

Dear Reader:

In fall of 2007 I started doing a NewsLetter for our firm's professional friends (e.g., accountants and attorneys). Not exactly a traditional "Newsletter," but more of a compilation of tidbits and commentary of a potpourri of items I find interesting. I called it a *NewsLetter* to emphasize that my goal is to provide succinct but interesting, fun and potentially useful "news."¹ To my pleasant surprise, the response of recipients has been very positive and a number of clients who don't fall into the "professional" category but have been shown a copy by their accountants or attorneys, have asked "how about us?" Good question. The model for my Newsletter came from a friend who had designed his letter for professionals. Now, having been asked to expand my audience (compliments always work for me), I've decided to experiment with a more general version and one that you don't have to wade through selected IRS code sections or recent court rulings in.

In format, my NewsLetter will come to you by hard-copy snail-mail. For you techies, it also will be available on our Web site at www.evensky.com. Yes, it could be an e-mail only piece but if you're at all like me, my e-mail is jammed with way too much garbage. Also, extensive screen reading is the pits. Call me old-fashioned, but there's nothing like being able to open a piece of personal mail at leisure and read it anywhere one chooses. Now that's really living in this instant techno—and sometimes awfully impersonal-- age! I hope you enjoy it. Please let me know.

Now for the NewsLetter:

Nice Sites

If you invest in muni bonds, check out these sites: www.municipalbonds.com and <http://www.investinginbonds.com/marketataglance.asp?catid=32> . If you or your clients still believe that there is no commission in muni bond trades make sure to check out the first site's section labeled "Unfair and Unreasonable Spreads."

Is Insurance Really Insurance?

With the fallout from the subprime debacle, investors have asked if their insured bonds are at risk. Although no one can provide absolute guarantees, knowledgeable sources we respect such as Thornburg and Goldman Sachs remain confident that investors in insured bonds have little to worry about. As managers from both firms point out, the vast majority of bonds that the monolines (i.e., insurers such as MBIA, FIGIC and AMBAC) insure meet investment grade standards on a stand-alone basis. Goldman Sachs notes that MBIA's recent filings indicated that 82 percent of its insurance is on entities that have an "A" or better credit profile and only 1.4 percent of its underlying portfolio is below investment

¹ I shamelessly stole my basic idea from the newsletter published by Michael Nelson, JD, Senior VP of Iowa Savings Bank. Michael is based in Iowa, a state far removed from Florida and much of his letter's commentary addresses legal issues unique to his state. Still, he includes so many other items of interest and presents it in such a user-friendly manner, his newsletter is one of the few items, among my tons of daily mail, that I always look forward to.

grade. Thornburg reports that a recent study by Moody's Investor Services showed 10-year cumulative default rates of investment-grade municipal bonds at .1% (point one percent). That's much lower than the 2.1 percent default rates of investment-grade corporate bonds. Furthermore, the rating agencies set reserve requirements for each insurer to maintain a "AAA" claims rating based on a complex model that simulates the effects of a depression era economic downturn. In a "worst case" scenario, should an insurer be downgraded to "AA" or even "A", it would still provide an additional source of security. From a pure security perspective investors still have better inherent security, or collateral, with double "A" rated obligors than with a single "A" underlying rating. Again, no guarantees but probably no reason to worry.

Do Not Call Confusion

Here's another reason not to worry: If you've heard about an '08 expiration date for the Federal Do Not Call Registry, and hence are concerned about getting any pesky unsolicited phone calls again, forget about it! As it turns out, the Fed's have changed their mind about the five-year expiration that was part of the National Do Not Call (DNC) Registry and implemented in June 2003. According to the National Do Not Call Web site (<http://donotcall.gov>) your registration will NOT expire! To learn more, visit <http://www.ftc.gov/opa/2007/10/dnctestimony.shtm>.

Patients' Revenge

According to a Reuters release, WellPoint Inc., which operates many Blue Cross systems, is working with Zagat Guides to launch an online survey tool in January to allow consumers to share their experiences with physicians. Like other Zagat surveys, enrollees will be able to rate their experiences on a 30-point scale in four categories: trust, communication, availability and office environment. Ratings on specific physicians will become active after 10 have been received.

I Hope We're Getting Better 'Cause We're Sure Getting Older

When you're doing retirement planning, keep this in mind. The *Dallas Morning News* reports that the number of Americans 100 or older doubles about every 10 years and now stands at 80,000. One in 10 girls and one in 20 boys today will live to age 100.

I'm Sure it's All in the Client's Best Interest

Because of concerns relating to shareholder votes on executive pay, regulation of the securities markets, international investments, 401(k) fees and taxes, the Investment Company Institute, the trade association for the mutual fund industry that includes closed- and open-ended funds, ETFs and unit investment trust products, spent \$2.3 million lobbying during the first half of 2007. I can't wait to see the data for the balance of 2007.

I'm sure it's an unrelated statistic; however, according to the SEC, mutual funds collected \$11 BILLION in 12b-1 fees in 2006.

Some Interesting Statistics

From the 2007 Investment News Industry Attitudes survey, as of October 2007

Where do you think Standard & Poor's 500 stock index will be in one year?

<1,300	3.8%
1,300 – 1,399	5.3%
1,400 – 1,499	21.5%
1,500 – 1,600	46.4%
> 1,600	23%

How concerned are you about inflation?

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Very concerned	15.4%	10.8%	14.4%
Not concerned	24%	18.9%	27.3%
Somewhat concerned	60.6%	70.3%	58.3%

Gilding the Lily?

Another not-to-be-missed piece of bling courtesy of *Worth*. The ultimate high-tech accessory may be the diamond flower mouse fashioned from white gold, with 59 brilliant-cut diamonds tracing the floral shape. This \$23,500 flashy computer mouse may not protect you from carpal tunnel syndrome, but your painful digits will look fabulous while you point and click. I was thinking of buying one for everyone in our office until our comptroller heard about my idea.

Like Rich Dessert?

And what would you order for dessert after purchasing your mouse? Serendipity 3, a New York restaurant has just the thing for you. The Frrozen Haute Chocolate is a frozen, slushy mix of cocoas from 14 countries, milk and 5 grams of 24-carat gold topped with whip cream and shavings from a La Madeline au Truffle. It is served in a goblet with a band of gold decorated with 1 carat of diamonds and served with a golden spoon diners can take home. And at the bargain price of \$25,000 you might want to order two. If you do, Guinness may add your name to its book as the dessert was declared the most expensive dessert in the world by Guinness World Records.

Ordering the Lily

I'm sure that those purchasing the mouse did so by calling on their Nokia Vertu Signature Rose Gold Pink Diamond Edition phone. This nifty little piece of technology comes with 923 hand set-rubies, pink sapphires and diamonds – with a scattering of white diamonds. With a total of 7.2 carats, it's priced at a bargain basement \$73,000. Who buys these things? I think I know...read on.

Worth Noting

We're all in the wrong business (unless you happen to be in one of the following). According to *Worth*, the 20 highest paid private equity and hedge fund managers earned an average of \$657.5 million in 2006. Reminds me of the old brokerage joke, "Where are the customers' yachts?"

Life's Tough - Hedge Fund Complaints

Unfortunately, it's not rosy for everyone. Boohoo. Only about 3 percent of hedge fund managers or executives earn more than \$1 million a year (the average pay is \$250,000 annually). And, if you believe the findings of a recent *Hedge Fund Search Digest* survey, 75 percent of the 232 executives interviewed weren't satisfied with their salary. They probably have to rough it with only one mouse and phone.

Not Much But at Least It's Something

For the rest of humanity, Social Security's Cost-of-Living Adjustment (COLA) will increase 2.3 percent next year (2008) beginning in January. According to an Associated Press story, the 2.3 percent increase is the smallest since a 2.1 percent rise in 2004. It compares to an increase of 3.3 percent last year and a jump of 4.1 percent in 2005, which had been the biggest advance in 15 years. Additionally, in 2008, the new social security taxable wage base will be \$102,000, up from \$97,500.

Voting Advice

With election news (noise?) constantly in the media I thought I'd share with you a wonderful piece of advice my assistant Martina sent to me. "Vote for the man who promises least; he'll be the least disappointing" - Bernard Baruch.

What Time is it Anyway?

I had occasion the other day to call a friend in Sydney, Australia, but couldn't get a good handle on the time difference. My assistant Martina located a handy Web site "The Fixed Time World Clock" at www.timeanddate.com/worldclock, It's a neat place to go if you have a similar problem.

Forget the Dow?

Take a look at returns on hobby-type investments from May '02 to May '07. It turns out you'd have been better off investing in a Stradivarius than the Dow. According to the October issue of *Conde Nast Portfolio*, hobby investing has its rewards. Over that five-year period the Dow was up 37 percent, coins up 43 percent; stamps ahead 88 percent, wine up 131 percent and violins gained 192 percent. Of course, you can't beat luck. To make any money at all you had to collect the right coins, stamps, bottles of wines and violins. And naturally, the article didn't discuss how many hobby-type investments lost money. So, while the Dow was the least profitable in that list, it is the simplest choice (and probably the most intelligent).

Where's the United States?

A report from the Organization of Economic Co-operation and Development (OECD) that looked at teachers' salary as a percent of GDP per person in 2005 showed the countries providing the highest teacher's pay were (top five only): Turkey, South Korea, Germany, Japan and Switzerland.

Traveling?

While I know that many of you are world travelers, just in case your passport has expired, or you have clients who need to get one quickly, there are a number of passport expeditors. A friend directed me to a nifty Web site that claims it can get that document for you in record time. RushMyPassport.com is an Internet startup company that's the brainchild of Adam

Boalt, a Palm Beach resident. The fee range is \$140 for a week's turnaround to \$400 for a day (plus the government charge of \$127). Check it out at www.RushMyPass.port.com.

Other sites include www.TravelVisaPro.com, www.passportexpress.com and www.passport123.com. If you have a particularly good or bad experience with any of these (or other firms), let me know and I'll pass it on.

Zagat Takes to the Air

This well-known restaurant rating service has been conducting an annual airline survey since 1990. With scores that can range from 0 (the lowest) to 30 (the highest) –no airline received a 30---here are a few of the highlights from the 2007 Zagat U.S. & International Airlines Survey:

<u>Overall – Premium</u>	<u>Overall – Economy</u>
Virgin American (24)	Midwest (23)
Continental (20)	Virgin (19)

<u>Airports – Best</u>	<u>Airports – Worst</u>
1. Tampa	1. NY LaGuardia
2. Denver	2. Miami
3. Minneapolis	3. L.A. International
4. Orlando	4. Philadelphia
5. Detroit	5. NY JFK

Needless to say, I mostly fly American (my ratings: comfort – 11, food – 5 and service 12), typically from Miami and often to LaGuardia. My primary alternatives are Delta, Northwest and United and none make the top of the list, either. I knew I wasn't crazy. Flying today is the pits.

This is Worth Adding to Your Phone List

I tried it and I like it. 1-800-Flights is a new media company providing toll-free phone access to flight status for nearly every commercial passenger flight arriving and departing in the United States daily. You'll have to listen to a short ad but it's worth it and it will take less time than going to the airline site. Call to 1-800-Flights (354-4487) to access flight status for 141 domestic and international airlines covering 432 U.S. commercial airports and 173 international airports.

Market Timing a Good Way to Lose Money

I'm sure you've seen tables showing how hard it is to time the market. The one I use with clients has been getting long in the tooth so I was pleased to come across an updated version developed by Altair Advisors:

Risk of Market Timing (S&P 500 from 8/17/1997 – 8/17/2007)	
Fully Invested	88.2%
Missed 10 best days	16.5%
Missed 20 best days	-20.1%

Best days that occurred within 2 weeks of a worst day: 70% (14 out of 20)
Best days that occurred within 6 months of a worst day: 100% (20 out of 20)

The moral is, although longer term investing does not guarantee positive returns because markets can spike up just as quickly as they spike down, market timing is very likely to result in significantly sub-par performance.

Octothorpe

As if I don't get enough e-mail, I also subscribe to "Word of the Day" from Merriam Webster (word@m-w.com). What can I say? It provides an interesting break from business e-mails and notices that I won the foreign lottery. As an example, if you want to impress your friends with your erudition, just ask a friend, "Did you ever notice how much the octothorpe resembled a tic-tac-toe grid? Octothorpe \AHK-tuh-thorp\ noun: the symbol #.

Cough! Cough!

According to the Centers for Disease Control and Prevention (CDC), every year the United States reports on average that 5 to 20 percent of the population gets the flu, more than 200,000 people are hospitalized from complications and about 36,000 people die from the flu. Just to review, the flu virus is spread through sneezing or coughing, or by touching something that has the virus on it and then touching your mouth or nose. Unfortunately, a person already infected with the virus can spread it one day before any symptoms occur and up to five days after becoming sick. The number one preventive measure is good hand washing.

The CDC has an excellent Web site for reviewing the current status of the flu virus in the United States and more information about flu symptoms, the vaccines, as well as other flu Web sites. If you are at risk, you may want to get your flu shot sooner than later...at least before the next big family gathering!

And there you have it; Experimental Clients & Friends NewsLetter #1. Again, I hope you've enjoyed it. Please drop me a note or give me a call with your comments, suggestions or simply to say "hello". I look forward to hearing from each of you.

All the Best,

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