STRATEGIC PORTFOLIO BALANCE℠

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BellinghamFinancialPlanners.com

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Ron Paul Goes Nuts!

I have always liked Ron Paul. I find his overly-simplistic, bumper-sticker "wisdom" to be very entertaining. Of course, if one devotes more than one minute analyzing much of what he says, one would find his opinions to be little more than wing-nut fantasy with no basis in reality. Although I whole-heartedly support his signature concept of personal responsibility (at least for those who are physically and mentally able to accept it) any pragmatist knows that trying to apply his "only the strong should survive" Libertarian form of governance would be ghastly! The human collateral damage that would result from our country devolving into pure Libertarianism would make the Crusades look like a LARPing festival! (LARP = Live Action Role Playing. LARPing involves those nerds who dress up in cardboard armor and whack each other with foam

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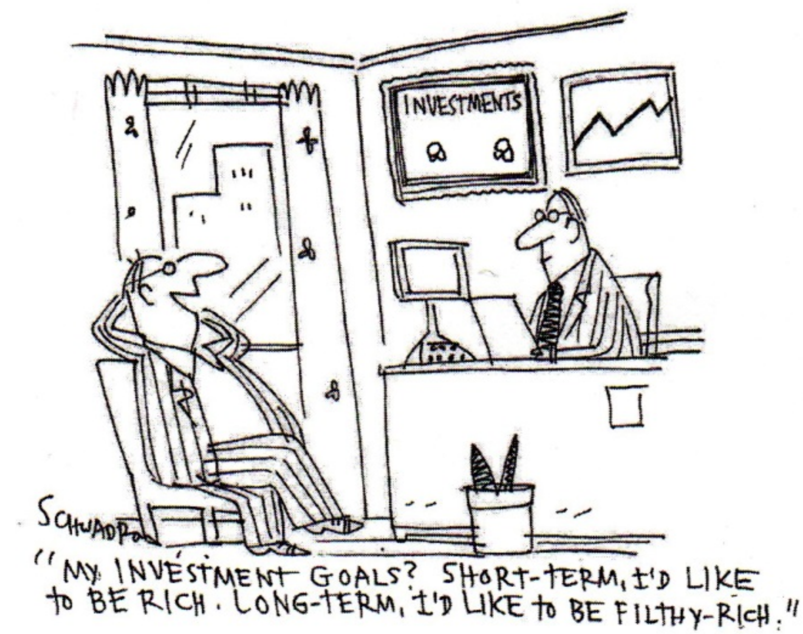
rubber swords and battle axes. Lots of fun!)

Many of Ron Paul's current views have their origin in the novels that were written by Ayn Rand, a 20th Century Libertarian-leaning writer who was fueled by caffeine, nicotine, methamphetamines and her unvarnished disdain for all government and poor people. (Ron Paul even named his son "Rand" as a tribute to Ayn Rand.) I enjoyed reading "Atlas Shrugged" and "The Fountainhead" when I was fourteen years old, too. Except, then I grew up. Reality became obvious and Ayn Rand's ideas were relegated to my wing-nut file!



As I said before, I like Ron Paul. His two decades-long participation in politics became an entertaining thorn under the saddle blanket of the Republican Party as he admonished all who didn't believe in his callous "every man for himself" philosophy. But now I can conclusively state that, in my opinion, Ron Paul has gone completely nuts (or he's crazy like a fox!). His most recent video tirade can be viewed at the following link:

https://orders.cloudsna.com/chain?cid=MKT033949&eid=MKT066068&snaid=&step=start##AST03347

On this link you will watch Ron Paul drone on-an-on about one of his pet theories, his belief that we are close to a complete collapse of our global financial system. (Don't confuse this dire prognostication with the normal cyclical drops and recoveries that have always defined the stock markets.) He has been forecasting that we are close to this same utter financial collapse for at least 20+ years (that I know of). So this is nothing new for him. In fact, there

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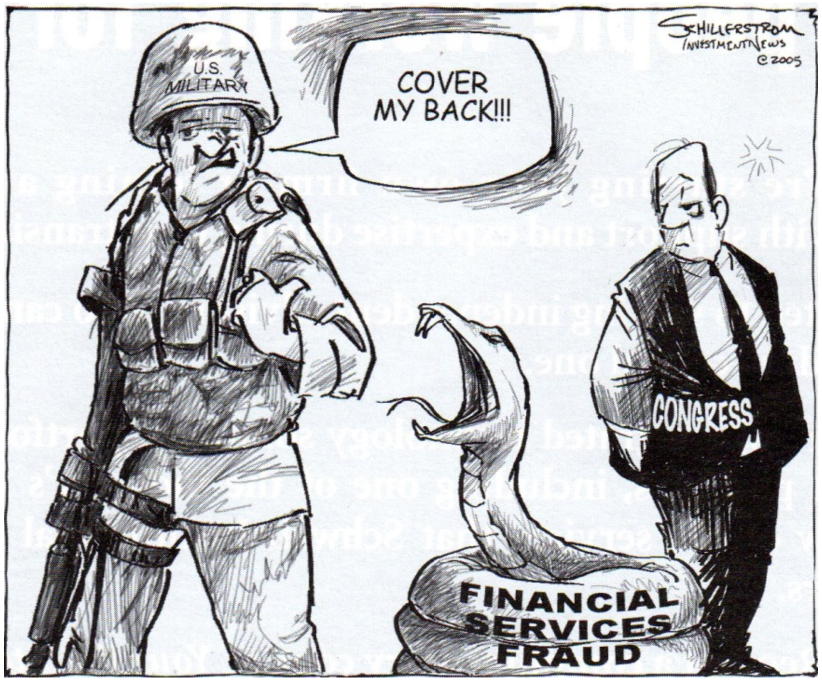
are a whole host of whack-jobs out there who also spout this same doomsday nonsense and have been doing so for hundreds of years. So Ron Paul's opinion is nothing unique in the universe of wing-nut opinions.

But what makes me believe that Ron Paul has gone completely nuts (or that he is crazy like a fox!) is his "solution" to protect yourself from this shamelessly invented forecast of a "looming financial catastrophe." He wants his minions to send him $49.95 for a one-year newsletter subscription (3-year subscription discounts are available!). This newsletter is purported to provide readers with "secret" financial strategies that will protect their wealth when civilization as we know it collapses.



This forecast of a global devolution to a society that is based upon Medieval feudalism is supposed to happen following the "inevitable" financial collapse that he believes is certainly just around the next corner. LOL! Ron Paul claims that he tried and failed to pass legislation (whatever that was!) to avoid this collapse. But since his legislation failed, he claims he is preparing himself for the resulting collapse and that we should prepare, as well. So if we send him $49.95 for a subscription we will learn how to protect ourselves, as well!

Fifty bucks wasted on another doomsday newsletter would not break anybody's budget. It could even be an entertaining read while sitting on the pot! However, if you actually intend to implement the strategies promoted in the newsletter, you should get up off the pot, pull up your britches and be fully aware of the

shady background of the guy who is actually writing the newsletter: Frank Porter Stansberry. Among other dubious distinctions, Stansberry has a criminal record for having blatantly committed stock fraud!

During the late 1990's, Porter Stansberry wrote articles for the Agora Group's newsletter under the pseudonym "Jay McDaniel." His articles were (and still are) devoutly anti-government (also Ron Paul's stance) with ominous titles like "The End of America." Stansberry went off the deep end when he offered to double people's money in two days by providing a "hot stock tip." All they had to do was send him $1,000.00 for this "inside information." He even went so far as to recommend that people sell everything and borrow even more money to take advantage of this "can't miss" get-rich-quick tip. Many invested and lost their shorts! In the end, the "hot tip" turned out to be little more than an old-fashioned "pump-and-dump" stock scam.

http://briandeer.com/stansberry/stansberry-research-scam-1.htm

But fines and the threat of jail didn't dissuade Porter Stansberry. He now runs Stansberry & Associates Investment Research. They provide gloom-and-doom newsletters that are typically read by frightened Teapublicans and their ilk. That alone wouldn't be newsworthy except for the recent endorsement by Ron Paul. I am left to wonder how much money is being paid to Ron Paul by Porter

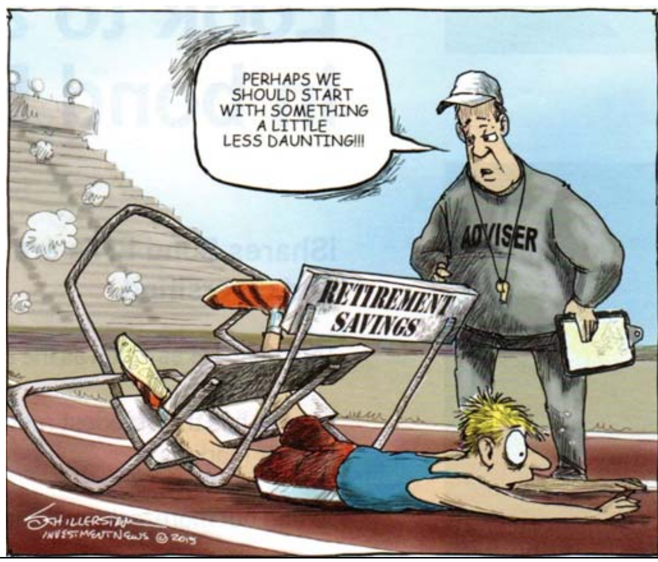
Stansberry for promoting this tripe.

Unfortunately, I'm sure that there will be plenty of people who will subscribe. The reality is that many of those subscribers don't have any money to invest in the first place. They are probably subscribing simply because they want to believe that everyone else who actually does have money invested will be brought down to their humble station in life following the global economic collapse. Ergo, their rationalization that there is "no need to invest because it will all be lost anyway!" But there will be plenty of people who do have money to invest, people who will believe this tripe and will foolishly act upon it, jeopardizing their own future financial security. The irony is that they will be virtually assuring that they will be forced to rely on Libertarian-hated public assistance when retirement arrives and they are broke!

And so, perennial wing-nut Ron Paul is the guy who is frosting my buttons this week! *Caveat emptor!*

Marco Rubio Taps IRA

In a financial disclosure filed on May 15, "fiscal conservative" Marco Rubio admitted that he recently withdrew $68,000 from his IRA. Because he is younger than age 59½, this bone-headed move subjected him to a 10% early withdrawal penalty in addition to ordinary income taxes on the entire amount. The amount withdrawn from his IRA will no longer be able to benefit from income tax-deferral and will reduce Rubio's ability to pay for his own retirement. (What about that concept of accepting "personal responsibility?")



Taking a premature withdrawal from a retirement account is almost always a bad idea. No advisor worth their salt will ever suggest such a strategy unless there are no other viable options. So, what was so financially catastrophic in Marco Rubio's life that he is willing to render himself more dependent upon gub'mint Social Security in retirement? In an interview on Fox News on May 17, Rubio said that he needed the money to pay for his Presidential campaign, a new refrigerator, an air conditioner and tuition for his children's college! All "mission-critical" purchases, no?

Unlike most average Americans, Rubio will have opportunities to recover. Even when his Presidential bid inevitably fails, he can write another book, he can hit the paid-speaking circuit and he will certainly be "acquired" through a lucrative law firm deal after he retires from public service.

But the hypocrisy is blatant. Rubio is asking the American voters to anoint him as their next President and to trust his ability to make sound financial decisions for the benefit of the country. Yet he made a very dumb mistake with his own finances! I suppose this one can be filed under "do as I say, not as I do!"

Unrealistic Assumptions

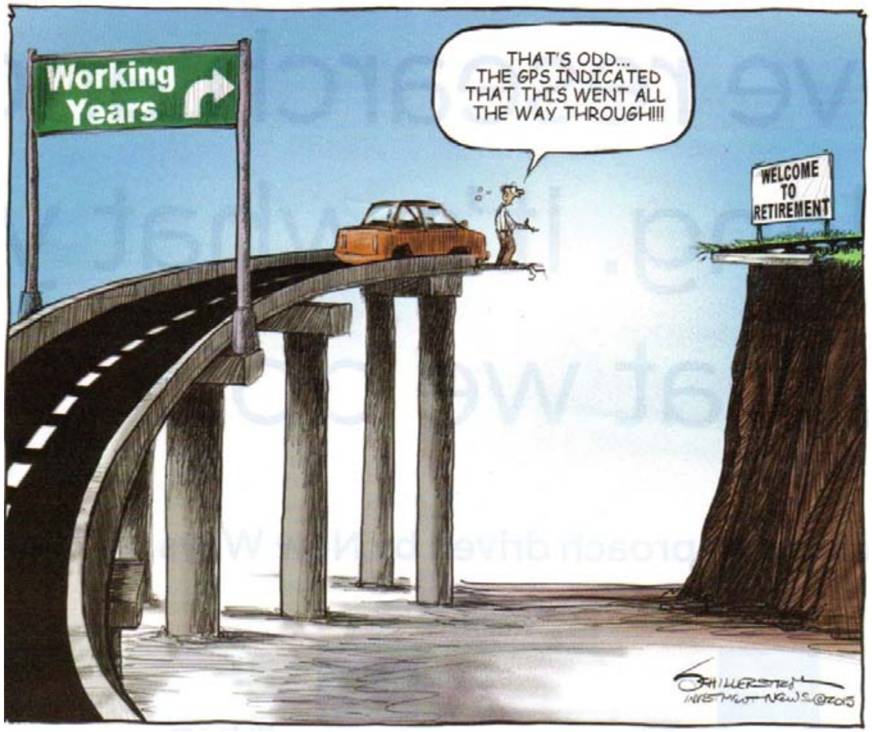
When I run the Projected Retirement Snapshot^{sm} for clients and new prospects, we typically change only one assumption each time that it is run. If retirement funding goals are not met based upon initial assumptions, I try to suggest that the first change would be to invest more money during working years. If that doesn't do the trick, the next change that I suggest is to plan on withdrawing less money during retirement. If that still doesn't meet retirement goals, the final change is to assume that one will have to work longer before retiring.

The reason for the order of these changes when trying to forecast retirement income is due to the reality of most people's situations.

1. Most people can invest a little bit more money while working if they make a realistic budget and stick to it.
2. Almost all can reduce their expected level of retirement income from one that funds an opulent lifestyle to one that is more realistically frugal.
3. But few people will be physically or mentally able to continue working into their 70's.

Yet, most people reverse this order, planning to work longer as their primary strategy to fund retirement. Many employers will essentially hand a 65-year-old employee a gold watch and then shoo them out the door. Finding another job at that age is not realistic, unless you work as a greeter for Wal-Mart. But the most common reason why delaying the start of retirement doesn't solve the problem of an underfunded retirement plan is that most cannot continue working into their 70's due to waning health and diminishing mental acuity.

A recent survey by the Employee Benefit Research Institute found that 50% of retirees had stopped working earlier than planned. 60% of those cited health problems as their reason for early retirement. 27% simply got fed up with their employer, quit and couldn't find another job while 22% had to quit working to care for an elderly relative.



The ticking time-bomb is that we are living longer. So, if we aren't likely to work longer before retiring and we will have more years of retirement to pay for, what can we do? Save more prior to retirement and spend less during retirement. It's really that simple! And make sure that you are maximizing your Social Security Retirement Income.

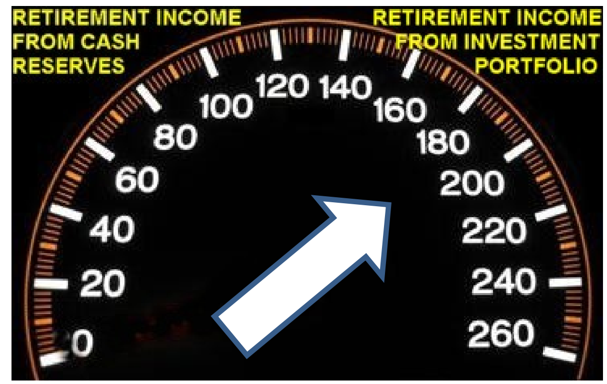
Oh, yeah. And don't vote for anyone who wants to "save" Social Security by cutting benefits for retirees or by giving Wall Street the money to invest. If we truly want to save the Social Security system, we could start by lifting the salary cap above which FICA tax is no longer assessed (currently $118,500). Studies show that this one simple fix would make Social Security solvent for as many years as we care to project into the future without raising taxes on anyone but the very wealthy.

Retirement Funding Sources

Theory: By utilizing non-correlated retirement income funding sources from which withdrawals are taken relative to the strength of their mutual divergence, it may be possible to extend the duration of the income stream being provided by a portfolio of securities so managed.

English Version: It is our recommendation that you accumulate between one- and three years-worth of basic living expenses and hold them in cash reserves. *(Even cash reserve accounts should be properly structured. We'll help!)* During periods of stock market weakness, you should avoid liquidating investments at a loss. Use cash instead. *(You must stay invested if you are to have any chance for recovery.)* During periods of relative stock market strength you should fund your retirement income needs by taking withdrawals from your investment portfolio while replenishing your cash reserves for the next time when *(not if)* the stock market suffers another significant correction. *(Of course, it is essential to skillfully structure and effectively manage your investment portfolio. We'll do that!)*

CURRENT RECOMMENDED SOURCES FOR WITHDRAWALS TO FUND RETIREMENT INCOME



LEGEND
0 - 87: Stop all withdrawals from investment portfolio. Use cash reserves.
88 - 173: Blend withdrawals from investment portfolio and cash reserves.
174 - 260: Take withdrawals from investment portfolio. Replenish cash.

If you like the concept of maximizing the lifespan of your retirement withdrawals but you do not wish to take on the responsibility yourself, please consider enrolling in our Strategic Withdrawal Management^{sm} (SWM^{sm}) service. We will deal with the financial management logistics while you deal with your golf swing.

Current Mortgage Rates

HOME MORTGAGE: The following are the national averages of mortgage rates (source: Bloomberg Business). Because mortgage interest rates change throughout each business day, these recent examples will not necessarily be applicable when you apply for your next mortgage. They are provided for illustrative purposes, only.

RECENT CONVENTIONAL CONFORMING FIXED MORTGAGE INTEREST RATES

30 Year Fixed Rate Conventional/Conforming, 30-Day Lock	
Current	Previous Month
4.08%	3.89%

15 Year Fixed Rate Conventional/Conforming, 30-Day Lock	
Current	Previous Month
3.22%	3.05%

- There are several other factors that affect the rate of your loan. Such factors include the state in which the mortgaged property is located, loan-to-value, FICO credit scores, cash-out refinance, high-balance loans, variable-rate loans, government programs (such as FHA or VA loans), non-owner occupied, self-escrow of property taxes and homeowner's insurance, etc.

You will need to provide your independent mortgage broker with the following documents when applying for a loan:

- Signed and dated loan application and mortgage documents.
- Most recent 2 month's pay stubs.
- Most recent 2 years W2's and tax returns.
- Most recent 2 months statements on all financial accounts such as checking, savings, retirement, stocks, etc.
- Property/casualty/liability insurance carrier.
- Official military, divorce, separation, child support documentation (if applicable).

Web Links

Full disclosure of all the services we provide and all the fees we charge can be viewed at the following link to our *SEC Form ADV Part 2A*:
http://www.colsonfinancial.com/sites/default/files/users/colsonfinancial/pdf/ADVnew.pdf

You may view our privacy policy at the following link:
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You may log in to view your account(s) at the following link:
https://www.trustamerica.com/liberty/desktop/cfi

Please contact our office if you prefer to receive these documents via snail-mail.

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When we work with individual clients, we focus on two areas:

- **"Fee-Only" Financial Planning:** Together we calculate what you earn and what you spend (cash flow), what you own and what you owe (net worth), and we structure a course of action for the successful achievement of your financial goals. We have no broker-dealer affiliation. We do not sell any products. We earn zero commissions and we receive zero 12b1 fees.
- **"Fee-Based" Investment Management:** We provide affordable professional investment management with honesty, integrity and exceptional fiduciary care. Our portfolios are designed to be 99%+ fossil fuel-free. Our compensation amounts to a small fraction of a percent of the total of all of your family's accounts. We strive to earn investment returns at a risk level that you can accept while keeping the total of all expenses at a minimum.

A) We avoid all financial products that pay commissions. Product sponsors charge higher expenses in products that pay commissions. Higher expenses result in poorer investment performance.

B) The cost for our investment advice is fully disclosed, in actual dollars, not buried somewhere in a prospectus as "basis points."

C) We dispel the myths and misconceptions of any anecdotal advice that may be dispensed by your well-intentioned friends or relatives.

We believe that your financial success will be better achieved with ongoing professional investment management driven by an unwavering discipline to remain focused on your goals. If you have neither the time nor the desire to be a "do-it-yourselfer," please allow us to be your fiduciary. We will always place your best interests ahead of our own.

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