



What's New?

Feddern Financial Consulting Group Newsletter

October 18, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 300,000+ weekly.***
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *A FEW POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! *Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***
- 5. The DOLLAR has to decline. *It's started for REAL!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!*
*ANALYSIS OF THE ABOVE: No Real Hope YET! -10/18/2009***

The 401(k) Swindle

Many people who are followers of our writings remember when we first introduced the "Global Warming Swindle" which totally repudiated all of the puffery of global warming including Al Gore's flawed Nobel Prize-winning film! Wow, the Nobel-boys sure get it wrong time and time again.

Pareto's law tells us that 20% of the members of any group get 80% of the benefits. This is true of people who have a 401(k) retirement program. It was always a false hope for 80%. It always kept people from making responsible plans. A recent article in Time (which I regard as a doomed publication) reported:

The Society of Professional Asset-Managers and Record Keepers says nearly 73 million Americans, or just under 50% of our working population, now have a 401(k). And collectively we pour more than \$200 billion into these accounts each year. But retire rich? Don't bet on it.

The average 401(k) has a balance of \$45,519. That's not retirement. That's two years of college. Even worse, 46% of all 401(k) accounts have less than \$10,000. Today, just 21% of all U.S. workers are covered by traditional pensions, and the number shrinks every year. "The time may have come to consider returning 401(k) plans to their original position as a third tier of retirement planning, behind pensions and Social Security," says Alicia Munnell, who heads the Center for Retirement Research at Boston College.

"They should not be the thing we rely on for retirement security." And the government seems to agree. This summer, the Government Accountability Office concluded, "If no action is taken, a considerable number of Americans face the prospect of a reduced standard of living in retirement." That's what is known as an understatement.

On a recent installment of the TV Show "Numbers," the FBI drama, the father, played by Judd Hirsch, finds that his 401(k) has become a 201(k). He will have to go back to work or else become dependent on his sons. When writers put in a subplot like this, you really know the problem is widespread.

This was obvious to us from day one. The amount of savings required to retire was always far more than what a 401(k) program offered most people. The whole thing was a gigantic exercise in fantasy. A self-employed person has a shot with an DB Plan, which allows for large contributions. Pretty much nothing else does.

The Time article is too little, too late. To tell someone when he is 60 that he will not be able to retire in five years is a waste of time.

I knew at age 17. I never planned to retire. At age 32, I began investing in Real Estate in a small way. I figured that it (RE) and/or owning my own business would be my only retirement plan. One thing led to another and at the age of 65 I started my own Financial Consulting Business.

This is better for everyone. Buyers can gain access to a lifetime of your knowledge. Why take your skills out of production?

The best use for a 401(k) program is to provide capital at your retirement for your own business. The money will not support you, but it may give your business the boost it needs. Get your business skills first, especially marketing skills. Then use your retirement money to build the business.

Here is the reality.

The idea that we could ever save enough to pay for 30 years of leisure is a relatively recent invention. An entire profession, financial planning, is dedicated to telling people they can, and must, pay for their own retirement. A 401(k) is usually a central part of those plans. Even for people who don't have enough money to send their kids to college or buy a home, building their 401(k), they are told, is their first priority. It's not terrible advice.

The accounts grow tax-free, though you have to pay Uncle Sam's levy when you cash out. Unlike health coverage, you don't lose your 401(k) when you lose your job. And once you set the account up -- a minor task at most companies -- it's automatic, making it an easy, thought-free way to save. Indeed, Americans have more saved specifically for retirement than ever before.

But the past year has shown that even with our added savings, we are at much greater risk today of our accounts running empty than when employer-guaranteed pensions were the norm. By Munnell's calculations, 44% of all Americans are in danger of going broke in their post-work years.

Munnell used to work for the Boston FED. Once upon a time, we quoted an article of hers over 25 years ago on Social Security. She described it as a Ponzi scheme. She was correct. She is still working. She practices what she has preached.

Think of your retirement capital as a way to take your post-retirement career to the second stage -- or third stage. If you use the money to advertise your business, you can probably structure your business to let you use it on a tax-deferred basis. Advertising expenses are deductible from income. Talk to a well-educated CPA about how to structure this. - END

All of our past Newsletters are available on our Website at:

www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

Call us anytime: 502.442-0363 Direct 800/258-1502 Toll Free 502/442-0365 Fax 502/552-2049 Cell

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