

Celebrating the Fourth – Western Style

Less than two months into their remarkable expedition to the Pacific Northwest, Meriwether Lewis and William Clark awoke on the Kansas side of the Missouri River and realized it was “independence” Day, a time to celebrate the nation’s 28th birthday. [We] “ussered [*sic*] in the day by a discharge of one shot from our Bow piece [swivel cannon],” Clark wrote in his journal. During the day the party came across two unnamed streams and named them “4th of July 1804 Creek” and “Creek Independence.” The names didn’t stick. Historians say they were likely the two streams known today as White Clay Creek and Whiskey Creek. Both empty into the Missouri near Atchison, Kansas.

Except for Joseph Fields, whose snake-bitten foot was treated by Lewis using either slippery elm or Peruvian bark, everyone in the Corps of Discovery seems to have had a fine day. “...we Closed by a Discharge from our bow piece, an extra Gill of whiskey.” You may be planning a less adventurous celebration of the Fourth, a day without naming bodies of water or engaging the wildlife – perhaps simply a gathering of family and friends for a backyard barbecue, or a quiet evening watching fireworks on TV. No matter how you observed the Fourth, I hope that you had a pleasant and entertaining holiday.

On the economic front, we have seen the stock market seem to be settling into a trading range for the summer months. While for the short term, the winds of change might still be up in the air with many factors that could negatively affect the markets, there seems to be a sense of optimism even amongst the Federal Reserve officials as one vice-chairman came out and said they expect GDP to turn positive towards the end of the year. Conversely, there also was a report last week that said the global economy was down a negative 3.5% last quarter. What I want people to understand is that the global economy is still lagging behind the US economy approximately 6-9 months from the beginning of the downturn in 2008. While you might hear more consistently good news for our domestic economy, you probably will see negative news for the global economy. The stock market is a forward looking indicator of what it thinks the economy should be doing both positive and negative 6-8 months from now. While it may seem that we are in the summer doldrums now, start thinking where you would like to be not just towards the end of fall and 2009 but over the next few years. There are potentially good long term opportunities in both bonds, as well as stocks. Remember the Warren Buffet story that I told 6 months back. Warren Buffet bought Goldman Sachs for \$100 a share with a 10% dividend yield. He got a special yield for putting money into the company when the market was going down. The stock soon fell promptly to \$70 a share and people had thought he had lost his Midas touch. I remember watching Mr. Buffett in a few interviews scoffing at the short sightedness of how or why so many people live and breathe by what CNBC says from day to day or show to show. He reiterated that he was sticking to his guns on this one. Right now Goldman Sachs is trading at approximately \$147 a share. Mr. Buffett is now making a 47% profit and a 10% yearly dividend with a company that will continue to be a major player in the financial arena for years to come.

My moral here is buy quality companies, invest for dividends, diversify your holdings and set politics aside from whatever political pun dent or financial commentator is trying to stir up controversy to increase their viewer ratings. Be a Warren Buffett.

Financial Planning Recommendations – Health care costs? That seems to be the big agenda on capital hill over the last few weeks, and probably the next 6 months, as the nation grapples with trying to re-create a health care system to serve all Americans. While I admit that I am the least knowledgeable person to weigh in on this issue, I do know that we are each individually responsible for making sure, as part of our retirement, that we can’t let health care costs bankrupt us and our families when the need arises. Unfortunately, the need does come more times than not and it comes in the form of needing extended care due to mental or physical illness that medical coverage doesn’t cover after 90 days. Let me use this example: If you knew that when you went to the

grocery store you would have a 75% chance of getting into a serious automobile accident, would you not make sure that your automobile and health coverage was up to date? I know it would be the first phone call that I would make. Let me put this example in economic terms. If the average cost of any type of extended coverage costs \$50,000 a year then a good rule of thumb says that you would need an additional \$1MM earning 5% to cover the cost just to fund that expense alone. Add in your other everyday living expenses and you can see how important it is to have LTC coverage. I don't sit around asking when am I going to get in a car wreck but I know it may happen someday and I want my car, and more importantly my health, to be covered. If you know that you will have the need for long term care coverage, take preventive steps to insure you get quality care. I have coverage for myself because it is a great deal for me. It may be a bad deal for the insurance company if they have to pay a claim. Pass the risk on to someone else. Call me and let's discuss putting together an affordable plan that you can handle as part of your overall financial planning needs

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Sincerely,



Richard P Hendry, CDFP
Registered Principal

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