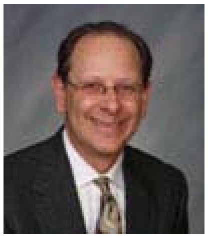

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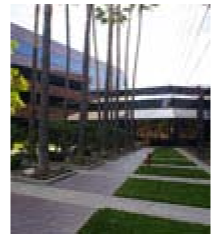

BUSINESS NEWS/INTEREST RATE UPDATE # 509
Erman Retirement Advisory
Howard Erman, CFP
August 5, 2011

Howard's Comments on the Stock Market Fall on Thursday

The stock market decline over the past 13 days has been somewhat unexpected, but must be taken into perspective when considered over the history of equity markets. It is certainly alarming coming on the heels of the debt ceiling increase debate, which was so much political smoke. There was never a real concern that the politicians in Washington, D.C. would actually not raise the debt ceiling, but standing for their political principles became the prime goal, not serving the country. And all the noise was confusing to the country.

Regarding equity market volatility, since 1950, there have been 32 stock market “corrections” of 10% or more and since 1970, there have been 24 of these corrections. On average, these occur slightly more often than once every two years. These are common and intrinsic to the profit seeking nature of the equity markets. (Fidelity Investments, www.fidelity.com).

Investors are looking to protect their assets and at the same time, to have them grow. These goals are, by their very nature, contradictory. Most of those who are retired and for whom the primary concern is naturally preservation of their assets need their accounts to grow in order to achieve their retirement goals. Most investors have not yet accumulated enough to be independently wealthy. In order to participate in the growth of the American economy, which after all is what the stock market allows us to do, we have to have a certain percentage invested in growth assets. The key for us is to intelligently allocate the correct percentage and to allocate the entire portfolio in a way to minimize the risk. That is why Modern Portfolio Theory (MPT) is so valuable.

To summarize, our goals are primarily to protect what you’ve already accumulated and secondarily to continue to earn investment profits through participation in the American and global economies. To do this, we need to have a measured and thoughtful allocation in the appropriate asset classes that are designed to achieve these dual goals. This is what we plan to do and the short term negative behavior of the stock markets will not dissuade us from this goal and from that of serving you.

Howard

The information in this article is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

We are offering a consultation on your 401k allocations. Are you positioned properly? Are you taking on too much risk without knowing it? How can you do a better job to protect yourself against adverse markets? Call us to discuss solutions.

As a general update, the 30 year treasury index on Tuesday, August 5th, stood at 3.82% (finance.yahoo.com). The November, 2010, average completed at 4.19% (21 data points). This number will comprise 20% of the 2011 rate for lump sum calculations. The barrel price of crude oil futures, July, 2011 delivery, on the New York Mercantile Exchange fell $1.66 and is now quoted at $86.88 (Friday, August 5th).

If you know of another co-worker or associate who is interested in receiving these daily interest rate updates, especially #1 which describes how interest rates affect the lump sum (still applicable with PPA ’06), please send me an email with their email address so I may add them to the list.

Howard is also a holder of the CRC (Certified Retirement Counselor) designation as well as the ATP (Accredited Tax Preparer) designation. He undertook the requirements for this education to better meet the needs of retirees.

Please visit our website, ErmanRetirementAdvisory.com.

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