased in March and the unemployment rate held at 9.7%.
- Real Gross Domestic Product increased at an annual rate of 3.2% in Q1 2010. The increase in Q4 2009 was 5.6%.
- Retail sales in March were 1.6% higher than February and 7.6% above March 2009.
- Sales of new single-family houses in March were 26.9% above the February rate and 23.8% above the March 2009 rate.
- Sales of existing homes rose 6.8% in March over February, and were 16.1% above the March 2009 level.
- Both personal income and disposable personal income increased 0.3% in March.

### Mixed/Cautious:

- The Index of Consumer Sentiment declined slightly in April (72.2) from March (73.6) but was significantly higher than a year ago (65.1).
- Privately-owned housing starts in March were 3.1% below the February level and 21.2% below the level in March 2009.
- The U.S. Census Bureau reported that construction spending during February 2010 was 1.3% below January and 12.8% below February 2009.
- New orders for durable goods in March decreased 1.3%, following three consecutive monthly increases.

### Informational:

- The Consumer Price Index increased 0.1% in March and has risen 2.3% over the last 12 months. The Producer Price Index rose 0.7% in March, following a 0.6% decline in February.
- In April, domestic stocks performed much better than international and value and small-cap outperformed growth and large-cap.

## 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.*

### The Federal Reserve

**T**he Federal Reserve met in late April, and to the surprise of no one, continued to hold interest rates at their same low level.

Particularly, when everyone expects no change in the Fed's level of interest rates, then there is a great amount of speculation about and then emphasis placed on the wording of the Fed's written comments in their after-the-meeting announcement.

This time around, there was some speculation that they might back off of their announced stance of keeping rates low for an extended period of time. They did not change their language.

The fact that they are steadily keeping rates low and announcing their expectation in continuing to do so is an indication that they are not seeing/feeling any rising inflationary pressures in the economy.

That will be the case as long as corporate earnings advance at a moderate pace so there is no demand-pull on prices. And, that will hold as long as unemployment remains relatively high so there is no wage-push pressures.

The consumer spending numbers announced in the last few days show that the buyer is beginning to open the pocket book. Spending increased faster than the increase in income, resulting in the natural decline in the savings rate.

The consumer being some 70% of the Gross Domestic Product, the level of consumer spending has an enormous effect on the economy in general. A spending increase in the face of persistent unemployment means those that are employed are feeling more confident of their jobs.

### No Showers, This April

**A**pril gave us more positive numbers yet. In fact, there were eight weeks in a row of market gains, ending in the last week of April.

The NASDAQ Index continues to outgain the other two. It is made up more of smaller companies and they typically gain better coming out of a recession.

Here are the results:

#### Dow Jones 30 Industrials

|                |          |
|----------------|----------|
| April          | + 1.40 % |
| Last 3 months  | + 9.36 % |
| Year to Date   | + 5.57 % |
| Last 12 Months | + 34.8 % |

#### Standard & Poor's 500 Index

|                |           |
|----------------|-----------|
| April          | + 1.54 %  |
| Last 3 months  | + 10.52 % |
| Year to Date   | + 6.46 %  |
| Last 12 Months | + 35.19 % |

#### NASDAQ Composite

|                |           |
|----------------|-----------|
| April          | + 2.63 %  |
| Last 3 months  | + 14.63 % |
| Year to Date   | + 8.46 %  |
| Last 12 Months | + 43.16 % |

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