

Smart Insights

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Smart Investments Advisory Inc.

Spring Edition!!

We've been very busy in the last couple of months at Smart Investments, and are very pleased to issue our Spring Newsletter! In this issue we'll be covering some ideas to jump start your Spring, commenting on the economy and of course our fun facts! Spring is finally here, and I couldn't be more excited! We hope all of the Mothers out there had a fabulous Mother's Day weekend! I've also included some fun, upcoming events in the area, hope to see you there:

Starting May 11th – September 3rd- Lake Arrowhead concert series- Featuring a different band every night. Every Friday and Saturday at 6:30pm Lake Arrowhead Village

Saturday, May 19th - Redlands Optimist Car Show & Chili Cook Off-Sylvan Park 9a-4pm

Saturday, May 19 & 26th-Redlands Shakespeare

Festival-Redlands Bowl 8pm
Sunday, May 27th -Redlands Firefighters Car Show-
State St. 8-4pm

June 3rd- Lake Arrowhead Mountain Sunrise Rotary
Classic car show & Sock hop at the Lake Arrowhead
Country Club

June 4-5th-21st Annual Classic Wooden Boat Show
in the Lake Arrowhead Village

June 23rd-Annual Art and Wine Festival hosted by
Lake Arrowhead-Rotary Club featuring Hangar 24
brewery (Barry will be serving beer!!) Tavern Bay

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What's Next?

SUMMER!

A day at the beach, barbeque or a camping trip. Maybe some time to catch up on your reading list.

Whatever your choice of summer activity, don't forget to keep us in the loop so we can make sure your vacation money is ready to go! Also, one sure thing about summer is that autumn will follow, and with that, withdrawals from 529 education

accounts are needed. Let us get your needs on the schedule so you can avoid the rush.

As always, we are here to help.

Thanks for your business!

Let Interest Rates Rise!

I can't believe that I am saying this, but I truly believe it to be the case. Who would ever expect higher interest rates would actually improve business conditions? Certainly not I—at least not until very recently.

Most people expect low interest rates to be helpful to business investment. Also, low interest rates are ALWAYS a strong positive incentive to bolster real estate transactions, right? I think, perhaps for the first time, “WRONG.”

I have 3 thoughts:

Spending power provided by savers: There are a large number of retired people who have less income today, primarily due to non-existent interest rates. We speak with people all the time that had \$25,000 to \$50,000 in annual interest income that has been reduced to a fraction of what it was. This income from interest bearing investments is not there, so it can't be spent. I think this is a larger problem than previously thought. Retired people spend more of their investment income, because they have less earned income. It's not there, so they can't spend it. The spending is missing. I think this has slowed the economy, and put a damper on employment.

There is no urgency to close a home purchase: This is a very complex area, but focus on one small little segment: Lower interest rates have not spurred activity. Why? There are lots of reasons; a large supply overhang is a good one. But I'm thinking that maybe lack of a good reason to “hurry” is one of them. In the past, one good reason to close a deal was because you didn't want your financing rate to change while you in the negotiating stage. For the last 3 years, sitting on your hands has been beneficial. Rates have continued to drift downward, so there is little incentive to “hurry up!”

It's Too Hard to Get a Loan!! I've heard it said that it's almost impossible to get a loan these days – of course, the person doing the borrowing wants the current low rate! I wonder if perhaps the bank just isn't interested in making the loan at 3.0%. Let's look at this a little closer. The borrower wants to borrow

\$200,000 to purchase a home and the current rate is 3.0%. The borrower wants to use the funds for 30 years. Contrary to popular wisdom, bankers aren't complete fools – they think interest rates will go up one day too, just like the rest of us. It'll probably happen in the next year or two. As a bank, this means your cost of money goes up, and sooner than 30 years from now. If it goes back to a “normal” level, say 5% CD rates come back in vogue, the bank will lose on every loan they made (Surprise!). I think that is one reason that about 92% of all home loans that are made today are made by a Government sponsored agency – like Fannie, Freddy and Ginnie. Banks don't want to lose money. It annoys the shareholders. Fannie, Freddie and Ginnie are taking that risk with government sponsorship. I'm wondering what we'll do when Fannie begins losing money again because of this.

So what's the Solution?

There is one Great Big beneficiary of these all but zero interest rates: Uncle Sam. The Treasury has been on an unprecedented borrowing binge, while at the same time forcing interest rates down. They even have a name for it: “Quantitative Easing.” Think about the Federal budget deficit at an interest rate of 1.75% – that's the interest rate on 10 year treasuries. Now (careful) think about it if rates edged up to 5%. How much is the national debt? Not quite \$17 trillion. Raise bond rates by 4% and pay an additional \$640 billion per year in carrying costs. The bottom line: The Government has removed at least \$640 billion in spending power from the citizens, and used it to leverage its way deeply into debt. I say let's allow interest rates to find their own level and give some of that purchasing power back to the people! The economy will begin to improve the very next day. Power to the People!!

-Barrick Smart

Some Springy Ideas!!!

Spring is the time of rebirth and growth and is synonymous with “Spring cleaning” as this is the time of year to purge unwanted items, clean, and get that garden growing! While I know all too well of all the work that entails, as I’ve been doing that myself, it is also a good time to regroup and reassess our portfolios, purge old documents and reevaluate what lies ahead. Here are just a couple of ideas to get you started:

-Have a garage sale to get rid of old items and use the proceeds toward paying off some debts or for a day trip you’ve been wanting to take!

-Purge all documents older than seven years. No one likes piles of paper! Scan your documents and store them electronically. All-in-one printers are more affordable than ever and Office Depot often has sales on their zip drives. I recently bought a zip drive for \$4 with 8GBs of space. And don’t stop with your taxes! You can also store important documents like Marriage certificates, birth records, family photos and more!

-Have a look at your budget. With a little tweek here and there, you’ll be able to free up some cash. I recently started a budget, and it has been very eye opening! By writing down your monthly income and expenses side by side, you’d be surprised of where your money is really going. One example: If you spend \$7 a day on lunch, that can add up quick! By packing a lunch for just five days a month that could save you around \$20 and you’ll probably be eating healthier too!

-Gather up your March 31st statements and see if you can consolidate any investment accounts. If you can’t find your March statements because they’re in that pile of papers, your June statements will be out shortly. Mark it on the calendar or if you have a smart phone, set that reminder for the first week of June to do just that!

-Schedule a meeting with your Investment Advisor aka Barry, to go over your portfolio and assess any changes that should be made.

-Plant a Vegetable/Herb garden- get back in touch with Mother Nature and plant a garden this spring.

Nothing beats home grown vegetables and it can be fun for the whole family. It’s a great activity to do with children and is economically sweet! With most of the produce traveling up to 2500 miles before it reaches the store, gardening not only puts money in your pocket but is also eco friendly.

-Set one goal for something you been wanting to do and just haven’t gotten around too. Whether it be organizing your office, purging those files or weed wacking, once it is completed you’ll feel a sense of accomplishment and might even be motivated to keep going onto the next task. Siese the day and enjoy the beautiful spring weather!!!

-Ali Arciniega

Fun Facts for the month of May!

According to the early Roman calendar, May was the third month. Later, the ancient Romans used January 1 for the beginning of their year, and May became the fifth month. May has always had 31 days.

There are many different explanations on how the month of May was named. The most widely accepted explanation is that it was named for Maia, the Roman goddess of spring and growth

The Empire State Building opened May 1, 1931.

Memorial Day first observed, May 5, 1866.

Mother's Day became a public holiday, May 9, 1914.

On May 10, 1872 the first woman was nominated for President of the U.S.A. even though women could not

vote. Her name was Virginia Woodhull.

Bet you did not know this month is celebrated as: National Salad Month, National Egg Month, National Barbecue Month, National Hamburger Month, Better Sleep Month and National Photo Month!

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