

CJM

# Wealth Advisers, Ltd.

PLANNING WITH PURPOSE

## Things Getting Better...

By Timothy W. Jones, CFP®

So where are we with the economy in the month of February? What we do know is that the Super Bowl is over, and for once it was a very good game right up to the end. We know that January is behind us, and it was a good month for the equities with gains in both foreign and domestic markets. Fed Chairman Bernanke has declared that interest rates will stay low through this year... and next. And we know that the employment numbers for January were stronger than anticipated with more people finding jobs than in prior months. It is beginning to look like things are getting better, and the economy is getting stronger.

But just as we begin to celebrate the end to the “great recession”, we find comments from Bloomberg economist Richard Yamarone who states that “personal income and consumer expenditures painted a gloomy picture of household affairs.” He points out that real disposable personal incomes (adjusted for inflation and taxes) increased just .3% in December and contracted .1% over the past 12 months. In addition, real spending slipped .1% last month and is only up 1.4% from a year ago. All this suggests that consumers are uncomfortable and struggling with current economic conditions.

Consumers make up 70% of gross domestic product (GDP), and a weakened consumer sector will not be good for the US economy.

How can things get better without consumer support? You might note that all of Mr. Yamarone’s data are looking backwards over the past year. We believe that as people find jobs and get their household finances on stronger footing, we will begin to see better consumer numbers and higher confidence readings. Consumer confidence is a volatile number as measured from month to month, or quarter to quarter. The key for the consumer will be jobs, which may even help the struggling housing market. So we should continue to watch the employment numbers from month to month to see if people are getting back to work as we hope they will.

It has been a long, tough trip through this “great recession”, and there are still many things out there (international events, troubles with European finances, higher gas and energy prices, etc.) that could derail our slow recovery. If you listened to our recent recording, we discussed in more detail the things that could happen to our economy in 2012. We still expect the good things to win out over the coming months.

## Did You Know?

You may be receiving 2 separate 1099’s from Pershing this year. Due to our conversion to Pershing Advisors Solutions (PAS) this spring (and away from Financial Network Investment Corp. (FNIC), our former broker-dealer) you may receive 2 separate 1099’s for

your accounts. One set will cover the period prior to the move (April) and the second ones will cover the remainder of the year. Additionally, your FNIC 1099 may be further delayed if you moved since we left them last spring. Please let us know if there are any questions before you file your 2011 return.

## CJM News

In an effort to reach out as efficiently as possible to you, our clients, we want to be sure you are aware of some exciting new ways we are now communicating with you:

### **CJMLTD.COM is new and improved!**

In case you haven't visited our company web site recently, we invite you to check out our new look. On the site we have a wealth of information about our firm, our planning philosophy, bios of our team as well as copies of our most recent newsletter and a link to our Quarterly Conference Call Commentaries. We hope you will like the new look and find this a useful resource.

### **CJM Quarterly Conference Call Commentary**

We hope you have been able to listen in on one of our Quarterly Conference Call Commentaries. On these

recorded calls, Tim, Kim, Tracey, Brian and Dave share their reflections of the markets, projections for the future and discuss a number of timely market and financial planning issues we believe are relevant to our clients. As the name implies, our plan is provide these quarterly and we invite you to suggest topics for future calls. The calls remain available on our web site ([www.cjmltd.com](http://www.cjmltd.com)) and you are welcome to share this information with any of your friends and family who may find the call of interest or who may need some help with their own financial planning issues.

### **Video Conferencing**

Late in 2011, CJM began to employ video conferencing technology to enable us to "meet" with our out-of-state clients via the web. So far, the response to this technology has been terrific and we look forward to "seeing" more of you in 2012. If you would like to have your review via video conference, please let us know and we will happily make the arrangements.

## **E-payments rapidly phasing out paper checks as an option**

*Source: USA TODAY*

Even in this fast-paced, high-tech electronic age, some of us prefer letters to e-mails, phone calls to texts, and one-on-one conversations — ideally, over a cup of tea — to Skype.

Likewise, some people would rather not venture into the shadowy world of direct deposit and other types of electronic transactions.

Alarmed by tales of unshaven hackers with nefarious intentions, they're more comfortable writing and receiving tangible paper checks. Increasingly, though, even traditionalists will have no choice but to accept electronic payments for everything from retirement benefits to tax refunds.



## Who will be affected:

- **Savings Bond investors.** For the first time in 76 years, you can no longer purchase paper Savings Bonds from a bank or credit union. As of Jan. 1, Savings Bonds are sold exclusively through TreasuryDirect, a Web-based program offered by the Treasury Department. It estimates that the shift to electronic bonds will save taxpayers \$120 million over five years. Investors who own paper Savings Bonds will still be able to redeem them at banks and credit unions. For more information, go to [TreasuryDirect.gov](http://TreasuryDirect.gov).
- **Retirees.** If you sign up for Social Security benefits this year, you will be required to arrange for direct deposit of your payments. Social Security eliminated paper checks for new beneficiaries in May 2011, and plans to phase out paper checks for all beneficiaries by 2013. Currently, about 85% of Social Security beneficiaries receive their payments through direct deposit. Still, the government issues more than 120 million checks a year, at a cost of about \$1 each, vs. 10 cents for an electronic payment. Retirees who don't have bank accounts can have benefits deposited to a prepaid card issued by Treasury and Comerica Bank. For more information, go to <http://www.godirect.org/>.
- **Taxpayers who get a refund.** This year, Louisiana residents who don't sign up for direct deposit of their tax refund will get their money on a prepaid debit card instead of a check. Taxpayers who still want a check must request one from the state Department of Revenue. The change will affect both paper filers and e-filers. The department of revenue estimates that change will save the state \$500,000 a year, spokesman Byron Henderson says.

New York and Georgia are also offering prepaid cards for residents who are eligible for tax refunds, although residents will still have the option of receiving a paper check. The Treasury Department tested a similar program for federal tax refunds last year, offering prepaid cards to 800,000 low- and middle-income

taxpayers. The program was targeted at taxpayers who were unable to sign up for direct deposit because they didn't have traditional bank accounts. The results weren't encouraging: Only about 2,000 taxpayers signed up, Treasury spokesman Matt Anderson says. Treasury doesn't plan to offer the program again this year but hasn't ruled out doing it in the future, he says.

## Benefits of direct deposit

While change is difficult, there are good reasons to embrace electronic payments. Among them:

- **It's faster.** In an effort to remain solvent, the U.S. Postal Service plans to close half its 487 processing centers sometime this year. That means it will take longer to receive first-class mail. While you may not mind waiting an extra day for the invitation to your nephew's wedding, the slowdown could present real problems if Social Security is your main source of income, or you need your tax refund to pay the mortgage. Direct deposit puts the money in your bank account on the day the payment is made. Transfers via the ACH system can however take up to 3 days to show up in your account.
- **It's safer.** For all the furor about hackers, a lot of identity theft is old school. Mailboxes containing government checks are prime targets for low-tech thieves looking for personal financial information to sell. Electronic payments are sent directly to your bank account or a prepaid card, so there's no risk of lost or stolen checks.
- **It's cheaper.** Retirees and taxpayers who don't have bank accounts usually have to pay a fee to a check-cashing store or pawn shop to cash their checks. State and federal prepaid cards charge fees, too, but they're easily avoidable. For example, retirees who receive their Social Security benefits on Treasury's Direct Express card can get cash-free withdrawals through bank or credit union tellers, or by withdrawing money from more than 50,000 surcharge-free ATMs.

## Putting it in Perspective

Source: [www.epolitics.com](http://www.epolitics.com)

We thought that the following illustration does an excellent job of putting last year's downgrade of U.S. debt in perspective and the challenges that lie ahead in getting our budget deficit under control.

### Why the U.S. was downgraded:

- U.S. Tax revenue: \$2,170,000,000,000
- Fed budget: \$3,820,000,000,000
- New debt: \$1,650,000,000,000
- National debt: \$14,271,000,000,000
- Recent budget cuts: \$38,500,000,000

### Let's now remove 8 zeros and pretend it's a household budget:

- Annual family income: \$21,700
- Money the family spent: \$38,200
- New debt on the credit card: \$16,500
- Outstanding balance on the credit card: \$142,710
- Total budget cuts: \$385

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.

### 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.

*Opinions expressed are not intended as investment advice or to predict future performance. All information is believed to be from reliable sources; however we make no representation as to its completeness and accuracy.*

*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.*



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