

## Perspectives - On Business

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### Clutter and Collections

It must be in the air this year. No, I'm not speaking of allergies, SARS or West Nile virus; it's the urge to downsize, simplify and declutter. I see it in my neighborhood each day the trash collector comes, and I am hearing about it from clients who are alternately dreading or anticipating a move to simpler surroundings.

There are pro's and con's to moving - not all financial. The decision to move - or not - often gets down to what is in your heart. When the head says it's time to take it a little easier, the heart often interferes with sentimental attachment to *stuff*. Having spent a lifetime accumulating *stuff*, it gets tougher to hear that clear voice in your head that tells you it's time to step back and re-evaluate.

In a newspaper article quoting Real Simple Magazine, the author of Clear your Clutter with Feng Shui, Karen Kingston offers three criteria for helping determine which things to keep and which to pitch:

- Does it lift my energy when I think about it or look at it?
- Do I absolutely love it?
- Is it genuinely useful?

If the answers are not yes, then ask why have the item in your life?

Like so many things in life, it may be simple, yet not easy, to answer that question. We don't need an efficiency expert to run rough shod over our possessions, and our hearts, to enforce their criteria. But sometimes, a gentle voice of reason can help us to separate out what we need and truly want from what we just have.

So what keeps us from following through? I will call it Antiques Road Show Fever -- the fear of losing something you fear may have increased in value. If you have never watched, make a point of viewing an episode or two. You will soon see the potential for treasures in granny's attic, and why she is so recalcitrant to part with the things that "could be valuable some day".

There is an antidote to this fever, however. It's perspective: In particular, financial perspective. If you catch yourself thinking that, "back in '39 we paid \$5.00 for that item. It's probably worth \$50 now. (Add your own zeroes.) That may seem like huge appreciation, but in reality, did it even keep up with inflation? Why not donate these items to the charity - make them truly useful!

*Antiques Road Show Fever* can apply to our financial collections, also. Has your portfolio kept in step with today's world? Will it meet tomorrow's needs? Are you hoarding things that were fashionable yesterday, but have outlived their usefulness today?

Consider a spring cleaning and fresh design for your portfolio. Call us for help sifting through your assets. We can provide the objective input to keep you on track.

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### **Future Finances' Market Update**

By Max Larsen

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Monday, June 16, 2003

I hope everyone had a nice Father's Day weekend. For those of us whose fathers are no longer with us - I hope you cherish wonderful memories and carry on the thoughts for future generations. I spent my Sunday cooking for my two boys, barbecuing probably one of the best chicken dishes ever-called "drunken chicken". That's chicken cooked standing up with a beer can inserted into the cavity. It sounds strange, but it's simply delicious and you'll have to try it.

The strength of this market is continuing to astonish investors and traders despite two-consecutive Friday sell offs. Throughout the week there were several attempts by the bears to take the market lower, but each time the market dipped, even slightly, eager investors poured back into the market with fresh buy orders, especially during the final thirty minutes of trading. Why? Right now there are far more positives than negatives driving this market.

First and foremost, there is an enormous amount of cash in money market accounts that is on the cusp of generating a negative return when taxes and fund fees are considered. As a result, it appears some of this money-market dough is getting reallocated toward longer-term Treasuries, and a lot of it is going toward stocks. That's one reason why Treasury yields are continuing to drop while the stock market continues to rise. Another reason why Treasury yields are continuing to drop is that there is currently a 100% probability, according to the Fed funds futures contract, that the Fed is going to cut short-term interest rates by 25-basis points (one quarter of one percent).

I have read some analysts think stock prices are overvalued at this time. Fortunately, the dividend discount model (comparing Treasury yield to dividend yield) indicates this is just not the case. In fact, when considering interest rates

are at 45-year lows; the S&P 500 is now over 45% undervalued relative to Treasuries. Yes, stocks have become a little pricey, but what's the alternative?

The last three years have been tough, but we are now seeing some positive signs that are hard to ignore. Let's go through the list:

- businesses have been cutting costs
- productivity continues to climb
- inventory levels are still lean
- Congress has passed an impressive tax-cut plan
- earnings have accelerated for two-straight quarters
- the industrial data are turning higher
- investor sentiment is soaring
- consumer confidence has jumped
- May's job cut announcements dropped to the lowest level in 30 months (Challenger Report)
- businesses are feeling more confident
- real estate is still white-hot
- May retail sales (ex-gasoline) grew 0.4% for the month and 5.1% year-over-year
- merger and acquisitions activity is accelerating
- capital gains are now taxed at only 15%
- oil prices are expected to drop
- terrorism fears are no longer at panic levels
- we're in the middle of a midterm election cycle, which has had both a mean and median return of 51% since 1934 (S&P 500)
- small-cap stocks are leading the market higher just like they did after the 1990-1991 recession
- nearly every sector of the market is participating in the market's advance

In conclusion, it certainly looks like we are now in the early stages of a new bull market. This doesn't mean the market will not have some hiccups along the way, like it did the last two Fridays, however, I see the market acting as a thermometer for the economy. Stock performance has a profound effect on consumer and

business confidence. When confidence is up, people spend and companies invest - it's that simple. Let's hope it continues.

I would like to leave you this week by sharing a tee shirt I received for Father's Day from my son, Peter. It reads: **THE AMAZING BANK OF DAD - OPEN 24 HOURS FOR HIS CHILDREN'S CONVENIENCE**. On that note I had better get to work, until next week.

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