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Simply give us a call. We can help!

JepsenConsulting.com

Thank you to our clients for your recent referrals. It's a pleasure to serve you!

March, 2010

Dear Investors,

There are many financial positives to report. The intricate financial web of the housing market caused a mess in late 2008 and 2009, and hopefully our nation has learned valuable lessons now that the economy is again moving forward. The U.S. Treasury has already recovered two-thirds of their emergency investments in troubled banks. Overall inflation was negative (-0.4%) for the first time in 55 years, with health insurance costs decreasing 3%. Home prices since March of 2009 have been broadly stable with mortgage rates near historic lows.

The major stock benchmark (S&P 500 including dividends) ended the decade with a total return of -9.1%. Of the prior 13 decades dating back to 1870, only one had a negative annual return (1910-1920 returned a total of -8%). Nine of 13 decades returned better than 9% per year, with three decades 15% or more. Even the decade of the Great Depression (1930-1940) had a 7.5% annual return. The bond indexes happened to fare better this decade, with the Short-Term Treasury Bond Index with a total return of about 24%, Intermediate-Term Treasury Bond Index up 63%, Long-Term Treasury Bond Index up 108%, and High Yield Bond Index up 91%. Stocks, however, have enormously outpaced bonds over a longer time. For instance, Long-term Treasury Bonds have been outperformed by the S&P 500 by over 1,440% and outperformed by small company stocks by over 2,715% since 1971.

Half of life is luck; the other half is discipline - which is the important half, because without discipline you wouldn't know what to do with the luck. **Most of what happens economically is out of our control - what's important is what we focus on and control first-hand, what decisions we make and steps we take to improve our situation and possibilities.** Abundance and opportunity is everywhere if you just look for it.

Currently one out of two working Americans has less than \$25,000 in savings and investments, with 27% less than \$1,000. Just 16% of American workers are very confident about a financially successful retirement, with only 25% being very confident of meeting basic expenses. One out of four has postponed their retirement, with the majority attributing the economy and/or their job situation. Only 15% of current retirees were very confident of their financial situation going forward, with 29% percent of retirees having saved nothing.

Sixty percent of those 65 or older receive 75% of their income from Social Security, which is currently \$15.1 trillion underfunded in today's dollars. Realistically there will be a 25%+ decrease in Social Security payments and Medicare benefits for retirees in the coming years

due to a future Social Security crisis and/or inflation eroding buying power of the benefits. Imagine a 5% to 25% decrease in retirement income due to a Social Security benefit adjustment - it will be life altering for many Americans.

The Medicare Part A fund will be exhausted in 2017 and is currently \$36.4 trillion underfunded in today's dollars. Even if Medicare benefits remain at current levels, one person will need an estimated \$150,000 to cover health expenses (Medicare Parts B and Part D, Medigap, prescription drugs, etc.) in retirement, and as much as \$275,000 if living to age 95. Yet only 10% of those over 65 choose to have long-term care insurance. America has developed a "fix me if I'm broke" mentality, both financially and medically. If we don't discipline ourselves financially, the world will do it for us.

The good news is **the only financial plan and health care plan that matters is the one for you**. The opportunity exists to create our own economy, rather than worrying about the government. To generally plan for retirement takes less time to plan and prepare for a vacation; one typically discovers a need to accumulate 2 to 4 times more than originally thought. **An investment of \$1,000 per year in today's dollars (factoring 3% inflation) at a 9% average annual return is worth almost \$70,000 in 20 years, almost \$200,000 in 30 years, and \$500,000 in 40 years.** Even a single investment of \$5,000 earning 9% for 30 years is worth \$66,338. The discipline part (and most important) is taking advantage of this tax-deferred and/or tax-free growth every year and actually sticking to your plan over long periods of time.

The opportunity to make last year's IRA contribution of \$5,000 (for anyone 50+ it's \$6,000) ends on April 15th. The 401(k) and 403(b) plans allow a contribution of \$16,500 this year (\$22,000 for 50+) with a \$49,000+ employer/employee total. A SEP-IRA (self-employed IRA) allows up to a \$49,000 contribution. The investment plans are tax-deferred, tax-deductible and/or have tax-free redemption dollar for dollar.

In addition, a Defined Benefit Plan is especially attractive at higher income levels that allow additional taxable reduction of earnings dollar for dollar. A 50 year old earning \$250,000 can defer and invest up to \$99,000, a 55 year old earning \$250,000 can defer and invest up to \$162,400, and a 65 year old earning \$250,000 can defer and invest up to \$189,000 depending on your financial picture. This is in addition to your above plan(s). **Contact me for details.**

Your future is exciting! Thank you for your business; it's a pleasure to serve you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Les Jepsen', written in a cursive style.

Les Jepsen

P.S. If you know of someone additionally that I could be of service to, please let me know.