MATHENY

ADVISORY GROUP

leading by example

Dear Friends,

On **September 21**, 2010, *USA Today's* headlines read: "**Recession over, pain remains. It's official: Recession ended June 2009."**

The group making such a strong statement was an organization headquartered in Cambridge, Massachusetts, with some of its directors serving as economic professors at the following universities: University of California at Berkeley, Yale University, Massachusetts Institute of Technology and Harvard, as well as others. Many have called into doubt the statement and its timing in light of national elections we have just experienced. I have friends who have participated in Harvard's Executive Business Program, which places participants on campus for periods of time over three years. I can tell you from their firsthand knowledge that the university is not politically neutral. The article went on to say, "The announcement means that any new decline would mark the start of a new recession, not the continuation of the old one." Now, *that* makes me feel much better! Doesn't it you?

On **September 24**, 2010, three days later, *USA Today* ran an article many pages deep into the newspaper about one inch high that said, "**Buffett: It's still a recession.** Billionaire Warren Buffett says the economy remains in a recession… because most people and businesses still aren't doing as well as they were before the financial crisis." He went on to say that he uses a common-sense standard to evaluate the economy. This leaves in doubt what kind of standard the economists used to declare an end to the worst financial crisis America has endured since the Great Depression.

I agree with Warren about the common-sense approach, and so does most of the rest of the world. On September 20th the *Denver Post* ran an article printed in the *Washington Post* that read, "Lost Wealth, Rebuilding Nest Egg is a Struggle." The article said that for decades Americans have counted on the stock market and real estate market to finance their retirement. However, today there are significant doubts that either will be the answer to a secure retirement. The article went on to say that financial planners are telling their clients to "downgrade their plans."

Well, I can tell you that we are ***not*** telling our clients this! In fact, we have great news - news that will restore hope in the plans our clients have for retirement. We have a slogan that is uplifting and accurate for our clients. "Retirement: No work, just play, with income every day!" This is the kind of retirement I will live as well as hundreds of our clients who have implemented the ideas we teach on taking the risk out of their portfolios, generating sustainable returns and creating income that will last for a lifetime.

6968 Spinach Drive, Suite 100, Mentor, Ohio 44060
1. 877.723.3881 t. 440.856.9646 f. 440.205.9644

The article went on to say that many would be working longer. It also raised doubt that the stock market will be capable of significant returns in the remainder of this century. That's 90 years of less-than-spectacular returns. The stock market has ended the last ten years flat and is now being called "**The Lost Decade®.**" Consider the Dow Jones, which on November 13, 1997 stood at 7,487 and almost 12 years later, on March 18, 2009, stood at 7,486. The good news is we only lost one point. However, the question on the latter date is: Did you have anything to show for the risk you took over the past decade, or was it lost? The article ended by quoting a financial advisor who said, "I feel like we are running a financial emergency room."

The advisors whom I work with all over the country and I are doing the opposite. We are running **financial recovery rooms**. We are helping thousands recover from their stock market losses from poor advice or the attempt by their brokers at market timing. Others who are suffering from low returns at the bank averaging 1%, in our recovery room are **simply moving their money from their left pocket to their right pocket and earning up to 10 years of interest in 24 hours** by placing their money with companies who have remained strong throughout the crisis and are now capturing market share. Now *that's* what I call life support!

On September 21, the same day that *USA Today* declared the recession over, Bloomberg.com ran an article about the Chairman of our banking system, Ben Bernanke, saying the Federal Reserve is willing to ease monetary policy further if needed to boost the economy. The statement bolstered speculation that Chairman Bernanke will purchase additional U.S. debt in an effort to lower long-term interest rates, a process known as quantitative easing.

Let me explain. Over the past 12 months the U.S. spent $2.1 trillion just on Social Security, Medicare and Medicaid alone. The amount of total tax revenues we took in was $2.1 trillion. This means we borrowed the money to pay for all other entitlement programs, TARP, the recession rescue plan and two wars. Where did we borrow? -- China, Japan and the rest of the world, through the sale of U.S. treasury bonds, otherwise known as sovereign debt. America's largest exports used to be technology and grain, such as corn and wheat, but no longer. Now our largest export is debt. We sell it to the rest of the world in record numbers.

Now, since the rest of the world is getting jittery about buying debt from the now-largest-debtor nation in the world, they are slowing their purchases of U.S treasury bonds, which are sold at auction by the Fed. Having bonds left over at the end of the auction is bad because it means demand is waning. So, to attract more buyers you would have to raise the rate of interest our government is paying on the bonds. That would kill off any recovery; so, what's a Fed chairman to do? -- buy your own bonds to keep up the appearance that demand remains high so he can keep the interest rates being offered low. But with what? He has no money. Here's where the term "quantitative easing" comes into play. This term simply means the Fed is printing money so Ben has the funds to buy the bonds he himself is selling to raise the money to finance the party since tax revenues aren't nearly enough. Forty-seven cents of every dollar our government spends Ben has to borrow. Now the new problem is he can't borrow enough due to fears and low demand from the rest of the world; so, what's he do? -- print money… but not the old-fashioned way with paper and printing presses. That is much too slow, messy and environmentally unfriendly. No; he simply adds numbers to an account electronically and presto! Money may not grow on trees, but it *does* grow out of Fed computers.

So, all this to say that if the recession is truly over, why are we having difficulty selling bonds? Why are we printing money? Why are we concerned with keeping interest rates at record lows? Why is the stock market going nowhere? Why are real estate prices still falling? Why is there still a very real threat to a double-dip recession with prediction by a leading economist of a 6,000-point Dow Jones?
The answer is simple and in line with Warren Buffett's view. To use his words, "It's still a recession."
So why do owners of our strategies not feel like it's a recession with their own personal accounts? Because they have all the money they placed there and all the market gains captured by some of the greatest financial inventions of modern day - **vehicles that follow the market up but not down, capturing the gains while they are there for the taking, never giving them back**. These same vehicles generate powerful income streams to replace the disappearing guaranteed income from traditional sources like Social Security and pensions. Our clients may be okay today in the amount of income they are receiving from other sources; but what happens if Social Security is reduced or taken away due to means testing, which is inevitable? What if their pension can't meet its future promises due to underfunding, borrowing from the trust by its trustees or a poor performing stock market, which it is counting on? Yes, their pension - if they have one - is being hurt by the market, like many individuals have been hurt.

If they get their income from a real estate portfolio what if, due to falling incomes and unemployment, they can't collect as much rent? What if the spouse who is managing the real estate portfolio dies? Can the surviving spouse carry on with all the details or will his or her income drop?

The safe, guaranteed lifetime income generated from our strategies experience none of the above problems. The large companies we work with have an amazing advantage in the ability to always provide income. They can pool the risk of longevity among hundreds of thousands. Some will live a long time, but not everyone. As a result these companies can easily pay income to the long-lived.
When I retire I want to enjoy the grand kids, travel the world, play golf, fish, and be able to give charitably. I don't want to think about where my next dollar will come from and what time I have to get up to be at work on time so I can greet the shoppers at Wal-Mart. I love Wal-Mart, but I prefer to not work there.

If our clients have properly protected themselves from the volatility of Wall Street and created a guaranteed income stream outside of Social Security, pensions, a stock and mutual fund portfolio and real estate, they too, can have the following to look forward to.

Retirement: No work, just play, with income every day!

I encourage you to pick up the phone and find out how you can enjoy the powerful benefits of the strategies our clients are counting on right now for a secure and happy retirement. I look forward to helping you.

Sincerely,

Matthew Matheny
1-877-723-3881