

**SPECIAL
POINTS OF
INTEREST:**

- Re-think tapping into your home's equity
- Minority Rules
- Your Decision 2008

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It's Your Home, Not Your Retirement

Despite some well-publicized problems in the mortgage market, Americans over the age of 61 are flush with home equity — more than \$4 trillion worth.¹

In this new age of retirement, when most ordinary individuals must become financially independent in order to retire, it can be tempting — comforting, even — to view your home as part of your retirement portfolio. Although downsizing or using a reverse mortgage to free up home equity can be appropriate for some older retirees, planning to rely on your home to fund your retirement is a corner you may not want to paint yourself into.

Reasons Not to Risk the Homestead

Profitable real-estate

transactions are largely dependent on timing. Whether you can get the price you expect will depend in part on the current real estate market. If you need to sell during a down cycle, you might find yourself postponing retirement or making do with less income until conditions improve.

Finally, you will still need to live somewhere. If you want to relocate after you retire, that's great. But don't assume you will be able to take a chunk of cash out of the profits from a home sale and still have enough to buy another place. There's no telling what sort of transition costs or taxes you



2.2% to 3.5%
Inflation-adjusted average annual increase in the price of housing in the 10 fastest-growing U.S. metropolitan areas between 1950 and 2000.

Source: *Journal of Financial Planning*, September 2007

Planning to tap your home equity could create a false sense of security, possibly leading you to underestimate what you need to save for retirement. Better to leave your home out of the retirement-needs equation and think of it instead as something to fall back on if the unexpected were to happen.

might face, and you'll probably be glad you have every dollar from the sale to aid your relocation.

Be careful about subjecting your home to the same risks as your retirement savings. When you reach retirement age, you may be glad you kept them separate.

1) *Kiplinger's*, October

Good Time to Keep Going



Inflation is rising. Home prices are falling. Oil and stock prices are volatile. Could this be a good time to ramp up your retirement savings? You might be surprised at the answer.

Some 16% of survey respondents said they have increased the amount they are saving as a result of the economic downturn.¹ Of course, you could infer from this finding that 84% haven't increased their retirement savings. But in our complex and competitive world, it's not unusual for the minority to know more than the majority. Why would anyone put more money toward retirement now, when the outlook is uncertain? Here are three reasons.

You will still need to retire.

No amount of economic volatility can interfere with

the aging process. There's only one way to stop aging, and most people would like to see it occur *after* a long retirement. Although you might tell yourself that you'll work as long as you have to, someday you may not be able to continue to earn an income, most likely because of poor health or obsolete skills. Even if you want to keep working past the normal retirement age, it's best to be prepared for the possibility that you might be unable to do so. Economic uncertainty is not going to make preparing for retirement any easier, so it follows that uncertainty is no reason to back down from your retirement goals.

Retirement might be more expensive than originally expected.

Inflation ranks among a retiree's worst enemies. It dilutes spending power and reduces investment returns. Although the United States has experienced relatively low inflation for the several years, we've seen a resurgence in the past year.² Our government has an agency (the Federal Reserve) charged with keeping prices stable, but it's far from certain that the Fed will always be able to help manage inflation. If anything, rising inflation is a call for retirement investors to redouble their efforts.

Securities prices may be lower.

Warren Buffett, perhaps the most successful investor in U.S. history, once said, "Investors should rejoice when markets fall."³ What he meant was that investors like lower prices because they can buy more for their money. But *what* to buy is the unspoken key to understanding Buffett's comment. Simply buying something that has recently fallen in price is not a recipe for success. Buffett also said, "Price is what you pay. Value is what you get."⁴ When the financial markets are down, the reasons may be unrelated to the value of individual securities. After you identify promising investment opportunities through careful research and selection, the decision to buy may boil down to a matter of timing. Timing becomes more important during times of price volatility because waiting might help you obtain a better price. Investments seeking to achieve higher returns also involve a higher degree of risk.

When economic conditions become less favorable, it's usually a good sign to pay *more* attention — not less — to your retirement portfolio. It may put you in a better position to gain an advantage from current conditions and help ensure that you continue making progress toward your long-term financial goals.

1) *BusinessWeek*, July 14 & 21, 2008

2) Thomson Financial, 2008 (consumer price index for the period 6/30/1978 to 6/30/2008)

3) *USA Today*, March 30, 1999

4) BrainyQuote, 2008

The Election and Your Money

Recent elections have revolved around issues of great importance to investors and consumers that are still, well, at issue. Although tax rates, health insurance, and the future of Social Security and Medicare dominated campaign rhetoric in 2004 and 2006, voters are still waiting for a clear direction on these matters.

But in this year's election, there are yet more issues playing a role that could have a significant effect on investors and consumers over the next four years. Here's a look.

Energy

The Energy Independence and Security Act of 2007 raised fleet fuel-economy standards for auto makers, mandated increased use of bio-fuels, and set efficiency standards for everything from federal office buildings to dishwashers and light bulbs, all to be phased in over the coming decade and beyond.

But the law contained no provisions to encourage or even enable the country to increase supplies of conventional fuels. In the meantime, the price of crude oil, the lifeblood of industrial economies, is setting records. Incoming officials may face a struggle to keep energy prices from squelching economic growth.

Free Trade

At the beginning of 2008, the

United States had free-trade agreements with 14 countries, including six that were implemented in 2006.¹ Arguably the most controversial has been the North American Free Trade Agreement, which has been criticized on the campaign trail for reducing wage growth, exporting jobs, and killing the U.S. manufacturing sector.

Certainly, workers who were displaced suffered setbacks, but the net effects for the country have been positive. In the first 14 years of NAFTA (1993 to 2007), business investment in the United States rose 117%, compared with 45% in the 14 years prior to the agreement; and U.S. hourly wages grew 19.3%, versus 11% during the previous 14 years. From 1993 to 2006, manufacturing output rose 58%, compared with 42% during the previous 13 years.

And between 1994 and 2007, the U.S. unem-

ployment rate averaged 5.1%, down from 7.1% during the previous 13 years.²

Inflation and the Dollar

After several years of low inflation rates (by historical standards), higher inflation appears to be making a comeback. This revival has occurred on the heels of a Federal Reserve effort to stave off an economic slowdown through aggressive cuts to benchmark interest rates. Inflation is a frequent side effect of low interest rates.

Although elected officials have little control over inflation, they can influence the value of the U.S. dollar, which figures into the inflation equation. The incoming administration and Congress may have to consider measures to strengthen the dollar, which could affect inflation



What's New at Brandywine

I mentioned a few months ago that you would begin to see some changes to the look and feel of our firm as a result of some major technology upgrades. While Justin and I continue to work out minor details as a result of the infamous learning curve, we are excited to see our efforts are paying off. Our new contact management system is proving to be a valuable asset and our weekly and monthly correspondence are in the process of receiving a face lift. All of these changes are so that we can continue to provide you with the highest level of service. Please let us know if you see an area where we could use some improvement.

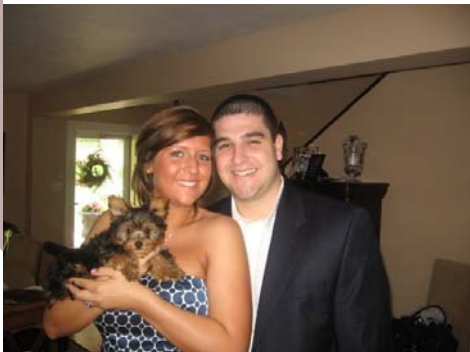
From Raymond's Desk

I don't know about you but August feels more like September to me! What happened to the lazy hazy days of summer! I have been looking forward to my trip to Europe in September. We are now going to Budapest for a few days before Oktoberfest in Munich then off to Moscow. I recently had to apply for my Russian Visa...that was fairly easy. A friend of a friend owns several Mansions across Europe that we will be staying at (see link below, the Mansions in Budapest and Moscow) they are unbelievable! This is my first trip abroad and I am looking for any pointers for communicating effectively. A friend of mine is a US Air Marshall. He said that many Europeans do not look you in the eye when they talk as we do here in the States and I am glad he shared that with me I would have felt a little put off if I didn't know any better. He also shared with me that in the restaurants and bars they generally do not accept tips for their service. I found that very interesting as well. So far the trip is as follows: Land in Munich, fly off to Budapest, back to Munich for a few days, then off to Moscow, back to Munich and home....wish me safe travels!

<http://www.mamaison.com/budapest/andrassy-hotel>

From Justin's Desk

It's getting down to the wire...less than two months from now and I'll be sharing my last name. Not much to report this month. I've been diligently working to learn and study our new contact management system as well as assisting Raymond with the design and layout of the correspondence. August has always been a historical month in my life. I was born in August (29th), always had to deal with the Little League World Series in August as I am from South Williamsport, PA where the games are held, started college in August, graduated boot camp in August, shipped out to Iraq in August, and broke up with my first girlfriend in August (many years ago). So, all-in-all, I'm ready for September!



Little Ginger, Francesca, and Me