



# RESOLUTE PASSAGES

RESOLUTE FINANCIAL Fee-only Wealth Management

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## Reaching the top

Would you buy my shares? I am an American technology company, with shares traded on the Nasdaq exchange. In the first 30 years of my existence I became known for clever and intuitive product designs. I am in a brutally competitive industry where hardware prices drop every year, and my market share has been much smaller than my rivals.

There have been some difficulties along the way. My CEO is famous for being the front-man for the company, but he has had some health issues which concerned some investors. Despite our good reputation, I have had some product launches that have been failures. Would you still buy my shares?

Well, the last 8 years have been great. This month I became the most valuable company on the planet. It's amazing because I don't sell things that people need to have for survival. Also, business experts would say that we would need to be a market share leader, but that is not the case either, although recently I have created new market segments that I dominate.

I am Apple Inc. I have only a 19% share of the cell phone market, and 10% of the computer market. Over the last few years however, I created two new markets, the iPod, and the iPad. We have shaped people's thinking too, with the concept of apps for my iPhones.

I have become a mega-company, with a valuation of \$355B. This is nearly the same as the next largest company, Exxon-Mobil also approximately \$350B in value. (note that both are in US Core funds).

Compare this to the stock market valuations in the following countries: Greece \$45B, Portugal \$36B, Ireland \$45B, and even Italy \$359B and Spain \$431B. I have no debt, and hold cash and securities of \$76B! I am a reason to believe in American business. I am an American success story, and we expect there will be more hugely successful American businesses in the future!

*Bob, Tom, George, and Chuck*



## Charting the Course

Social Security has been a hot topic lately. It is critically important to many people, yet it is a big concern related to government spending. The Social Security Trust fund indicates that the fund will not be able to cover its spending by the year 2037, and will be reducing benefit payments to 75% of the current levels.

AARP recently provided a list of changes that could strengthen the system for future beneficiaries. There were two main choices that serve to raise revenue, and two that adjust future benefits.

For raising revenue, increasing the FICA tax paid by employers and employees from 6.2% to 6.7% would eliminate half of the shortfall. Also, raising the cap on income subject to FICA tax from \$106,800 to \$190,000 would close 31% of the gap, and eliminating the cap completely would close 99% of the shortfall.

Adjusting the benefits has been discussed as a solution as well. Because our life expectancy is rising, the benefit could be indexed over our longer lifespan. If current benefits were lowered such that current lifetime benefits were paid over the longer life expectancy, then 21% of the shortfall would be covered. A simpler adjustment would be if the "full retirement age" was increased from 67 to 70 by 2040. If so, then 65% of the shortfall would be covered.

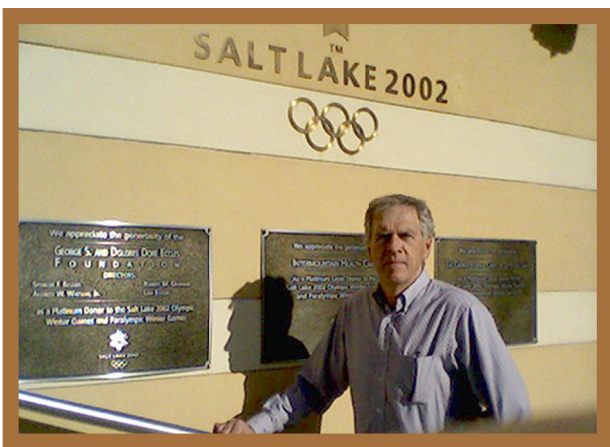
The solutions aren't without pain, but it helps to have some perspective on this very solvable issue.



## Noteworthy



- \* **George Paquin** was quoted in the August edition of the NAPFA Advisor magazine, regarding best practices in delivering client services.
- \* **Tom Dwyer** has attended classes for advanced tax planning, using new software that we purchased. We expect the tax code to continue to be a minefield in 2011.
- \* **Chuck Johnson** met with our TD Ameritrade service team in San Diego this month. The meeting focused on software and leveraging their services to better serve our clients.
- \* The Client Web Portals have a new look. Two tabs are available upon login, one for the Documents stored on site, and the other known as Overview with graphical summaries of your investments.
- \* **Bob Ryan** was quoted in the August 13 edition of the Boston Globe. The article touched on investor fears and the investment bubble forming in gold investments.
- \* **Bob** also spoke at a public service event, held in the Town of Wilmington Library. The topic was retirement, and Social Security.
- \* **Chuck and Bob** attended the NAPFA National conference. This year it was held in Salt Lake City. Bob was an invited speaker on the topic of annuities. Here he is doing some after hours sight-seeing.



## Investor's Blackboard

Bond funds have provided investors with a bit of relief compared to the gyrations of equity markets. As expected, bond funds have been a stabilizing investment in our portfolios, and the stream of dividends has been welcome. Recently, we examined the inner workings of several funds to see what we might expect in the future.

There are some things that bond funds do very well. One is that the fund manager has a tremendous advantage in the buying and selling of the individual bonds in the fund. Buying bonds is much different than buying stocks, and some bonds can take more than a day to buy or sell.

Fund managers have access to multiple markets in order to buy or sell bonds. This means that when they make a transaction, it is done relatively quickly and at the smallest spread between the bid and ask prices. In short, broadly invested bond funds offer lower costs and good levels of liquidity.

Another advantage of broadly invested bond funds is that the fund manager can create diversification. The purpose of diversification in a bond fund is two-fold: one is that with many bonds the risk of default is reduced, the second is that having many bonds means that there is a higher liquidity of the investment.

We've seen that the de-leveraging of global economies means that liquidity remains a very important criteria for investors. We will continue to monitor our bond funds for their diversification.

## Passing Thoughts

There has always been one set of laws for the public, and then special laws for Members of Congress. Example: last year's Dodd-Frank Financial Reform bill which cracks down on Wall Street insider trading. Insider trading laws do not apply to Congress, regarding their use of valuable nonpublic information about congressional activity.



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