



Money Minute

**Financial Planning
&
Investing Newsletter**

"Smart Ideas for a Secure Retirement"

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PROVIDED BY



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Inside This Month's Issue:

- **IDEAS FOR SUCCESS:** Is Owning Individual Stocks Worth the Risk?
- **ASK MONEY MINUTE:** - Fed undergoes QE3, what does it really mean?
- Permanent life insurance - a good investment?
- **UP CLOSE:** Current State of the U.S. Labor Market
- **EXTRAS:** *TRIVIA QUESTION *YOUR HEALTH
 *MARKET & ECONOMIC NEWS *MONEY TIP OF THE MONTH

FEATURE

The 4 Essentials to Being a Successful Investor

My interest in investing began roughly 15 years ago, and since that time I have read countless books, newspaper/magazine articles, interviews, etc. related to investing. Since then, I have seen that successful investors come in many varieties but almost all share a handful of similar traits, behaviors, ways of thinking that have allowed them to be successful. Four of these are the focus of this month's feature story. Enjoy!

1) Knowledge - This is perhaps an obvious trait of any successful investor, but it may not be the type of knowledge one would assume. Of course - one needs a basic understanding of obvious items like how stock and bond markets function, general business knowledge, and basic accounting. More importantly, a successful investor must possess a clear understanding of his or her investment goals and a well-defined strategy to work towards those goals. Most great investors have a single, overarching philosophy that guides their investment decisions and dictates how their investment strategies express themselves. For example, Warren Buffett is the most famous "value

investor" of all time. T. Rowe Price is the founder of "growth investing" whose philosophy of investing still carries on at the firm that bears his name. Each of these investment strategies is very different, yet both men were extremely successful investors by mastering a single strategy and strictly adhering to their chosen philosophy. Very successful investors realize they don't have to be a "jack-of-all-trades". As in many other professions (medicine, law, etc.), being a specialist is more profitable than being a generalist.

Deep knowledge of a one strategy is likely to be more profitable than a shallow, general knowledge of many strategies.

2) Time - Most long-term investment strategies do not require staring at stock quotes all day long, but all successful investors dedicate the time necessary to managing their investments. Fairly simple investment strategies may only require a handful of hours of reading and research per month once they are up and running.

(Continued on page 4)

QUOTE OF THE MONTH

"A lie told often enough becomes the truth."

~Vladimir Lenin,
Russian Politician /
Revolutionary

DID YOU KNOW ?

The U.S government recently made a \$17.8 billion profit on the final sale of "toxic asset" securities purchases from AIG during its 2008 bailout.

Source: ABC News



Ideas for Success

Purchasing Individual Stocks - Is it Worth the Risk?

SCENARIO:

A large percentage of individuals who have money invested in the stock market do so through investment products inside of 401(k)s and IRAs rather than by purchasing individual stocks. Owning common stock of a company inherently entails additional risks, most notably company bankruptcy and total/permanent loss of one's initial investment. On the other hand, a stock investment could also result in much greater than average gains if an individual company performs well or exceeds expectations. So - is it wise for you to purchase and own individual stocks? The answer, in my opinion, depends largely on your knowledge level and how much time you are willing to devote.

STRATEGY:

Very wealthy individuals and successful investors such as Mark Cuban and Warren Buffett have been quoted on the subject. Both men have essentially said the same thing: unless you have a greater than average level of knowledge/expertise about a particular company or industry, you should probably avoid that stock as a candidate for investment. (Buffett calls this "staying in your sphere of competence.") I agree wholeheartedly.

"Ideas for Success" articles are adapted from conversations with Money Minute readers and R1 Financial Group clients. Strategies mentioned should not be construed as investment advice or offers to purchase any product. Please consider your investment goals and risks and consult a financial advisor before making any financial decision.

The stock market is made up of buyers and sellers trying to outwit each other, and supply/demand dynamics determine the prices of individual stocks on a daily basis. To be successful, it stands to reason that you should be more knowledgeable than average if you plan to gain an edge in identifying a favorable price at which to buy.

The other related component necessary for success, in my opinion, is time. Investors with superior knowledge of a company or industry have usually gained it by doing research, reading, and studying a company's fundamentals, balance sheet, cash flow statements, etc. After purchasing, it is also wise to continue to stay informed about companies in which one invested, and this research can be time consuming. Investors not willing to devote significant time to their investments should probably avoid dabbling in individual stocks.

A final point: diversification remains a sound strategy for reducing risk when owning individual stocks and is one even savvy investors should follow.

YOUR HEALTH



Flu Season Nearing, Flu Shots Available Now



Every year in the United States, up to 20 percent of the population gets the flu, and more than 200,000 hospitalizations and about 36,000 deaths occur from flu complications. Approximately 90 percent of these deaths are among people age 65 and older. Although the incidents of influenza are the highest in young children and they serve as a main source of flu virus transmission, deaths among children are uncommon. The flu is caused by influenza viruses and is spread from person to person through coughing and sneezing.

Because influenza viruses are constantly changing, an annual flu vaccination is recommended as protection against the flu. The flu vaccine is commonly available starting in late August and usually takes about two weeks for the vaccine to work. Vaccine experts at The Centers for Disease Control and Prevention (CDC) voted in 2010 to officially recommend that all individuals older than 6 months of age receive a seasonal flu vaccination each year. At present, there are several varieties:

- regular flu shot for individuals 6 months of age+
- high-dose flu shot designed for individuals 65 and older
- nasal spray flu vaccine which is approved only for healthy, non-pregnant individuals ages 2 - 49
- new intradermal flu shot that is injected into the skin with a much smaller needle (as opposed to the traditional shot injected into the muscle - usually in the arm)

This new intradermal flu shot was introduced for the 2011-12 flu season and is only recommended for individuals ages 18-65. Regardless of type, now is the time to do your research, consult your doctor and strongly consider getting vaccinated.

***Source(s): Walgreens, CDC**

Q. "Can you explain 'QE3' in layman's terms and whether it's going to be a good thing for the economy or not?"

-Norman – Bedford, TX

A. I'd be happy to explain. Quantitative easing (QE for short) are monetary policy actions carried out by the Federal Reserve, headed by chairman Ben Bernanke. The mandate of the Federal Reserve is twofold: to take action when necessary to promote full employment and stable prices (i.e., keeping inflation in check). This usually entails adjusting key interest rates and/or purchasing or selling assets in the open market. The Fed recently announced a third round of action since the great recession, hence the name "QE3." This round it pledged to purchase \$40-50 billion of longer term mortgage-backed bonds per month in the open market in an effort to stimulate economic activity, promote job growth and hiring, and keep interest rates low. Fed action is a primary reason why many key interest rates are at or near record lows.

If you are a business that wants to borrow money to expand or an individual who wants to buy a home or car, low interest rates and borrowing costs are a good thing (obviously). There is a concern that these actions will lead to high inflation at some point, but inflation rates and rates of economic expansion are currently well below long-term averages.

Q. "What is your opinion of using a life insurance policy as an investment? I was recently offered a chance to invest a lump sum of money into a universal life insurance policy."

-Jane – Dallas, TX

A. Without knowing anything else, I'd urge you to proceed with caution and make sure you have all of the facts in front of you. The cash value growth, tax-deferred growth, and other features of permanent insurance policies make them unique as compared to most other places you could invest a lump sum of money. You must, however, be sure you are clear that you are purchasing a life insurance policy¹ first and foremost, and you are paying for that insurance via monthly deductions from the policy's cash value even if you don't really feel like you want or need the insurance.

Another issue to consider is the lack of flexibility in withdrawing your initial investment without penalty. Most types of policies will levy "surrender charges" for many years after your initial investment and will likely lead to a loss of principal if you decide to cash out your policy within the first several years. Last, investment gains withdrawn from insurance policies are treated and taxed as ordinary income as opposed to lower long-term capital gains rates that currently exist.

Overall, take your time and compare alternatives before making any decisions.

Money Minute Trivia Question



Which television show recently won its third consecutive Emmy award for "Outstanding Comedy Series" and has been cited as both Ann Romney's and Michelle Obama's favorite T.V. show?

A) *30 Rock* B) *Big Bang Theory* C) *Two and a Half Men* D) *Modern Family*

*Please email your answer to Brad@R1FinancialGroup.com. Each month one winner is randomly drawn out of all correct responders to receive a **\$25 gift card to a local restaurant!**

Last Month's Winner – Jim V. of Dallas, Texas

Question: Which well-known actor gave a rather odd speech at the 2012 Republican National Convention in Tampa poking fun at President Obama?

A) *DeNiro* B) *Pacino* C) *Voight* ***D) *Eastwood*

Market and Economic News



The U.S. economy added an estimated 114,000 new jobs during the month of September, and the national unemployment rate fell from 8.1% to 7.8%. This is the lowest level since President Obama took office in January 2009, which is a positive, but skepticism persists due to relatively weak monthly job growth numbers. According to the most economists, it will take consistent job growth of 200,000 - 250,000 per month to meaningfully reduce the unemployment rate and restore the millions of jobs lost during the last recession.

At a Glance...

(as of October 5)

DJIA – 13,610

S&P 500 – 1,460

NASDAQ – 3,136

10-yr T-note – 1.73%

*** 4 Essential Elements to Being a Successful Investor**

(Continued from page 1)

Other more complex strategies may require several hours per week or even several hours per day to monitor and carry out successfully. In any case, there is no free lunch, and I do not believe there are any shortcuts when it comes to success in investing.

Early in his career, Warren Buffett has been quoted as saying he would routinely spend 8-12 hours per day reading and researching investment ideas in his office. On the other hand - many individual investors spend virtually no time managing their IRAs, 401(k)s and other investment accounts after they are set up and running and merely glance at their account balances from time to time. I believe that excellent results can be achieved somewhere between these two extremes.

3) Temperament - "Success in investing doesn't correlate with I.Q.," Warren Buffett once said. "What you need is the temperament to control the urges that get other people into trouble in investing."

It has been said that many unsuccessful investors are like unsuccessful dieters that jump from diet to diet, who can't stick to one plan, then end up at least as heavy as they started. Such investors are habitually their own worst enemies and don't have the right mindset to allow them to control their emotions and stick to a logical investment plan at all times.

The right temperament for success is one of being even-keeled, level-headed, consistent and able to keep your emotions out of the decision making process, even in the face of extreme market volatility and other people acting emotionally. It is a "cool as a cucumber" mentality that stems from self-confidence in one's investment strategy, process, and research. This mindset is often accompanied by an independent spirit that is not concerned with following the crowd and is only concerned with being faithful to the guidelines they have set for themselves.

4) Desire - Having the time, know-how and right

temperament to be a successful investor is of little use without the desire to be a successful investor. In fact - the desire to achieve outstanding results with one's investments may be the most important trait of all. The desire to be a successful investor can be motivated by any number of things: the desire to increase one's wealth, personal validation in one's chosen hobby or profession, a competitive nature, a genuine love and passion for investing, etc. Regardless, this sense of desire motivates them to continually put in the time and work towards a goal.

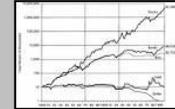
I'd like to finish with this: it does not matter if you have millions of dollars or have just a few thousand, or whether you are just starting out and saving for retirement or if you are already retired. You are an investor, and you would welcome better investment results. More importantly - you have the potential to improve your investment results by taking action. I don't care what your level of expertise...there is always room for improvement.

Of course - no strategy assures success or guarantees against potential losses. Whether you are a do-it-yourself investor or are enlisting the services of a financial advisor, make sure whoever is making the decisions regarding your money possesses the four traits and behaviors on this list, and you will be well on your way to investment success.

As always - carefully consider your personal financial situation and goals before making any investment decisions.



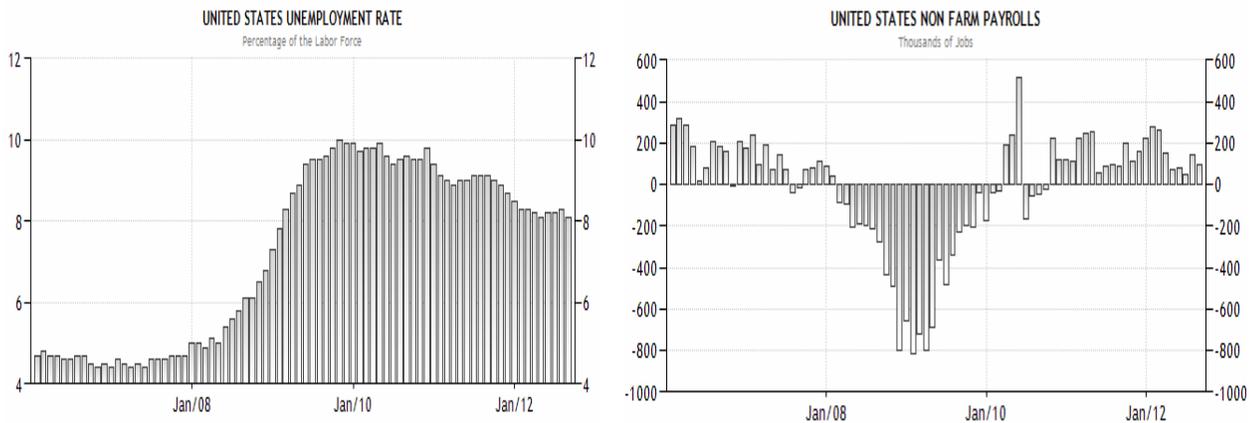
UP CLOSE
In-Depth Information for Smart Investors



The Real Story on Jobs and the Unemployment Rate

The state of the U.S. economy will be a heated topic this election season, and you are sure to hear blame placed on President Obama by Republican challenger Mitt Romney for the current state of the labor market. In advance of the bickering, name calling, and creative use of statistics that are sure to come, I thought I'd look back and share the facts to show exactly where the labor market sits at this point, roughly four years after the worst of the recession. Below are charts of the unemployment rate and monthly job growth/loss figures since 2006.

Unemployment Rate and Job Growth (Loss) Trends - Jan. 2006 to Present



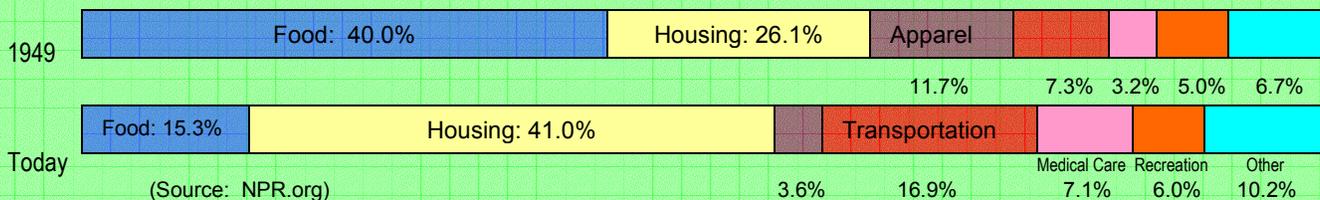
Source:
Trading Economics, Bureau of Labor Statistics.

The unemployment rate reached the 10.0% level in late 2009/early 2010, climbing from just 4.5% in mid 2007. This peak was the highest level reached since after the 1982 recession (10.8%). A total of 8.7 million jobs were lost between December 2007 and January 2010, and since that time private employers have added back 4.6 million of those jobs - an average of 154,000 per month - and the unemployment rate has decreased to just over 8.0%. State and local governments continue to be a negative contributor to employment figures. The U.S. economy has expanded for 12 consecutive quarters as measured by gross domestic product (GDP) growth, the key measure economists use to determine when recessions begin and end. These are the cold, hard facts.

I believe the majority of voters have already made their minds about which candidate they will be voting for on November 6th, but for those voters who are still undecided, they will have to decide whether or not the economy has recovered enough during President Obama's time in office to justify a second term. Hopefully the above figures will assist in making that decision.

Money Minute Tip of the Month: Americans' Spending: 1949 vs. Today

This is not a money-saving tip, but I thought it was interesting enough to share anyway. I came across an interesting article recently that detailed spending in 1949 by the typical American household for the year compared to today, expressed as a % of total income spent in various categories. The relative decrease in spending on food and clothing/apparel and increases on housing and transportation are



(Source: NPR.org)

noteworthy. The average home size has gone from less than 1000 ft² to greater 2000 ft². Also, there were roughly 3 automobiles for every 10 Americans in 1949. There are now ~8 vehicles for every 10 Americans living in the U.S.!

Important Information – This newsletter and its contents are produced for educational and general informational purposes only and are not intended to be personal financial advice or provide specific recommendations to any individual, nor are they an offer to purchase any financial product. Opinions voiced in this material are those of Brad Rodrigues and do not represent the opinions of LPL Financial or any of its representatives. To determine which investment(s) may be appropriate for you, or for more information about financial and investment planning, please contact R1 Financial Group (see below).

1 - Insurance policy guarantees are based on the claims paying ability of the issuing company.

Additional Content About Subjects Mentioned in this Newsletter:

Stock investing involves risk including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise, and bonds are subject to availability and change in price.



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