HAAS Financial Services Inc.
Investments - Planning - Education

IPE Insights

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JIM'S JOURNAL

The Fiscal Cliff & More On Social Security

As I write this final newsletter for 2012, our elected representatives have been called back to Washington to try and resolve the "fiscal cliff". Rumors and finger pointing have been abundant but there is no real progress to report yet. At this late stage, it is unlikely that anything but a temporary band-aid can be put into place. The politicians seem to be playing mind games with the public - so the drama continues and we remain the pawns. How does this affect the stock market?

Historically, the true price of a stock centers on whether a company is profitable or not. For newer companies the potential for profitability can also be a factor in the stock price. When political or external events - such as the fiscal cliff, the debt ceiling fight of last year, multiple Federal Reserve stimulus programs, European debt issues etc. drive the market instead of company profitability or potential profitability, volatility can be extreme and that is what we have seen for much of the last three years. Investing and trading is never easy but when the stock market becomes event driven, we never quite know what to expect. That is why the Money Management Program has chosen to be more cautious the last few years. Better to give up some upside profitability than to face the type of losses many investors experienced in 2008 (the Money Management Program did not experience losses in 2008).

Meanwhile, come January 2, we have to begin monitoring the 'January Barometer' for a sign of how January and the rest of the year will do. The action of the first five days of January often provides an 'early warning sign' for the year ahead as does the month of January itself. While I cannot control the market, I can develop a strategy based upon what is happening in the market. With the fiscal cliff still unresolved, I remain cautious and also remain on red alert.

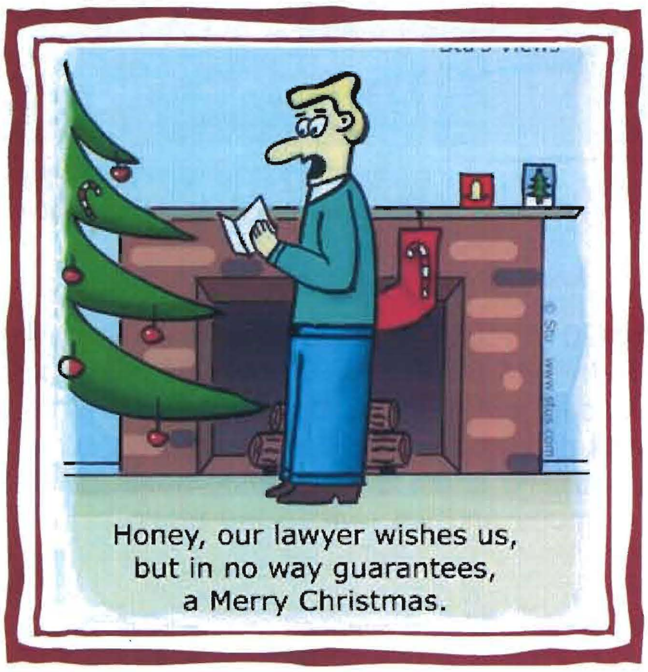
Now back to our discussion on Social Security. Social Security celebrated its 77th anniversary on August 14, 2012. The program was established in 1935 with the goal of providing financial protection for working people and their families when earnings are lost due to retirement, disability, or death. Social Security was designed to provide one of the revenue sources in retirement. The other revenue sources were to be a company pension and personal savings. Social Security was never designed to be the only source of retirement income for individuals. Unfortunately, that has turned out to be the case for far too many retirees. In addition to worker's benefits, Social Security benefits may be paid to the spouses and children of workers. Benefits are an earned right, and they maintain their value with automatic annual cost of living increases.

Almost all employed and self-employed workers are covered by Social Security and Medicare. Since 1984, the program has also covered the President and Vice President, all members of Congress, cabinet heads, the Chief Justice of the United States, Associate Justices of the Supreme Court, other federal judges and most political appointees. Those not covered by Social Security would be most civilian federal employees hired before 1984, about 25% of state and local government employees (these government units decide whether or not to participate) and railroad workers.

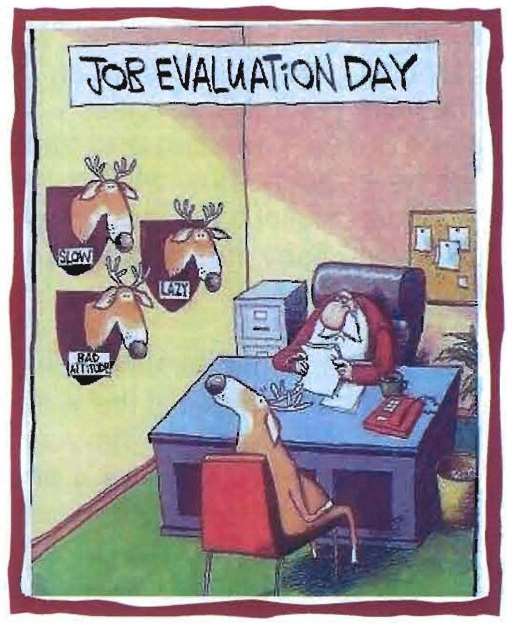
To qualify for Social Security retirement benefits, you must be "fully insured". Full insurance means that you must have earned the required number of credits. Most workers need 40 credits or about ten years of work to qualify for retirement benefits. Through 1977, a credit was earned for each calendar quarter that you earned at least $50 dollars in wages or salary. Since 1978, credits are earned on the basis of annual earnings with a maximum of four credits in any year. In 2012, one credit was earned for every $1,130. Consequently, if you earn $4,520 or more this year, you receive the maximum of four credits. An important point to remember is that 40 credits or 10 years is the minimum to qualify for retirement benefits; however, actual benefits received are calculated from your top 35 years of work. That idea will be discussed in future newsletters.

As we end 2012, I would like to say "Thank You" to all those loyal clients who remain a part of Haas Financial Services Inc. Your confidence in me to provide your financial services is greatly appreciated. I hold you in the highest esteem and dedicate my work to look out for your best interests. Best wishes in 2013. Take good care!!!

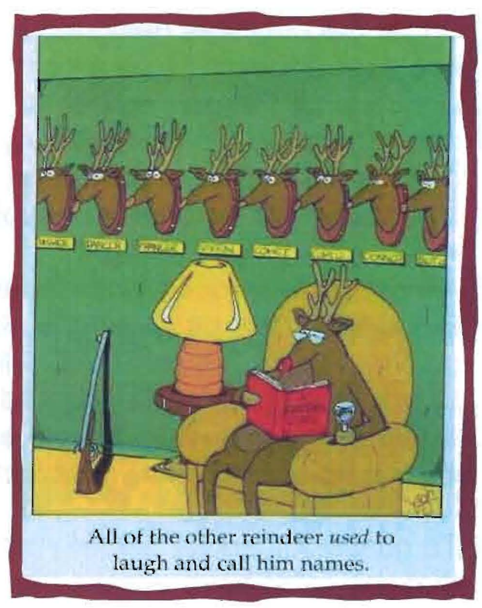
"Holiday Humor"



Honey, our lawyer wishes us,
but in no way guarantees,
a Merry Christmas.



"I WANT A SMALLER CARROT."



All of the other reindeer *used* to laugh and call him names.

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