

CJM

# Wealth Advisers, Ltd.

PLANNING WITH PURPOSE

## Perspective For A New Year

As we head into a new year, there are many of us who look back to last year and say “good riddance!” 2009 was a challenge, especially the first two months, as the market continued to drop as it had for most of 2008. If we were writing a book at the end of February 2009, as Snoopy used to write, we would have started with, “it was a dark and stormy night...” But things did turn around in March, and most of our clients had a good year.

However, the U. S. economy right now is almost a “tale of two cities.” If you have a job and/or your family has income, things seem pretty close to “normal.” However, if you are unemployed and/or struggling to make mortgage payments, things are very different. So we do not want to overlook the fact that things are difficult for some families right now, and many of you reading this newsletter probably

know of a family that is struggling as we head into 2010. We believe that things will continue to improve in 2010, slowly grinding ahead as opposed to charging ahead. (See the Brian’s article on page 4 for a more in depth discussion of our projections and thoughts for 2010.)

As we head into a new year, let’s pause, take a deep breath, and appreciate the things that we do have as Americans. We are blessed in so many ways, which is not to say that everything is the way we would like it to be. But we should appreciate the things and freedoms we have, and work to change those things that need improvement. 2010 is an opportunity for all of us to set and accomplish goals, and make changes and improvements in our lives and those around us. We look forward to the challenges in the new year.

## United Turkey 1

*Although the holiday season is past, we couldn’t resist sharing this story from Kim McLeland of his Thanksgiving travels and the very important VIP’s that were on his flight. Enjoy!*

Several of you asked about our trip and flights and I only thought to mention the delay we experienced on our return.

But, there was a bit of a delay on our departure also. There were warnings of the departure delay when we checked in – if we had understood what was said.

It began with the agent saying something about being on the ‘turkey’ plane. As I was walking away I thought that she had made some sort of disparaging remark and I wondered if they were in labor negotiations again. But we went on to the boarding gate.

Once we got there - we heard several announcements about our departure being delayed because “we” were waiting for distinguished guests.

They finally arrived and with much fanfare were boarded. Then there was the parade of airline personnel going aboard to take pictures of the special couple with cell phones or whatever camera that they had.

Finally there was an announcement requesting that the Pelletier family come forward to board. There was no response for at least 10 minutes – then they finally boarded and then the rest of us were allowed to board.

Who were the distinguished guests? Courage

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# 2010 Census to Begin

Source: <http://www.bbb.org/us/article/phony-bbb-e-mail-spreads-fiction-about-2010-census;-get-the-facts-14542>

In March of 2010, census forms will be delivered to every residence in the United States and Puerto Rico. When you receive yours, just answer the 10 short questions and then mail the form back in the postage-paid envelope provided. If you don't mail the form back, you may receive a visit from a census taker, who will ask you the questions from the form. A census taker must follow-up in person with every address that doesn't mail back the form in order to obtain the responses.

## The Census is Safe

- The 2010 Census will ask for name, gender, age, race, ethnicity, relationship, and whether you own or rent your home – just 10 simple questions that will take about 10 minutes to answer.
- The Census Bureau safeguards all census responses to the highest security standards available.
- Your answers are protected by law and are not shared with anyone. The census taker who collects your information is sworn for life to protect your data under Federal Law Title 13. Those who violate the oath face criminal penalties. Under federal law, the penalty for unlawful disclosure is a fine of up to \$250,000 or imprisonment for up to 5 years, or both.

## When Census Takers will be Going Door-to-Door

- From April to July 2010, the Census Bureau will knock on the door of every household that does not mail back a completed 2010 Census form.
- It's critical that you take just 10 minutes to fill out

and mail back your form rather than wait for a census worker to show up on your doorstep. About \$85 million in taxpayer dollars are saved for every one percent increase in mail response.

- The Census Bureau must get a census form to – and a completed form back from – every residence in the United States. That's more than 130 million addresses. This is why the census is the largest domestic mobilization our nation undertakes.

## How to Identify a Census Taker

If a U.S. Census Bureau employee knocks on your door, here are some recognition tips to assure the validity of the employee:

- The census taker must present an ID badge that contains a Department of Commerce watermark and expiration date. The census taker may also be carrying a bag with a Census Bureau logo.
- The census taker will provide you with supervisor contact information and/or the Local Census Office phone number for verification, if asked.
- The census taker will ONLY ask you the questions that appear on the census form.

## What the 2010 Census DOES NOT Ask

- 2010 Census takers will not ask you for your social security number, bank account number, or credit card number.
- 2010 Census takers also never solicit for donations and will never contact you by e-mail.

For more information about the upcoming 2010 Census visit [www.2010census.gov](http://www.2010census.gov).

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and Carolina. THE Presidential turkey and the THE backup Presidential turkey – on their way to Disneyland.

As we boarded we were offered Mickey Mouse hats and once underway Disney staff gave us each one day free passes to the parks.

Who are the Pelletiers you might ask? Well they were all at the White House when President Obama “pardoned” Courage. Mr. Pelletier is the head of

something like the “National Turkey Federation” – I am not going to touch that.

It certainly was a different flight – throughout the journey people were going up to first class to take pictures of the turkeys. Yes, I said First Class. They were sitting in the cages in the First Class section, each taking up two seats.

So now you know the story of United Turkey 1 – which was the call sign for the flight.



# If You Had the Time to Plan for a Sudden Serious Illness or Death in the Family, What Would You Do?

*A sudden death or serious illness in the family can knock spouses and other family members for a loop.*

*Source: Financial Planning Association*

If the primary breadwinner dies, what will happen to that income? If the family member is underinsured for a particularly costly illness, how do you cover the debt? These and dozens of other questions may pass through your mind if this happens to a member of the family.

Now imagine this – what if you had three months to prepare for such an emergency? Granted, it's tough to think about. But if you had that warning, here are some major things you should have in place:

- **An emergency fund:** If a primary breadwinner gets seriously ill or dies, what will you need in the meantime? Cash. While most experts recommend you keep six months' worth of living expenses in a joint account, consider establishing a standby line of credit while times are good if you haven't yet built up an emergency fund. The credit line won't cost anything unless you use it, so designate it only for a serious emergency.
- **A centralized location for important papers:** Buy a fireproof box you can keep safely in your home and make it the centralized place for life and health insurance documents, notes on funeral arrangements, wills and advance directives and durable powers of attorneys for health care. Don't have any of these documents or need to know what they are? Read below, and for personalized advice, consult your financial planner.
- **A list of critical phone numbers:** When you're in a stressful situation, it's tough to think what you should do first, much less who to contact for help or support in the days and weeks afterward. Depending on your personal situation, take some time to create a truly useful phone list you can refer to in an emergency. Include everyone – doctors, babysitters, human resource managers at your

(and your spouse's) employer, attorneys, financial planners, bankers and credit card companies. Put it in your important papers file.

- **Updated wills:** If you and your spouse have wills that are more than five years old or you've never made them in the first place, make them now. If one or both of you dies, there may be complications settling the estate, particularly if you have children from previous marriages.
- **Current health care advance directives, health care powers of attorney and financial powers of attorney:** A health care advance directive is a formal, preferably notarized instruction sheet for doctors to follow in case you are incapacitated. The most commonly known health care directive is a do-not-resuscitate (DNR) order. The Terry Schiavo case illustrated the family rancor and financial cost that can ensue if a person becomes irreversibly ill without a clear indication of their medical wishes. A health care power of attorney designates a particular individual – a spouse, a friend, an adult child – to carry out your medical wishes if you are incapacitated. Meanwhile, financial powers of attorney designate an individual to handle financial affairs if the sick or deceased are single or did not designate joint tenants for certain assets.
- **An index of assets:** Thinking in terms of getting sick or dying three months from now puts a fine point on your survivors' need to know where your assets are. The process of putting together a will may help you focus on estate issues, but a really helpful gesture would be the creation of an index of all your savings, investments and other key assets – what they are and most important, where they are located. Your planner will help keep you on schedule with listing and updating this information.
- **Care for pets:** It may seem trivial to some, but pet care is one of the most often overlooked areas of planning. You should pre-arrange for their care with a friend or loved one in the case of your incapacity or death.

Clients frequently ask how CJM goes about making investment decisions and how we arrive at our outlook for the economy and the market(s). The CJM Investment Committee was formalized a few years ago and tasked with the responsibility to track our existing investment options, analyze and compare our current investments against other options, and develop a coordinated asset allocation strategy for new and existing clients.

The CJM Investment Committee formally meets at least 3 times a year to review our CJM Select List of Investments, examine future potential investments as well as review existing holdings, performance, changes, future outlook, etc.

The Investment Committee is chaired by Tim Jones, David Greene and Brian Jones. Each committee member has a primary asset class (or in some cases “classes”) that they monitor for existing holdings as well as any new ideas that the Investment Committee has not yet looked at. Each committee member updates the committee at least once a year on their particular asset class(or classes) including an assessment on current CJM Select List holdings as well as new ideas to be researched or considered by the broader committee.

In addition to investment review and analysis, the Investment Committee also spends considerable time assessing economic trends and other data to better answer the question “what lies ahead”.

For example, during late 2008 and 2009, the Investment Committee spent time reassessing the rapidly developing economic situation. This reassessment led us to broaden the sources of economic data and information used by all planners at CJM due to the overly optimistic assessment delivered prior to the late 2008 market meltdown.

Research done by the Investment Committee caused us to recommend reductions in equity positions (particularly international and emerging market) after the September 15th Lehman Brothers bankruptcy filing, just before the stock market suffered substantial losses. For many clients, this move reduced the impact of the severe market drop which followed.

Current investments that the Investment Committee is reviewing include natural resources as well as additional international investments with a focus on dividend-paying companies outside the U.S.

## 2010 Outlook

*By Brian Jones*

In 2009, the “R” word stood for “Recession”. In 2010, the “R” word stands for “Recovery”. Coming on the heels of one of the worst economic downturns this country has faced (or continues to face) since World War II, we are optimistic that the U.S. economy is rounding the curve and should experience positive (albeit fairly weak when compared to historical norm coming out of a deep recession) GDP growth in 2010. By “positive” we think GDP growth for 2010 will be in the low +2% to 2.5% range (remember, current thinking is that the 2009 GDP contracted somewhere in the -2.2% range; for historical reference, in 1982, the GDP contracted -2.0% for the full calendar year). The possibility exists that growth will be stronger in the first half of 2010 than in the second half of 2010 as Federal stimulus is withdrawn and the Federal Reserve attempts to soak up the massive amounts of liquidity that were used to ward off a steeper downturn in late 2008 and early 2009.

We believe the economy is sailing into considerable headwinds that will work to restrain the recovery in 2010. These include the rapid growth of the Federal deficit, the corresponding Federal debt as a percentage of GDP, sustained high unemployment through 2010, weak residential/commercial real estate markets, possible excessive regulatory “reform”, higher taxes, and the threat of rising interest rates.

Dr. Jeremy Siegel, Russell E. Palmer Professor of Finance at the Wharton School of the University of Pennsylvania said “today, at current levels of interest rates – and if those rates persist – the fair value of the S&P 500 is fairly high – 1,300 or 1,350. I think interest rates are going to go up. That makes the fair value

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## Questions & Answers

### **What is the First-Time Home Buyer Tax**

**Credit?** This credit is equal to 10% of the home's purchase price up to a maximum of \$8,000. The purchase must occur on or before April 30, 2010. For purchases occurring after November 6, 2009, the Worker, Homeownership, and Business act of 2009 established the income limits of \$125,000 for single taxpayers and \$225,000 for married couples filing joint returns. This tax credit is a refundable credit meaning the credit can be claimed even if the taxpayer has little or no federal income tax liability to offset.

### **What is the American Opportunity Tax Credit?**

This credit temporarily replaces the Hope Credit. The credit is 100% of the first \$2,000, plus 25% of the next \$2,000 spent on tuition, fees, and course materials for a

maximum credit of \$2,500. The credit phases out for single taxpayers with income of \$80,000 to \$90,000 and for married couples \$160,000 - \$180,000. This credit does apply for all four years of college.

### **What happens if I have a non-spouse listed as beneficiary on my employer retirement plan?**

The Pension Protection Act of 2006 allowed, for the first time, non-spouse beneficiaries to make a direct rollover of inherited funds from an employer plan to an IRA. The Worker, Retiree, and Employer Recovery Act of 2008 made it a requirement beginning in 2010; employer plans must let non-spouse beneficiaries make a direct rollover to an IRA. This new law also clarified that prior to 2010 employer plans could but were not required to allow the rollovers.

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closer to 1,250 now" (Advisor Perspectives, December 29, 2009). As of Friday, January 15, 2010 the S&P 500 was at 1,136 so according to Dr. Siegel, the S&P 500 could rise 10% before hitting what he considers to be "fair value".

At the Cardinal Bank/George Mason University Greater Washington Economic Conference on January 15, 2010, Roy Webb, Senior Economist at the Federal Reserve Bank in Richmond said "home prices bottomed in mid 2009 and normalcy is returning. Housing will no longer be a drag on the U.S. GDP and will actually be a contributor to GDP in 2010". Other highlights of Mr. Webb's presentation include "ISM Manufacturing Index at 55.9 which indicates growth" (remember anything above 50 is an indication of expansion while below 50 represents contraction). Mr. Webb also indicated that current FOMC (Federal Open Market Committee) does not believe unemployment will fall below 7.5 until late 2012.

The financial media seem to be, for lack of a better word, obsessed, with unemployment levels. While the current level of unemployment in the U.S. is abnormally high given the levels we have experienced over the last 20 years, unemployment is a LAGGING economic indicator, not a leading economic indicator. Businesses and manufacturers will pay employees

employees overtime before resorting to new hires in the current economic environment. We need to keep this in mind every night while we hear about the high unemployment levels the country is facing on the 24 hour news channels.

Sustained high unemployment should work to constrain inflation in 2010. We believe that corporate earnings in 2010, when compared against same time in 2009 will be better in some areas (and worse in others). Growth may be stronger outside the U.S. as the global economy recovers faster than the U.S. As interest rates are still extremely low, we expect that as the course of the year wears on and economic growth improves, the Fed will slowly raise interest rates to combat the excessive liquidity in the system and the threat of inflation.

So in the end, we need to have realistic expectations about the year ahead. We have come a long way since March of 2009. But, at the same time, we are not close to where we were in 2007 and it will be some time before we see such levels again in the stock market. We will continue to see recovery in the U.S. in 2010, but it will be restrained by a number of factors. There will be good months and bad months in 2010 for the stock market and at the end of the year; we are hopeful that the stock market(s) will be higher than at the beginning of the year.

## CJM News

### The Ultimate Cake-Off

As you may know, our own Debbie Delardi has been baking incredible cakes for years and truly enjoys it. Well, we are so proud to share that she and a few of her cake-making buddies were asked to film an episode of “Ultimate Cake-Off” on TLC (The Learning Channel)! “Ultimate Cake-Off” is an extreme cake challenge competition that is filmed over the course of two days. Debbie just returned to the office this week after traveling and filming last week. The theme for her competition was the 75th Anniversary for the



Griffith Observatory & Planetarium in Los Angeles. The shows should be airing sometime in the spring. As you can see from the picture, Debbie’s cake was truly spectacular (it stood 6-feet tall!) Tune in to see who won... Way to go Debbie!

### Welcome Tucker!

Tracey Baker is proud to share a picture of the newest member of her family – Tucker! Born October 16th, Tucker (a golden retriever) was brought by Santa and is keeping the entire Baker family extremely busy. Needless to say, he is the star of his puppy kindergarten class, naturally excelling in sitting and laying down for treats.



Since 1978, CJM Wealth Advisers, Ltd. has been working with affluent individuals, families and business owners to address financial concerns no matter how acute or broad they may be. With a collective focus on helping our clients live the life they want, we understand that financial planning needs to be done with a purpose in mind. Otherwise, what is the use of planning at all? At CJM Wealth Advisers, Ltd., we believe in planning with purpose.

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*All economic and performance information is historical and not indicative of future results. You cannot invest directly in an index.*

*Past performance does not guarantee future results.*

### What is your purpose? Is it to...

*...create a retirement income stream to last a lifetime?*

*...minimize investment risk and maximize return?*

*...prudently plan a legacy for your heirs?*

*...carefully position a business for a future sale?*

We offer our clients real solutions by being objective and approachable while delivering excellent client service.



11320 Random Hills Road  
Suite 250  
Fairfax, VA 22030  
Tel: (703) 425-0700  
Fax: (703) 764-9530  
reception@cjmltd.com.  
www.cjmltd.com