



RFC FINANCIAL PLANNERS

*Organize. Simplify. Plan.*



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## *Planning Points*

*Our free RFC quarterly newsletter*

**May 2008**

### **OUR THOUGHTS:**

Stock market volatility seems to have become commonplace beginning with the 4<sup>th</sup> quarter of 2007 and may continue for a bit longer in 2008. Our economy has been facing many issues, between the credit problems in the housing market, higher oil and health care costs, slowing manufacturing, concerns over inflation and a recession. When markets turn volatile it may be time to rethink investment strategies. However, consider this an opportunity. If you step back and think contrary to the masses, you might just see how when compared historically, we may be experiencing an excellent buying opportunity. There are trends giving evidence that the markets are positioned to rally sooner than later. One specific trend is that in the past few weeks, the total value of money market funds exceeded \$3.5 trillion, an all-time record. The total is up \$1.1 trillion in the last 12 months (source: Investment Company Institute). The majority of unguided investors tend to sell at the bottom and buy at the top of a market; the complete opposite of what we as investors all need to train ourselves to do. The key is to keep our emotions from driving and controlling our investment decisions. Other indicators can be seen by comparing current times to the past. When the last recession in the U.S. ended on 11/30/01, the Fed had short-term interest rates at 2.0%. With the recent .25% rate cut by the Federal Reserve on April 30<sup>th</sup> 2008, the Fed has interest rates at 2.00% again today. This is now the 7th rate reduction since mid-September 2007 (source: Federal Reserve). Additionally, the price-earnings (P/E) ratio of the S&P 500 at the end of March 2008 was 18.3. The P/E ratio for the S&P 500 on 9/30/02 (i.e., just 9 days before the bottom of the 2000-02 bear market) was 17.6. A company's price-to-earnings ratio is equal to a company's stock price divided by its earnings per share over the previous 12 months and when compared over time may provide some insight into undervalued and overvalued stocks (source: Barron's, Wall Street Journal). For long-term savers, volatility can provide buying opportunities. If you are uncomfortable with the volatility, we need to take this opportunity to talk about alternatives for you.

### **Matured Series E US savings bonds and Savings Notes**

"Bonds issued from May 1941 through May 1978 no longer earn interest. All U.S. Savings Notes (Freedom Shares), which were issued from May 1967 through October 1970, have also stopped earning interest. Series E Bonds with issue dates from June through November 1978 will reach final maturity during the next six months."

(source: [www.savingsbond.com](http://www.savingsbond.com))

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### **BY THE NUMBERS:**

**WHERE IT COMES FROM** - More than half of the oil the US imports (52%) comes from the 4 countries of Canada, Saudi Arabia, Mexico and Venezuela (source: Energy Information Administration).

**TEN OR MORE** - In the last 75 calendar years (1933-2007), the S&P 500 has experienced **double-digit total return percentage losses** just 8 times with **only 2** such drops in the last 33 years (source: BTN Research).

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**2041 IS THE YEAR** - Social Security Trustees announced in 2006 that the **trust fund** backing the payment of **Social Security benefits** would be **zero in 2040**. In April 2007, the annual report determined the trust fund will be gone in **2041**, an addition of 1 year. On March 25<sup>th</sup> the 2008 report again stated that the trust fund, worth \$2.0 trillion on 12/31/07, will be gone in **2041**. A zero trust fund **does not mean** the payment of Social Security benefits would also go to zero, but rather would drop to 78% of their originally promised levels (source: SSA).

**BIG INCOMES** - President **George Bush and his wife Laura** reported adjusted gross income of \$924,000 on their 2007 Form 1040 tax return. **Former President Bill Clinton and his wife Hillary** reported total income of \$20.4 million for the 2007 tax year (source: Tax Analysts).

**INVESTING IN ITSELF** - The companies in the S&P 500 stock index bought \$589 billion **of their own stock** in calendar year 2007, an all-time record for **stock buybacks**. The total is more than the combined stock buybacks for all 500 companies during the **4 consecutive years** of 2001-04. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market (source: S&P).

**STOCKS IN CHINA** - After **gaining +353%** during the last 2 calendar years (2006-07), the **Chinese Shanghai** stock index has **fallen 34% YTD**. The Shanghai index is an unmanaged index that is generally considered representative of the Chinese stock market. These international securities involve additional risks including currency fluctuations, differing financial accounting standards and possible political and economic volatility (source: BTN Research).

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## **RFC NEWS:**

RFC Financial Planners has added a vital member to our team. Some of you have already spoken to or even met our assistant, Laura Modjeski. I think you will agree that she's a tremendous asset to our firm and for you as our clients. Laura has enabled us to spend more of our time on what our clients hire us to do and less time on our firm's administrative tasks. Here is a little bit of background on Laura:

Laura joined RFC Financial Planners in September, 2007 and oversees various client service and business operational tasks. She can assist with most service requests and administrative inquiries. Please feel free to contact Laura directly. Laura graduated with a Bachelor's degree in Marketing from Western Michigan University and has held various management positions for a global consumer goods company. She resides in South Lyon, MI with her husband, Mike and their two children; Griffin and Jordan.

Please feel free to contact Laura with any service related questions that you have.

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## **RFC EVENTS:**

For the past few months we have been hosting a number of client events at select locations throughout Michigan. The first three client appreciation events have been a great success with our wine tasting theme. One was in December at Andiamo Italia in Warren and another was in January at Grape Expectations in Plymouth. The most recent event was just held on April 23rd at the Sigma Financial corporate headquarters in Ann Arbor. For those who have attended, it was great to see you and we hope you had a fun evening. For those that couldn't make it, we're sorry we missed you, but look forward to seeing you at an upcoming event.

We are now planning two education events. For those of you whom are in or near Michigan, you should have received an invitation to our next event on May 7<sup>th</sup> from 6:15-8:30pm at Mountain Jack's Steakhouse in Troy, which will focus on the topics: "Investment markets and real estate markets: past, present, and future".

We will also be hosting a second version of this education event in the Ann Arbor area sometime in the fall of this year.

**Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.**

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