



LOVELESS

WEALTH MANAGEMENT LLC.

2619 St. Johns Ave. Suite E, Billings 59102
Ph 406-656-9212 or 800-848-4447; www.loveless-wealth.com

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Letter from *your Advisor*



“Some people say they want to wait for a clearer view of the future. But when the future is again clear the present bargains will have vanished. In fact, does anyone think that today's prices will prevail once full confidence has been estored? ”

-Dean Witter (May 1932)

Looking Ahead

ECONOMY BY NUMBERS		
Consumers Confidence August, Conf. Bd	54.1	↑
Existing Home Sales, August, NAR	+5%	↑
Mortgage Rates 30 yr, September bankrate.com	5.2%	↓
Unemployment Rate August, bls.gov	9.7%	↑
Leading Economic Indicators Index, August, Conf. Bd	0.6	↑

Economy – remembering that jobs are a lagging indicator we analyze other leading indicators; many of which if not positive are at least ‘less negative’.

- Home prices and home sales are both turning up for extremely low levels. The excess inventory of homes for sale is declining after increasing for many months.
- The Conference board’s measure of consumer confidence was up in August after declining in July.
- Chicago Purchasers Managers Index has moved into neutral territory after being strongly negative for months.
- Mortgage rates remain low.
- Durable goods orders were positive in July- however excluding jet aircraft were slightly negative.
- Risk based credit spreads are narrowing – the financial system is slowly coming out of the deep freeze.
- Business inventories have declined – any pickup in demand will help the economy.
- Consumer spending rose .2% in July – and wages were up .1% in July after falling .3% in June.
- Inflation remains under control so far.

Bottom Line on the Economy: we believe we will have very moderate growth starting sometime between now and the 1st Qtr of 2010. The US Consumer represents almost 2/3rds of the total US economy and the growth rate of the economy will remain subdued

because of historic consumer and government debt levels and high levels of unemployment.

Markets - By many measures the market has recovered over 50% off its lows in Mid-March. Most prognosticators do expect the market to take a breather or at least to consolidate its gains at these levels. We believe this to be a function of the


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market being far too low in March – understandable when talk was about nationalizing whole sectors of the economy- fear was extremely high. We neither see a big sell-off at these levels nor big gains from here in the short-term. September brings another end of quarter and earnings forecasts (mostly positive is our guess) but also brings Congress back into session which statistically is a negative. September and October generally are negative months. However there is a tremendous amount of cash on the sidelines – most measures put the number at \$3-4 trillion trying to find its way back into markets. With record low rates it will start to get invested. So we believe there will be some short term (60 day) volatility with the autumn bears having their way one day and the bulls taking the day another. Longer-term we are concerned about inflation (deficit spending and energy pricing) but believe we will have economic growth in the 1% range.

So with a fair forecast of moderate to low economic growth over 12-24 months and with inflation likely taking hold in late 2010 /2011 we have a broad outline of increasing equity exposure (including global positions because of the declining US \$) and decreasing long maturity fixed income.

Stay diversified with equities, fixed income, cash, real estate, and international is most important.



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Financial Planning

Estate Planning Tune up - There are 3 basic documents to start:

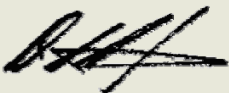
1. Everyone should have a **Will**. They can be simple or complex. If you have a Will and it has been some time since review then you should review you will and the beneficiaries and executors to make sure they are still appropriate.
2. **Durable Power of Attorney**. The person you grant the Power of Attorney to is able to act on your behalf in financial and legal matters. Durable means it would still be effective in the event of your disability. A secondary POA should be named in case the first is unable or unwilling to act on your behalf.
3. **Health Care Power of Attorney /Advance Directive**. Sometimes a Living Will is used. In this document you give advance directives for medical decisions - the person you want to help make decisions is named and usually your personal doctor.

Also re-visit how your assets are registered. Almost all states now allow some form of Transfer on Death Registration (TOD) even now with real estate. This works well as the asset does not have to go through the probate process.

Other Estate Planning documents commonly used are Revocable Trusts, also called Living Trusts. These may be revoked at any time and any assets registered to the Trust are governed by the Trust instrument. Almost always the person who forms the Trust is also the Trustee and often the first beneficiary. There are successor Trustees and successor beneficiaries. Can work very well but most people have assets outside the Trust so then cannot replace the Will entirely. If you have a Revocable Trust be sure to review it periodically for Trustees and Beneficiaries and to make sure you have the assets you want in it.

Irrevocable Trusts can be more restrictive but offer more tax benefits. Operate similar to Revocable Trusts but cannot be revoked so use with caution.

Charitable Giving is often a part of Estate Planning and if you have questions on the many ways to give please, and the amount is over \$10,000 call us so we can help structure the giving to yours and the charities benefit.



Donald S. Loveless CFA® CFP™

