HAAS Financial Services Inc.
Investments - Planning - Education

IPE Insights
APRIL 2013

JIM'S JOURNAL

James H. Fydroski CFP®
President- Haas Financial Services Inc.

Look Back - 1st Quarter 2013 & Gold

Just when you think you've graduated from the school of experience, someone thinks up a new course. — Mary H. Waldrop

As we look back to the beginning of 2013, there was great fear that tax increases and sequestration (budget cuts to particular categories of federal spending that began on March 1, 2013) would inhibit the stock market. That proved not to be the case for the three months ending on March 31.

The market enjoyed a great start the first quarter of this year with the DOW (+11.25%), S&P 500 (+10.03%), and Russell 2000 (12.03%) each up double digits by quarter end. The NASDAQ (+8.21%) trailed behind slightly but still had an outstanding start (Source: Dion's ETF Report, 2013 Volume 4). It should come as no surprise then that the average U.S. Stock fund was up 10.2% for the quarter. The Health/ Biotechnology sector was the clear sector winner with a 15.5% return. Unlike 2012 when many bond funds produced above average quarterly returns, the average Taxable Bond Fund was up a modest +.8% in the recently ended quarter (Source: Wall Street Journal 4-8-2013).

All growth models in the Haas Financial Money Management Program were up as well but did not hit this quarter's market averages. High market risk dictated prudence despite the advance that was taking place. Long term risk-managed growth and consistency is the real goal for retirees (and pre-retirees) and the Money Management Program is on track there. The Capital Preservation model did out perform the bond category. For those clients who are willing to accept additional market risk and the volatility that goes with it, I have developed a more aggressive model for both IRA accounts at Ceros and non-IRA accounts at Jefferson National. Let me know if you are interested in that approach. We can discuss the specifics to see if you would like to take on more risk with the potential for greater returns.

Whenever a quarter produces such eye-popping returns, the real perspective on the stock market seems to get lost. The S&P 500 closed the quarter at 1,569. This close beat the previous record close of 1,565 on October 9, 2007 and that is about at the same level where it was 13 years ago in 2000. Consequently, for the last 13 years the overall market is about where it started after all the up and down volatility. And, if it had not been for artificially low interest rates and the massive infusion of stimulus money by the Federal Reserve over the past several years, the market would likely have been much lower.

In a free market economy, a stock price should be based upon company profitability or at least the potential for profitability if a company is new. Stock prices for the last several years have primarily been based upon how much money the Federal Reserve is dumping into the system. The stock market and business profitability are not as tied together as in the past due to this grand monetary experiment by the Fed. In my opinion we (or our children/ grandchildren) will ultimately pay the price down the road. Look at the problems in Europe to see what may be in store for us. The picture is not very pretty over there. However, only time will tell.

I receive periodic questions about whether an investment in gold is a good idea. Many consider it the "safe" investment. Gold prices peaked about twenty months ago, moved sideways for about thirteen months and have been moving consistently lower for about seven months now. For the week ending April 12, gold bullion Exchange Traded Funds dropped 5.7% while the stock market had gains of about 2% or better. On Monday, April 15, gold futures dropped 9.4% for the largest one-day drop in 30 years. About 2 ½ years ago gold bullion reached a peak and was one of the top preforming asset classes of the last decade. Since that time it is more than 27% below its peak. As I write this newsletter, Gold mining stocks as reflected by the Market Vectors Gold Miners Exchange Traded Fund, are down 24% in April and down 55% below its peak. We had the tech bubble, the real estate bubble and now the gold bubble. All investments cycle up and down over time. Investment cycles and their relative strength are part of the review process I go through in the Money Management Program to help determine whether it makes sense to be invested in a sector at any given time. Will gold come back? Probably, but you should be glad you are not in it right now.

This month we welcome back a previous guest columnist, Nyal Bischoff. Nyal is a specialist in long term care (LTC) and we team up to provide LTC solutions to our clients. There are some significant changes such as gender based pricing that are quickly coming to the long term care arena that you should be aware of. Nyal will discuss them in his article.

Spring is in the air and I have already started planting chestnut trees. Take good care!!!

Time is of Essence

By: Nyal Bischoff

We are in a rapidly changing environment right now in the world of long term care protection. In an effort to align pricing with claims experience and today's low interest rate environment, Genworth, the largest player in the industry, has recently announced that they will introduce "gender based" pricing in 36 states including Michigan on April 15th. John Hancock has likewise announced their rate launch will be on April 29th on their "gender based" pricing.

What this translates to is higher pricing for women to own this most important protection!!

In addition to higher pricing, Genworth will be requiring blood and urine samples shortly after the application is taken in an effort to underwrite the insurance much like life insurance is underwritten. Soon other carriers will adopt this defensive pricing and underwriting strategy for their plans as well.

The common denominators here are:

1) No one is getting younger.
2) Rarely do we get "healthier".
3) There is no government solution for this except for being broke. Protecting one's assets and family from the high cost and burden of care in our later years is still an individual responsibility.

Albeit there is a very short window of time to take advantage of the lower rates now, this is a milestone turning point that will have an immediate impact for families who are considering protecting their life savings with this coverage. Clearly, if this topic was ever even a mild consideration for any woman, now would be the time to either re-evaluate an earlier quote or get a quote to see if it even makes sense to pursue this any further. Very soon the present rates will be referred to as "the good old rates"!! Act now and call your planner.

Since 1988 Nyal Bischoff has specialized exclusively in long term care insurance helping thousands of people in Michigan protect their life savings from the high cost of care. As an independent agent he represents all the top carriers in both the traditional and hybrid long term care markets and is skilled at helping people navigate this complex area critical to a complete financial plan. You need facts to make an informed decision. Explore your options. Nyal can be reached at 248-828-8304 or nyal@comcast.net.