

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

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Dear Scott,

Welcome to the July edition of my monthly financial newsletter. It's been an exciting month as we've transitioned to our new identity as GS Wealth Management. Our personnel, location, and phone number all remain the same, but we have updated our web and email addresses to the new name. On June 10, my book, *Your Last 5 Years* was published and is now available at [Amazon](#). I have a complimentary copy for each client at our next meeting.

What Consumer Sentiment Tells Us

Sentiment tends to be a contrarian indicator for stocks

Everyday it feels like we are being bombarded with more bad news: record oil prices, food inflation, foreclosures, rising unemployment, you name it. Not surprisingly, consumer sentiment surveys today show an extremely pessimistic view of the economy. As an investor, should you pay attention to consumer sentiment? Absolutely!



Today's negative consumer sentiment is the worst since October 2002. To find the previous period of such high pessimism, we'd have to go back to 1980. Historically, extreme negativism tends to coincide with *market bottoms*. In October 2002, consumers were disgusted with the economy and the stock market. On October 10, 2002, the Dow traded below 7200; five years later, on October 10, 2007, the Dow was above 14000. People who panicked in October 2002 missed out on a market that nearly doubled over the next five years.

Everyone has heard that the benefit of sticking to a financial plan is that it allows you to keep your emotions out of your decision making process. Unfortunately, it's easier to say this than to do it! With the Dow down to 11350 today (almost 20% lower than last October), I

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The best compliment you can give me is the referral of a friend or family member!

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THIS MONTH, SCOTT IS...

For two years, I have been a member of a terrific networking organization, the **Lakewood Referral Group**. We are local entrepreneurs who meet weekly to help grow each others' businesses. We're looking for individuals

know it's frustrating and agonizing to see your accounts going lower and lower. Eventually, people get so sick of seeing their investments going down that they want to sell out just to preserve what they have left.

The only way to make money in the market is to "buy low and sell high". If you sell now, you may be selling out at a low and could miss any subsequent gains in the market. While you can't control what the market is going to do in the short term, you can make sure your account is appropriately invested by taking these steps:

- 1) Keep sufficient cash in your money market or savings account so you don't need to touch your stock investments and can leave them alone for long-term growth.
- 2) Stay diversified in different types of sectors, industries, and countries.
- 3) Have an asset allocation that is appropriate for your time horizon and risk tolerance.

Yes, consumer sentiment is very poor right now. The time to sell is when the market is at a 52-week high; when we're at a 52-week low, that's a time to buy! It's hard to do, but we need to do the opposite of what the consumer sentiment polls tell us.

Past performance is no guarantee of future results.

Unclaimed Money

Are you missing money? Sometimes companies cannot locate individuals and are unable to pay refunds or debts owed to their customers. If they are unable to locate you, they are required to eventually turn over your money to the state as "unclaimed property." It used to be that very little of this money was ever returned to its rightful owner. Many states have joined with the National Association of Unclaimed Property Administrators to help you to search for unclaimed money on their free website, missingmoney.org.

Health Savings Accounts

For many years, I had my health insurance through my wife's employer. This year, as the cost rose above \$400 a month for my coverage, I decided to change to an individual policy, and selected a high deductible HSA plan. If you haven't heard of an



who are success oriented and who are interested in creating synergies with other business people. We'd like to invite you to visit our weekly breakfast, every Wednesday morning from 7:30 to 9:00 am at the Crowne Plaza Hotel at the corner of Coit and Alpha roads. We are a [chapter of BNI](#).



HSA (Health Savings Account), it may be worth your time to learn more.

A Health Savings Account requires you to have a high deductible insurance plan that is compatible with the HSA. Your contributions to the HSA are made pre-tax and grow tax-deferred. Distributions for medical expenses are tax-free. This is even better than a Roth IRA or 529 plan, because you get both an upfront tax deduction and tax-free withdrawals in the future. Please note that withdrawals for *non-medical expenses* will be subject to ordinary income tax and a 10% penalty (if before age 65).

Individuals can contribute \$2900 to an HSA in 2008, and families can contribute \$5800 to their HSA. Unlike Flexible Spending Accounts (FSAs), the money in an HSA never expires or is forfeited. The account is yours even if you change jobs or insurance plans. Unlike an IRA, there are no income restrictions on HSA plans: everyone is eligible for the tax deduction.

Once you reach age 65, you can use the funds in an HSA for medical expenses as well as to pay Medicare premiums for Parts B, C, or D. Additionally, you can use an HSA to pay for long-term care or long-term care insurance premiums. At 65, you can also withdraw the funds for other purposes and not pay the 10% penalty, although you will be subject to ordinary income tax, just like a deductible IRA.

If you are in good health, you may find that it is cheaper to have an individual policy rather than being part of a group plan. In my case, a HSA compatible plan with a \$3000 deductible cost me only \$164 a month. With the \$250 a month I am saving in premiums (\$3000 a year), I can fully fund my HSA! To find out more about an HSA plan, please call or email me.

In the middle of difficulty lies opportunity.

ALBERT EINSTEIN

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

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