

## **A Look Ahead into 2010...."Hope For The Best, Plan For The Worst"**

**First, Happy New Year!** Of the hundreds of readers of my CMA Update emails more than a few refer to me as "Dr. Gloom". My purpose in sharing my views on the economy, financial markets and future outlook...is just to be a realist though. We are in very troubled economic times in our country.

During the last 10 years, we have gone thru two major "Asset Bubbles"...Technology Stock Boom (and Bust) and the Housing Boom (and Bust). The Booms were highly influenced by artificially low interest rate policies of the Federal Reserve, and expansive Government Fiscal policies from the late 1990s onward. (Perhaps, our government is trying too hard on the policy front to keep an already mature economy on a future growth track that is well beyond our current state of maturity. **The unintended consequence of an activist government applying stimulus polices to accelerate growth and more prosperity on a mature economy...creates temporary booms, bubbles and busts.**

The "perceived" moral responsibility of both the Federal Reserve and Government has and will continue to be... "Stimulation & rescue" of the economy. It (Economy) just cannot be left alone by government to allow the natural boom and bust of Capitalism to work itself out via "natural" market forces.

Today, both the Fed and Government "are at it again" to manage the fate of the economy. Their actions "distort" the fundamental economic forces within our economy. They seem to believe that Zero interest rates and more than a Trillion dollars a year of deficit spending will reverse the recession and massive unemployment we have today.

**This recession is worse than any other we have had since the Great Depression in both degree and duration.** I don't think I need to recant the commentary I have put out on that for many weeks. Yet, there are more waves of economic distress coming that will very likely lengthen the time...in years...before the US regains its footings and prosperity that we enjoyed before 2007.

**Our next big worries that are "in our face" today are State and Municipal finances, Underfunded Public Pension Funds and declining revenues across broad sectors of commercial real estate.** These will be long-lingering, to both halt and see an upturn. State tax revenues are near 11% lower this year than last, and are looking to be worse in 2010 and perhaps in 2011 also. Rental vacancy in commercial properties is still growing as businesses and retail shed space and rental rates fall. High unemployment and cautions consumer discretionary spending has crushed sales tax collections and state income tax revenues. Whereas, state welfare expenditures have increased. Very low investment interest rates and a flat stock market for 10 years are worsening public sector pension funding liabilities.

**We can "Hope For The Best, but Planning For The Worst"...is the reality we face now in entering 2010".** None of us can individually control or influence a positive

change on the distress that the Country is in. We can seek though, to survive financially in this difficult time, and diligently work to build/rebuild our individual financial prosperity. These are not meaningless platitudes. Our individual futures are “finite” in time on what we can do to create financial security. Make the best of your efforts and time in 2010...make the best investment decisions and actions that give you the rewards you need.

You have been on the CMA Update email list for many months now, and we have an important investing message for you today.

## **Visit With CMA and Earn 9% on Your Savings...**

Our financial advisory services and investment management for our clients is focused on: Preserving capital, and investing in secured asset classes such as preferred shares and corporate bonds. In addition, we utilize High Dividend Common Stocks that pay dividends in excess of 5% and many have annual dividend growth rates of near 10%.

**Recently, we emailed you about our new Passive Fixed Income Portfolio (PFIP) account that has an annual income yield from dividends and interest of 9%.** This portfolio is a very good investment choice for IRAs, ROTH IRAs, Personal Trusts, Individual & Joint accounts, and also for college funding UTMA accounts.

**I have asked either Rao Tuthika or Bill Tasker, Financial Advisors of CMA, to give you a call and discuss the PFIP 9% portfolio account.** This account holds only 25% of its assets in common stocks, with the balance in preferreds and corporate bonds. All of these securities, 60 different issuers, trade on the New York Stock Exchange with immediate liquidity for any size withdrawals you may need.

**At a 9% portfolio income yield, one's account can double in value in just 8 years by reinvesting the annual income.** Also, from the common stock dividends that historically grow in amount from year to year, that dividend growth will help shorten the time it takes to double the investment value. If you are retired, dividend growth at 10% per year on 25% of the portfolio assets means that ***total income of the account can grow at near 2.5% per year to offset inflation.***

Common growth stocks have just completed a “lost decade” of Zero growth, if not negative return for many investors. There can potentially be another Lost Decade ahead for growth stock investors. The S&P 500 index, that many common stock mutual funds mimic, has had a negative annual rate of return of -.25% since 1999.

**We are inviting you to come in for a one-hour visit at CMA in the next couple weeks to learn about our 9% portfolio account.**

Have a Happy Holiday Season and earn 9% with CMA!

Chuck Dushek

