



RETIREMENT FINANCIAL SERVICES, INC.
WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

Weekly Commentary
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The Markets

While stock markets are down, there may be one market where you can actually make some money.

Collapsing real estate prices helped lead us into the current recession and the government realizes that stabilizing real estate prices may be one key to pulling us out of the recession. Accordingly, the government is doing what it can to influence mortgage rates and help them move lower. Lower mortgage rates improve housing affordability and may lead to higher demand. Higher demand may help put a floor on housing prices and end the current downward spiral. That, of course, would be a good thing.

Lower mortgage rates also offer another potentially huge benefit for consumers and the economy. As rates drop, homeowners have an opportunity to refinance their mortgage and lower their monthly payment. Like the recent drop in gas prices, a lower mortgage payment puts more money in your pocket.

As of last Friday, some banks, such as U.S. Bank, were offering conventional 30-year fixed mortgages for less than 5% and that was with no discount points and no origination fee. So, while you can't control what happens in the stock market, you can make some common sense moves such as refinancing a mortgage to take advantage of lower rates. Now may be a good time to look into it.

Returns through 1/9/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrial Average	-4.8	-2.0	-31.8	-9.9	-5.1	-1.8
NASDAQ Composite	-3.7	-0.3	-35.6	-15.8	-7.9	-5.3
Standard & Poor's 500	-4.5	-1.4	-36.5	-11.6	-4.5	-3.4

Sources: Yahoo! Finance, Barron's. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, Five-, and 10-year returns are annualized. Assumes dividends are not reinvested.

BAILOUTS AND STIMULUS PACKAGES have a long history in the United States. From Alexander Hamilton's solution to the Panic of 1792, to the federal response to the Savings and Loan Crisis in the 1990s, when there's a financial meltdown, Uncle Sam comes to the rescue. This time, the federal government is charged with creating a stimulus package of historic proportion to save an economy rocked by the ongoing effects of the subprime mortgage crisis, falling home prices, increasing unemployment, plummeting consumer confidence, and dismal stock market returns.

Next month, a record-breaking \$800 billion to \$1 trillion multi-year stimulus package may land on the President's desk. Among other items, the package may include tax reductions for individuals and businesses, plus increased spending on infrastructure. Will it work?

Importantly, the package is being planned with an eye to the recent past. For example, because many taxpayers used recent tax rebates to pay down debt, thereby muting the positive impact of infusing new dollars into the economy, the new administration is considering tax cuts for businesses and individuals in

the form of lower payroll taxes. While giving consumers a bit more cash in each paycheck will get money into the economy more slowly, it may be more effective than rebates in increasing consumer confidence and stimulating spending. Naturally, tax cuts for businesses will bolster the economy only if companies use the money they save to hire or invest in new technology. Conscious that falling demand for goods and services could cause companies to balk at expansion, President-elect Obama has proposed a \$3,000 tax credit for each new hire.

The key to the success of increasing spending on infrastructure projects will be to ensure the unemployed are put to work. What's more, state governments need to be cautious that the likely "use it or lose it" rule that will accompany infrastructure grants doesn't prompt them to plan major projects hastily and fail to ensure that federal money, and that it doesn't benefit those hardest hit by the recession. Of course, additional drops in interest rates, one of the most effective economic recovery levers the government can pull, will also be on the table. Here, the obvious beneficiaries are banks and major businesses that borrow large sums at or near the prime rate. Lower rates will also benefit consumers in the market for mortgages, as mentioned earlier, or car loans, and could result in companies being more likely to hire new workers.

The timing of a government stimulus package is also important. For example, some say federal intervention during the recessions of the 1960s and 1970s came too late and did more harm than good. It's also imperative to realize that in our increasingly global economy, the federal government has little control over a number of factors that impact the domestic economy – from oil prices, to the value of the dollar, to world demand for American goods.

Finally, even if the spending plan pulls us out of recession, it's important to understand that overspending contributed to this financial crisis and perhaps more saving is in order, too.

Weekly Focus – Word of the Week – “Frigorific”

Now that it's freezing in some parts of the country, “frigorific” seems like an appropriate word for this week. It's an adjective that means “causing cold” or “chilling.” It comes from the word, “frigus,” which is Latin for “cold” or “frost.” For example, “Without proper clothing, the frigorific blast of air would turn your skin purple in a heartbeat.” Just for fun, see if you can use “frigorific” in a sentence this week.

Best regards,

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