

## Lifestyle Link

Your link to a better quality of life

Volume VII Issue II

Spring 2009

### Letter from David

Dear Friends,

March 2009

This has been the toughest letter I have had to write in all the years we have been doing this Newsletter. I could write about the 2008 meltdown, but who wants or needs to hear about that. I could focus on bailouts and the Washington budget deficit, but the media trumps me on that daily. I could write on layoffs, foreclosures, taxes, housing starts, etc, etc, etc. But, I refuse. I want to talk about what is good and what is growing.

The American Dream is still alive and well. Most of us never lived in the Great Depression, but we all have family members who did; and we have heard stories. It was a great epic of survival. Today is no different. We have all lived in the best of times. We have traveled, owned homes, driven nice cars, raised families, saved money, worked hard, given to charity, loved and dreamed. Most of us know how to live on less and be happy with the little things. Most of us understand that the world changed in the last 100 days of 2008, and we will survive.

We have added 1600 square feet of space, remodeled conference rooms and put down new carpet. The uncertainty of the financial world is an opportunity to expand and provide additional service and care for clients. You have still given regularly to your favorite charity, because I am still getting matching post cards in the mail. You are still volunteering and you are still spending quality time with grandkids. What we are realizing is that we need each other a little more, and we have the capacity to give a little extra of our time, talent and treasure.

This is still the greatest country and the opportunity is limitless. Turn off the television; go outside; visit a friend; hug a loved one; water the flowers; eat ice cream. We are incredibly lucky to have each other; but I am especially fortunate to have you as clients and friends.

Sincerely,

*David*



### Office Hours

*Our office will be closed on the following days:*

*Good Friday*

*April 10th*

*Memorial Day*

*May 25th*

*David will be out of the office June 16th - 19th.  
Bridget will be out of the office June 12th - 19th.*

### In This Issue

- ◆ Bash the Banker
- ◆ No Mandatory RMDs
- ◆ Office and Event Updates

## Bash the Banker - *Is the berating of America's banks really warranted?*

Leading executives from America's eight largest banks testified on Capitol Hill February 11, as Congress asked how they spent \$165 billion in federal money. Legislators had four questions in mind:

1. Where did the money go?
2. Why aren't you lending as much as we would like?
3. How challenged for capital are you?
4. Are you really going to be frugal?

**Question #1** was answered by varying degrees. Bob Kelly of The Bank of New York Mellon said the \$3 billion BONY received was used to buy \$1.7 billion of mortgage-backed securities and debentures and \$900 million of debt securities from "other healthy financial institutions"; the remaining \$400 million was used for interbank lending. Goldman Sachs CEO Lloyd Blankfein told Congress that "Goldman Sachs has committed over \$13 billion in new financing to support our client" since getting a \$10 billion TARP injection. Citigroup CEO Vikram Pandit said the TARP money translated to \$36.5 billion in "new lending initiatives and other new programs." Other CEO's were less specific.

**Question #2** has been in the air for weeks. Are the banks actually using TARP money to lend, or simply to stabilize themselves? All CEO's maintained they were using TARP funds responsibly, and that lending levels had increased or were increasing. While praising the idea of a "systematic risk regulator" to supervise the U.S. financial markets, JP Morgan Chase CEO Jamie Dimon detailed that bank's 4Q activity: \$50+ billion in new consumer loans, \$20+ billion in new credit for small and mid-sized businesses, and about \$90 billion in "new and renewed" corporate loans, and "an average of \$50 billion a day" in interbank lending. Bank of America CEO Ken Lewis testified that BofA arranged \$115 billion in new consumer and business loans in 4Q 2008, and renewed roughly \$70 billion in credit lines in addition to buying loans in bulk. Wells Fargo & Co. CEO John Stumpf said that Wells Fargo had made \$72 billion worth of loans last quarter and restored lines of credit to some Wachovia customers formerly denied credit.

**As for Question #3**, Stumpf proudly cited a profit of "almost three billion dollars" last year at Wells Fargo. The Bank of New York Mellon's Kelly assured Congress that "we were profitable every quarter last year." Blankfein pointed out that Goldman Sachs had turned a profit of \$2.2 billion in 2008. Other testimonies were less specific.

**Question #4** was answered with acknowledgements of what Citigroup's Pandit called a "new reality." Pandit told Congress that his salary would be \$1 a year with no bonuses "until the situation improves." Pandit told Congress that "I get a new reality and I will make sure that Citi gets it too." The eight testifying CEO's said they earned from \$600,000 to \$1.5 million in 2008; none received bonuses. However, seven of the eight CEOs admitted that their firms owned or leased aircraft. In 2008, Wall Street firms still paid out more than \$18 billion in bonuses, and financial firms still planned the occasional merit-based resort getaway.

Banks need to be held accountable. Why are we in this mess? Too many banks got away from the fundamentals. For decades, they originated home loans and assumed the credit risk themselves. Suddenly, they found ways they could pass the credit risk to investors. Fast-and-loose lending was keyed to assumptions that real estate would probably always go up in value. No person would be advised to owe 25 to 30 times their net worth, but this somehow became permissible for financial institutions. *(continued on the next page)*

### Our Mission

Haire Bohmer Wealth Management Group is an independent, service-driven team of professional wealth planners providing clients with a solid and comprehensive plan that enhances their current and future quality of life by defining client objectives, proposing recommendations, and creating life-long partnerships

### Our Beliefs

- ◆ We believe that our client partnerships are the heart of our business.
- ◆ We believe that we must serve the best interests of our clients with honesty, integrity, care and knowledge.
- ◆ We believe that we are more than wealth planners for our clients.
- ◆ We believe that giving is more important than getting.
- ◆ We believe that it is important to listen to our clients.
- ◆ We believe that it is important to develop a high level of trust with clients by anticipating their needs.
- ◆ We believe that caring about our clients is important.

## No Mandatory IRA Withdrawals in 2009

You don't have to take RMDs from your traditional IRA this year. On December 23, President Bush signed the Worker, Retiree, and Employer Recovery Act of 2008 into law, suspending all Required Minimum Distributions (RMDs) from IRAs, 401(k)s and 403(b)s for 2009.

This is sweet relief for people 70 1/2 or older, especially those who don't really need the IRA income. After all, no retiree wanted the "injury" of having to withdraw IRA assets already hurt by the recession plus the "insult" of having to pay taxes on the RMD. You can leave that money in your IRA in 2009 without incurring a tax penalty - and if the markets recover in 2009, those invested assets can grow and compound.

- ◆ **So what if you turned 70 1/2 in 2008?** You still have to take your 2008 RMD by April 1, 2009. It should be calculated using your account balance as of Dec. 31, 2007. (This is assuming you haven't taken it already.)
- ◆ **Now, what if you turn 70 1/2 in 2009?** Well, you can wait until the end of 2010 to take your first RMD, but the IRS will consider it to be your second RMD. The IRS says that if you turn 70 1/2 in 2009, you have the option of delaying your first RMD until April of 2010. If you decide to do that, you will have to take two RMDs in 2010; one by April 1, 2010 for the tax year 2009, and one by December 31, 2010 for the tax year 2010.

But... since nobody has to take an RMD for 2009, those turning 70 1/2 won't be required to take a 2009 RMD by April 1, 2010. However, you will still have to take a 2010 RMD by December 31, 2010, which the IRS will count as your "second" RMD, even though you didn't take the "first" one for 2009.

**Any chance of no RMDs in 2010?** Well, who knows - with 2010 being such an experimental year for the federal tax code, Congress may decide to give older Americans another annual exemption from RMDs. But the odds of that happening seem pretty long. Most likely, traditional IRA owners who are 70 1/2 or older and those who have inherited IRAs or 401(k)s will have to take mandatory withdrawals in 2010.

**What does this mean for you?** Do you need to take a withdrawal from your IRA, 401(k) or 403(b) in 2009? Should you leave your assets untouched this year? Should they be invested in a slightly different way? What could you do in 2009 to position yourself for 2010, when a horde of taxes will be waived and big tax breaks are available? Please let us know how we can help.

## Bash the Banker - *continued*

Consumers made mistakes too. In the last decade or so, American consumers were seduced away from core principles of saving and investing. As the New York Times' David Leonhardt observed, too many of our financial decisions were made for our "present self" instead of our "future self," and they mostly involved spending. The recession is teaching us to save. In December, Americans saved about 3.6% of their disposable income, three to four times more than the norm in recent years.

However, personal spending is still the engine of the economy. If we save too much, we're siphoning fuel from the engine. If the personal savings rate increases, this means more money going into banks. That's good. The question is whether we can spend and save at appropriate levels at the same time.

Can we do both? Actually, we've done it for decades. Only recently did we get away from the fundamentals - and look how that affected the economy. Fortunately, our government is working hard to shore up our financial system. We have a trillion-dollar campaign in the works to buy up toxic assets, "stress test" banks, and inject more capital into them. The banking system has got to be fixed; consumers have got to be encouraged. The government is positioning its resources to boldly do both tasks.

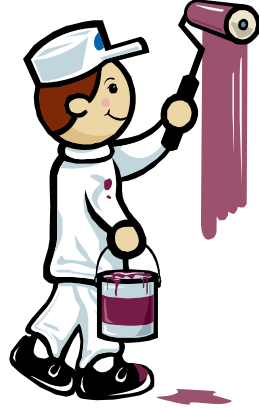
Are you planning for your "future self?" It may be a challenge, yet it is also necessary. Let us know how we can help.

## News and Reviews

### Office Updates - New Reps - Expansion

The dust has almost settled on our new construction projects! In order to accommodate you better, we have added an additional conference room, we have increased our office space by an additional 1600 square feet, and we aren't done yet.

We welcomed a new rep, Brian Kellet, to our firm in November. Brian will work with some of David's clients as well as his own. Brian has been in the industry for 6 years and is getting ready to sit for his Certified Financial Planner designation in late March. We wish him luck and welcome him to the Haire Bohmer family!



We are in the middle of a recruitment push to gain another 5 reps by the end of the year. We would love to grow so much that we would need to expand again. With the economic environment, we are in a great position to help many more people with our philosophy and approach. As with any change, we have had some fluctuation in office staff. Some roles have changed, but our top priority is always to give you the best service possible. Please be patient as we grow and change. Please let us know if you have any concerns or questions.

### Holiday Open House

Thank you for joining us at our annual Open House in December. Once again your generosity amazed us.

We collected **over 150 toys** and **six bags of groceries!**

You made lots of kids and families very happy!

The FreeStore/Foodbank thanks you, and so do we!



### Matching Gift Program

David has once again initiated a matching program for your favorite charities.

Last year he matched a total of **\$6342.77**.

So far in 2009, he has matched a total of **\$3250**.

Thank you for your continued contributions.

Your generosity is catching!

### Valentine Luncheon

Our 8th Annual Valentine Luncheon was held on February 14th. We once again had a great turnout and good food, fun and wonderful desserts were had by all. We partnered with Elizabeth New Life Center to provide much needed baby supplies to their center with our 2nd Annual Baby Shower. Hundreds of dollars in gift cards, baby clothes, diapers and formula were collected. We even had some hand knitted items that will make one little angel very happy. Thanks to all who attended and for your generous donations. We look forward to next year.



### Client Event Update

As you may remember, we postponed our Client Appreciation Event last September. Our hope was to reschedule for 2009, but we have decided to postpone it indefinitely. During difficult times such as we are experiencing now, our full attention must be focused on you, our clients. We greatly appreciate the trust and confidence you continue to show in us. We promise you an incredible Client Appreciation Event in the future, but it will have to wait until at least 2010. Hopefully, we will have that much more to celebrate when we get everyone together again.

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. "Bash the Banker" and "No Mandatory Withdrawals for 2009" have been prepared by Peter Montoya, Inc.*

**We will be happy to include your friends & family on our mailing list.  
Please let us know where to send their copy of *Lifestyle Link*.**

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# Advice for Life<sup>SM</sup>

## MONEY & HAPPINESS



Does money actually buy a degree of happiness? In these difficult times, it is worth thinking about the effect money has on our lives. What role does money play in our happiness? Is that role overrated?

Most psychologists and sociologists will tell you that our happiness comes largely from social interaction. But studies indicate that there is a direct correlation between wealth and a kind of mental health.

As Pearl Bailey immortally quipped, "Honey, I been poor, and I been rich. And let me tell you, rich is better." Having a well-paying job, being successful at what you do – these are definite cornerstones of self-esteem and contribute to happiness.

### *So, is Warren Buffett happier than we are?*

The math is not quite that simple. American wealth grew remarkably in the late 20<sup>th</sup> century, but surveys found that American on average weren't any happier than they'd been decades before.

### *Does spending money make people happy?*



It depends on the purpose. Perhaps you've heard of the "hedonic treadmill" theory, an economic theory which holds that the middle-class and the affluent exhaust themselves and diminish their happiness through endless pursuit of the latest material goods. Americans are proudly competitive, and can't help but measure their wealth in relation to their friends and neighbors. We have to have more than the next guy.

### *Does spending money on others make people happy?*

Yes, according to the results of a study published in March in Science Magazine. Researchers took a sample of 600 Americans. They instructed 46 to spend a \$5 or \$20 bill on a particular day. Some were told to spend the money on others, and the study found that they were happier at the end of the day than the ones who spent the money on themselves. The study also tracked

16 workers who got profit-sharing bonuses, and observed that employees who gave a majority of their bonus to others ended up happier than those who spent it on themselves. In fact, the main forecaster of happiness was not the size of the bonus, but how it was spent. The Science study also discovered that spending more money on gifts and charity correlated with increased happiness.

## *Are we ultimately only as happy as we want to be?*

Perhaps. Researchers now increasingly feel that people have a genetic “baseline” or “set point” of happiness, and deviations from this norm are temporary. In other words, how the stock market does doesn’t rattle our basic level of happiness. Even life-altering tragedies or seeming miracles don’t ultimately budge us from the norm. (Studies of the brain indicate that people with more activity in their left prefrontal cortexes seem to be happier than some others.)

Recently, University of Virginia psychology professor Jonathan Haidt wrote a classically-rooted book called *The Happiness Hypothesis*. Haidt observed that within a year of their life-changing experiences, “lottery winners and paraplegics have both on average, returned most of the way to their baseline levels of happiness.” He feels that happiness can grow from “vital engagement” with other people and one’s passions, and from a spiritual and more “coherence” in yourself and your life.

## *How about some Gross Domestic Happiness (GDH)?*

No joke: since 1972, the government of Bhutan has dedicated itself to boosting GDH, Gross Domestic Happiness, via a platform of equitable and sustainable economic growth, cultural preservation in the face of the West, good government, and environmentalism. Other nations have studied Bhutan’s example; in fact, conferences have been held on the concept in Bhutan, Mongolia and the Netherlands.

## **WISHING YOU A HAPPY 2009!!**

May 2009 be a year of great things for you. And may you know great happiness. Let’s vow to retain our optimism through the financial challenges ahead.



*Advice for Life recognizes that we are all on a special journey. Each of us requires a personalized roadmap to help get us to where we want to be. We believe that focusing first on your life goals and dreams may improve the chances of achieving the future that you envision.*