



# FINANCIAL FOCUS

A NEWSLETTER FROM  
FLEISHEL FINANCIAL ASSOCIATES  
AN INDEPENDENT REGISTERED INVESTMENT ADVISOR  
*Clarity and Confidence for Life*

## Economic and Market Update- Budget Deficit Deliberations

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May 2011

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Federal spending is out of control. From 2007, the last full year before the financial crisis, to 2011, the second full year of economic recovery, spending has jumped \$1.1 trillion, or 40%, when a \$200 billion increase would have satisfied inflation. The current federal gross debt as a percentage of Gross Domestic Product (GDP) is at 70% vs. 110% during World War II. Even though the current budget deficit is pushing 10% of our GDP, the good news is that from 2009, the market cap of the S&P stock index has doubled from \$8 trillion to \$16 trillion helping our nation's overall balance sheet. For any other country, a deficit exceeding 10% of

GDP would force austerity by sending interest rates on government bonds through the roof. Alas, the U.S. prints the world's currency -- the dollar -- so it can inflate its way to solvency, and the bond market is starting to take that bet.

What counts, though, is whether the newly elected conservative majority in the House of Representatives keeps its mandate as measured by the polls. Through 2012, the projected cumulative deficit is \$11 trillion, and House Republicans are crafting a plan to cut that figure by \$4 or \$6 trillion -- reports vary on the amount.

Thanks to huge deficits, inflation expectations are rising, and bond investors are becoming wary that the secular trend on 20- and 30-year U.S. Treasury rates is up and up. Not just a cyclical adjustment this summer, as unemployment falls and the Federal Reserve ends quantitative easing, but up and up over the next several years because the size of deficits President Obama's budgets project are on the low side. He assumes too much cost savings and additional revenue from health care reforms and a 4% percent growth rate for the next four years -- something few economists would endorse.

The choices are clear. We can make responsible reforms to health care that harness drug, administrative and tort costs now, and ensure solvency for Social Security by raising the retirement age to 70. We can curtail Federal spending to live within our means now or face substantially higher interest rates and inflation. To be sure, Americans will



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## Economic and Market Update (continued from page 1...)



have to take more personal responsibility for their retirement through sound financial planning measures of saving and investing for their futures. The boomer generation has had a difficult wake up call with fewer pensions offered by employers, low interest rates and volatile markets. See the article on baby boomer poll results about retirement on page four.

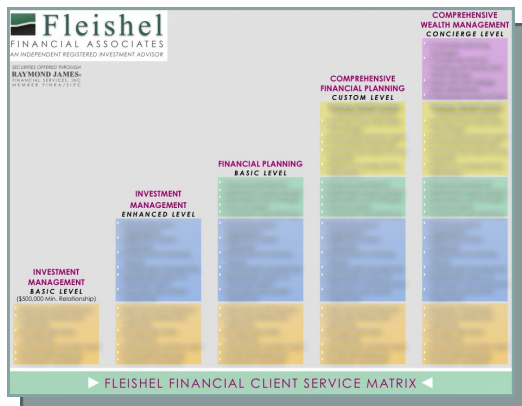
Already frightened by fears about Europe's debt crisis and China's latest tightening, financial markets got really spooked recently when Standard & Poor's cut its outlook on America's AAA debt rating to negative from stable. The idea America could lose its AAA rating is not new but S&P's action makes it more likely as a real-world event; specifically, the outlook revision means a 33% chance of a rating change within 2 years, according to S&P.

An actual debt downgrade would raise the cost of interest payments for the U.S. government, as well as raise borrowing costs for U.S. consumers and corporations. Higher rates would have a crushing effect on the debt-laden U.S. economy, which helps explain the market's reaction: Treasury prices fell, sending yields higher, while money flowed out of stocks and other "risk" assets. This was the classic "shot across the bow" to our members of congress to cut spending and give them a foretaste of ramifications from raising the debt ceiling further.



(Sources: Natixis Global Associates, JP Morgan)

## CLIENT SERVICE MODELS by Kurt Anderson, Operations Manager



After months of work, we are excited to present a five level client service model, offering more personalized service levels to meet our clients varied needs. Each level includes a list of deliverables and the client can choose the level that is best suited to meet their family's planning needs. We felt that it was critical to provide flexibility and the ability to tailor our services for the various phases of our clients lives. It starts with the Basic level of Investment Management and progresses to the Concierge Level of Total Wealth Management which includes services such as personalized charitable giving strategies. The Custom Planning Level comes with our complete Strategic Wealth Solution™ - a six-step

comprehensive planning process to help successful business owners and families improve clarity and coordination of their complex financial matters. If we have not discussed the new service matrix with you yet, please call our office to schedule a meeting to review which level best suits your needs.

## Technology Updates

by Cyndi Rabey, Executive Assistant

**Fleishel Financial Website:** We have been working to refresh the look and feel of our website. With the assistance of a number of outsourced experts, you will notice some changes in our overall look. Some new features are also being added too! The site will have regularly updated videos, media news and market updates. Resource links to Social Security, CNN Money, 529 College Savings Plans and more will be featured. You will find easy access to the Home Inventory Checklist, Organizing Important Documents and other useful documents. We invite you to visit our website and see what's new at [www.fleishelfinancial.com](http://www.fleishelfinancial.com) Please let us know what you think!

**Options available within certain service packages:**

Have you had concerns that in the case of an emergency, how would you quickly access your important documents? One of our new web enhancements is a highly secure and encrypted online vault to safely store your key financial documents for 24/7 worldwide access. In case of a home fire, destructive hurricane or tornado, you can have peace of mind that your critical papers are secure and accessible should the need arise to access them. Call our office to find out more about this key new service deliverable.

Tired of having to keep up with numerous log-ins, pin #'s and passwords for multiple accounts? We have a solution- Total Account Aggregation- a web service that simplifies all those log ins to one site from which you can access and view all of your banking, investment and retirement account information.



**Updates to Raymond James Investor Access.** Investor Access has a New Redesigned Home Page! Investor Access now gives you direct access to your most used and essential account information. As of April 24, Investor Access home page now includes more information on your account summary, as well as our contact information, customizable quick links and direct access to Bill Pay and your debit and credit card information, including rewards. All of information and features you enjoyed previously are still available too!

Investor Access give you 24/7 access to all of your account information. A majority of our clients have found it to be very convenient to access for quick updates on their portfolio and cash holdings. Over the years, folks have bemoaned the reams of tree killing paper statements, confirms, proxies etc. delivered to their mailboxes monthly. Did you know you can elect to "turn off" paper versions and simply access these via the RJ Investor Access? Please contact me, Cyndi Rabey at our office phone or email me at [Cynthia.Rabey@Raymondjames.com](mailto:Cynthia.Rabey@Raymondjames.com)

**Social Media Update:**

Are you still working or want to network and expand your business contacts with others on a business and commercial setting? We have embraced LinkedIn ([www.linkedin.com](http://www.linkedin.com)) to stay more in tune with our clients, business associates and other interested parties. Join us by searching for Thomas Fleishel, and send him an invitation to link in to our common network of contacts.

## Baby Boomer Bungled Bummer



A recent poll finds baby boomers are starting to retire, but many are struggling with their finances and believe they'll need to work longer than they had planned. The 77 million-strong generation born between 1946 and 1964, clinging tenaciously to its youth, are getting nervous about retirement. Only 11 percent say they are strongly convinced they will be able to live in comfort. A total of 55 percent said they were either somewhat or very certain they could retire with financial security. But another 44 percent express little or no faith they'll have enough money when their careers end. Further underscoring the financial squeeze, 1 in 4 boomers still working say they'll never retire. That's about

the same number as those who say they have no retirement savings.

These findings come as politicians face growing pressure to curb record federal deficits, and budget hawks of both parties have expressed a willingness to scale back Social Security, the government's biggest program. The survey suggests how politically risky that would be: 64 percent of boomers see Social Security as the keystone of their retirement earnings, far outpacing pensions, investments and other income.

The survey also highlights the particular retirement challenge facing boomers, who are contemplating exiting the work force just as the worst economy in seven decades left them coping with high jobless rates, deflated home values and painfully low interest rates that stunt the growth of savings.

Two-thirds of those still on the job say they will keep working after they retire, a plan shared about evenly across sex, marital status and education lines, the survey finds. That contrasts with the latest Social Security Administration data on what older people are actually doing: Among those age 65-74, less than half earned income from a job in 2008.

About 6 in 10 married boomers expect a comfortable retirement, compared with just under half of the unmarried. Midwesterners are most likely to express confidence in their finances. Among boomers who plan to continue working in retirement, 35 percent say they'll do so to make ends meet. Slightly fewer cite a desire to earn money for extras or to simply stay busy.

Excluding their homes, 24 percent of boomers say they have no retirement savings. Those with nothing include about 4 in 10 who are non-white, are unmarried or didn't finish college.

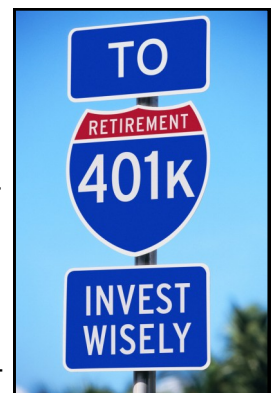
At the other end, about 1 in 10 say they have banked at least \$500,000. Those who have saved at least something typically have squirreled away \$100,000, with about half putting away more than that and half less.

Despite the worries and dearth of savings cited by many, only about a third of boomers say it's likely that they'll have to make do with a more modest lifestyle once they retire. Only about 1 in 4 expect to struggle just to pay their expenses.

From our experience, most families have to make a significant adjustment from their working lives to their retirement years, mainly in lifestyle spending. In the good ole days, you could count on the three legged stool of a pension, social security and personal savings for retirement income. With 1/3 of the legs missing, the stool won't stand. Besides Federal and local government agencies, most private enterprises have put the responsibility back on the employee, where it should be.

Like in days past - they face the age old balancing act of living for today vs. saving for tomorrow. For those still working, regardless of age, the time to plan is now, using a disciplined savings and investment plan, even if it hurts. Paying one's self first from income and wages rather than waiting to save whatever's left each month will help avert the disasters mentioned in this poll. That takes self-control, foresight and discipline.

\* The AP-LifeGoesStrong.com poll was conducted from March 4-13 by Knowledge Networks of Menlo Park, Calif., and involved online interviews with 1,160 baby boomers born between 1946 and 1964. The margin of



## On A Personal Note

We are amazed and thankful for how Marcus and Vika continue to excel in their academic and athletic pursuits. Marcus just received an award from his school for achieving high academic honors for his 5<sup>th</sup> grade classes. His school tennis team finished 1<sup>st</sup> in their division and he is ranked third place in the county wide USTA junior tournament league. Vika, just finishing 2<sup>nd</sup> grade has been reading on a 4<sup>th</sup> grade level and was promoted to level four for gymnastics. She recently was chosen to read a story she wrote to the entire school assembly. I humbly attribute the academic success to a devoted mom who helps make sure they do their homework and the fact they love to read all kinds of books. It doesn't hurt either that we strictly limit TV time, which is virtually none, except for kids DVD's.



We had a fun family trip recently to Jekyll Island, Ga., one of our favorite getaways. The weather was perfect, in the 70's during the day and 50's at night. Unfortunately, we forgot that March or early April is not a good time for the coastal marsh areas of the Southeast due to the voracious "no-see-ums" that get in your hair, your ears and anywhere else they can bite. We always try to make it to Bennie's Red Barn restaurant on St. Simon's Island, under the same management for 50 years and a favorite hangout for locals. The last evening after enjoying a few fresh oysters and other local seafood, we had a moonlight horse carriage ride around the historic "cottages" built among the shadows of the Spanish moss draped 400+ year old live oaks along the inter-coastal river, something the kids will remember for a long time.

Kurt and I recently attended the Raymond James National Conference in Las Vegas to get the latest updates on everything from tax law changes to investment and estate strategies. Don't worry, consistent with my philosophy, gambling is not my thing and I can honestly say I've never rolled the dice at a casino or even pulled a lever. Becky's folks are regulars at the casinos. Her Dad is quite the odds player and cuts his losses to break even in most cases.

We're also heading to Savannah in mid-May for a school field trip with Marcus and will make a long weekend out of seeing more Georgia historic sites and tasting great southern fare. We hope to make it to Mrs. Wilkes Dining room- serving up Southern cooking since 1943, always a memorable experience.



## How to Reach Us

Please note that we are not able to initiate security or investment purchase or sales via email or voice mail. You must speak directly to a representative of our office for any trades to occur. For other communications, our email addresses and phone extensions follow.

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## Fleishel Financial Associates ADV Update

As required by the Securities and Exchange Commission for all Registered Investment Advisors, we have updated our form ADV. This is a regulatory disclosure form that provides our clients and prospective clients with information about our firm's background, service offerings and fees. Please contact our office to receive your copy of this updated document for your files.

### Office Closings:

- ◆ Monday, May 30th—Memorial Day Holiday
- ◆ Monday, July 4th—Independence Day Holiday

*Memorial Day reminds us of our duties towards the wounded soldiers and the bereaved families, orphans and widows of the dead soldiers. We should honor the dead by adorning their sacred remains with flowers and garlands and show our gratitude towards them and their families who have given the greatest sacrifice.*



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