Navigating the Financial Storm

- How Safe is Your Pension Plan?
- How Safe is Your Life Insurance & Annuities?
- Are You Fully Protected by the FDIC?
- Your Mortgage, Line of Credit, & Credit Cards?
- The Looming Recession and What You Can Do.

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Introduction

Synergy Capital Management is an Oklahoma based Registered Investment Advisor firm. With more than 50 years of combined experience we have been serving Oklahoma families, businesses, and non-profit institutions since 1998.

As advisors it is our proud duty and obligation to educate and inform our community on the financial markets and their effects with the purpose of providing a sense of security and peace of mind regardless of your relationship to our firm. Serving you is the heart of our business; clients, friends, family, and community members.

"A Beacon Shining Brightly on that Rocky Shore Called Wall Street." I would like to elaborate on that statement and my view of an ideal advisory practice. Wall Street does indeed have rocky shores. But this is a good thing, because where there is risk, there will be return because they are different sides of the same coin. You're on a ship called "the journey", and your destination is retirement. And to get to retirement, you must navigate your way through the rocky shores of Wall Street and investing. Yes, there is risk. But that does not mean you have to be exposed. By building lighthouses and beacons, we can stay on course and avoid those dangerous rocks that sink a ship in a matter a minutes. The beacon has not completely eliminated the risk, but has shown light on the path we need to take to reach the destination retirement. Even with the beacon, we realize we must stay focused because there will always be unplanned interruptions. However, as your advisors who have been entrusted with so much, we proudly accept the responsibility of getting you there safely, peacefully and soundly. Although we cannot take out all ups and downs and sea sickness occasionally caused from the waves, we can guide you, never losing sight of that final destination called "peace of mind."

Daniel Meek
President

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How Safe is Your Pension Plan If Your Company Goes Under?

Have you been questioning the safety of your pension benefits? Just turn on your local news channel and within minutes you'll be hearing about the latest victim of our current financial storm. Bankruptcies, Uncle Sam bail-outs, former Wall Street giants collapsing. No wonder people are seriously concerned about the safety of their pension plans and retirement. But before you lose any sleep over that question, let's review the facts and see if your pensions is at risk.

Pension Plan 101

Traditional pension plans, typically "defined benefit" plans, give workers a guaranteed annual payment upon retirement based on their final average salary and years of service. The plan's sponsoring company, the employer, puts up all or most of the money. Unlike the case with a 401(k) plan, the benefit you accumulate under a traditional pension can't be demolished by a crashing stock market.

Once your pension is "vested" - which generally happens after you've been on the job for five years - you're legally entitled to a payout when you retire. Even if you quit your job or your company discontinues its pension plan, you'll be entitled to the pension you earned up to that point. You'll usually have to wait though, until you hit the plan's eligible retirement age, age 55 in most cases, to collect it.

For many years, defined benefit pension plans were the cornerstone of retirement benefits and the nest egg of million of participants. At their height in the 1980's, there were more than 112,000 pension plans offered by various companies and industries. However, in the 1960's, several large companies collapsed leavings thousands of workers without their hard earned and promised retirement checks. When the Studebaker Corporation closed its automobile manufacturing plants in 1963, 7,000 workers lost virtually all their retirement benefits. To help protect retirees, Con-

gress passed the Employee Retirement Income Security Act (ERISA) in 1974, with the primary goal of protecting workers' rights in their pension plans. The act also established the Pension Benefit Guarantee Corporation (PBGC) as an independent agency of the federal government to insure pension plan benefits in the private sector.

There are four basic types of defined benefit pension plans; federal employee pension plans, state employee pension plans, private employer pension plans, and private multi-employer pension plans. Lets briefly look at each one and the level of protection offered.

• Federal government plans: These pension plans cover civil service employees, retired military personnel, and some retired railroad workers. The promised benefits are backed by secure funding (largely U.S. Treasury debt) and the taxing power of the U.S. government. These plans are considered to be the safest in America, thus we will not cover them any further here.

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• State and local government plans - These plans cover state and local government employees, teachers, police, firefighters, and sanitation workers. The largest trade group of these plans, the National Conference on Public Employee Retirement Systems (NCPERS), includes 500 public funds with more than 14 million active participants.

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• Private single-employer plans - The vast majority of "private" plans offered by companies fall in this category, with about 30,000 U.S. plans covering more than 30 million participants, according to the PBGC.

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• Private multiemployer plans - These plans are negotiated by unions on behalf of workers at multiple companies. They have been steadily declining, and as of June 2008 number about 1,500, representing approximately 10 million participants, according to

the PBGC.

Private pensions offer you three basic levels of protection: the first being the current assets in the pension plan and investment results; the second level being your employer's required annual contributions; and the third being the guarantee of the Pension Benefit Guarantee Corp, in case your plan is not able to meet its obligations.

Current Plan Assets

The current investments in the pension plan cover two objectives; current income for existing retirees and growth for future retirees. The typical pension allocation is 60% stocks and 40% cash and bonds. These assets are set aside and protected from the employer's creditors. However, most pension plans today are severely under funded meaning there are not enough assets in the plan to meet current and future plan participant's income needs.

Employer's Contributions

Each year an actuary reviews the pension plan assets, number of participants, retirees, mortality rates, and other variables to determine how much the employer needs to contribute to the pension plan that year. In 2007, prior to the market crash, it was estimated that pension plan were under funded by over $00 billion dollars. To counter this underfunding, congress passed the Pension Protection Act of 2006 which requires increased pension contributions by the company sponsoring the plan. By 2011, all private pension plans must pursue full 100% funding by amortizing any shortfalls over seven years and increasing plan contributions accordingly. This new requirement will be most difficult for cash-strapped, unprofitable companies that already have underfunded plans. To make matters worse, the current stock market crash will lead to even more plan failures. Ultimately, handing the financial obligation to the Pension Benefits Guarantee Corp.

The Pension Benefit Guarantee Corporation (PBGC)

As noted earlier, the PBGC was created to protect and insure the benefits of millions of Americans. Basically, in the event of a pension plan failure, the PBGC steps in and guarantees your retirement income. The PBGC guarantee only applies to "basic benefits", normal and early retirement benefits, survivor annuities, and disability benefits earned and vested before the plan terminates. Your employer pays an annual insurance premium to the PBGC for this protection. Each year the PBGC board establishes a maximum income guarantee. In 2008 the maximum guarantee for single employer plans is a single life annuity of $4,313 per month ($51,750 annually) beginning at age 65. Maximum benefits paid over two lives or beginning before age 65 are reduced. In multi-employer plans, the maximum is $35.75 per month multiplied by the years of credited service ($35.75 times 30 years of service equals $1,072 per month). Currently the PBGC is responsible for the benefits of 1.3 million Americans. Many of these retirees have come from the steel industry and airline industries, causing the PBGC to be underfunded by over $14 billion themselves. With the auto industry on the brink of bankruptcy, the PBGC just might need the next government bail-out check.

You can access summary information about the number of plans and workers the PBGC protects in your state from their website at www.PBGC.gov.

State & Local Government Pension Plan Guarantees

In state/local-sponsored DB plans, there is no uniform guarantor like the PBGC standing behind promises to pay benefits. If a town or county goes broke and can't pay pension benefits, participants must look to state statutes for relief. Here, they would find a maze of legalese.

In a few states, the law is clearly favorable for pensioners by stating: "Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or

impaired." This language requires the state to use its taxing power to make good any pension benefits, if necessary. On the opposite extreme are states that treat pension rights as gratuities - meaning workers have no contractual right against the state. In between are states that provide no constitutional or statutory protections, but do have strong histories of case law protecting public pensions. The NCPERS provides a useful summary of provisions in all 50 states which can be downloaded by visiting www.NCPERS.org. Oklahoma does have state constitutional protection for public pension benefits.

The Two Greatest Risk You Face Today

Current retirees and future retirees are facing two major risks with their pensions today. The first risk is their pension being taken over by the PBGC and the second risk being their pension plan being frozen.

You might being asking what risk there is with the PBGC taking over your pension plan? Well, just ask the US Air pilots who took a 60% reduction in retirement income after their pension was taken over by the PBGC. Regardless of your level of promised benefits, you are subject to the maximum benefit provision of the PBGC. Although $4,300 may seem like a lot for some, it is a disaster for anyone who has planned their golden years on the promise of receiving more.

The greatest risk facing pension plan participants today is their company simply discontinuing or "freezing" the plan moving forward. With companies strapped for cash, many are freezing the pension plans and are switching to 401(k) plans alone. In recent years, IBM, Verizon, and Hewlett Packard have all decided to freeze their pension plans and place their workers into 401(k) plans. The consulting firm, McKinsey estimate that by 2012, 50% to 75% of all corporate pensions will be frozen, compared to about 25% in 2007. If that happens, you will be entitled to the pension benefit you have earned to date, but you won't accumulate any more benefits moving forward.

The problem with a freeze is that your pension benefits are for-

ever stuck at their current level. For instance, let’s say you are 50 years old, you have been with your employer for 20 years, and you have so far built up a pension equal to $2,500 a month payable at retirement. If your company didn’t freeze the plan, your monthly benefit would have continued to grow with each additional year you remained on the job. By age 60 your pension about would likely be double what it is today. But if your company froze the plan today, the $2,500 a month would be locked in. That’s what you would get at retirement no matter how long you stayed on the job. And of course the purchasing power of that $2,500 would be seriously eroded by inflation by the time you retired.

In the public sector, pension freezes for existing employees are incredibly rare, thanks mostly to the presence of strong unions that represent teachers, police, firefighters and other government workers.

You’re Information Rights

The best place to begin checking into your plan's health, is the basic information the plan is required to provide.

The U.S. Department of Labor provides a free online guide called "What You Should Know About Your Retirement Plan" at www.DOL.gov. The most important information is in Tables 5 and 6, describing key information your plan administrator must provide automatically (Table 5) and upon written request (Table 6). Documents such as the Summary Plan Description (SPD), Summary Annual Report (SAR) and Individual Benefit Statement explain matters such as when and how your benefits become vested, and when you qualify to begin receiving payouts. For the purpose of evaluating your plan's health, the most important document is the Annual Report (Form 5500). ERISA requires that this document be filed by all private plans within seven months of the end of the plan year, and it must be provided to participants within 30 days of the participant providing a written request for a copy.

What You Can Do?

When planning for your retirement, the most important information you want to know about your pension plan is its current funding ratio (to see if it’s underfunded) and the sponsor's plans for making up any shortfall in this ratio with additional contributions.

Although you cannot control the fate of your pension, you can control many aspects of your retirement. You can make planning decisions for possible short falls due to frozen benefits to the PBGC guarantee maximums. Planning ahead is your best defense and will help ensure your golden years are truly golden.

What Happens to My Life Insurance and Annuity Contracts if My Insurance Company Goes Bankrupt?

With insurance companies becoming the latest victims of the financial crisis, many people are starting to wonder if there are holes in their safety nets. So, should you be worried or are you protected?

The answer to that question depends on the types and values of your policies. If you're within the statutory limits, don't worry. If you're outside of those limits, you might want to examine the financial health of your insurer a little more closely. If an insurance company becomes insolvent, you are protected by your state's guarantee fund. Established by law in every state, these funds are typically maintained by a state's Commissioner of Insurance to protect policyholders in the event the insurer goes insolvent or is otherwise unable to pay its claims. Each state usually has two guarantee funds, with one fund taking care of health and life insurance claims and the other fund taking care of property and casualty claims such as homeowners and auto.

These funds function much like the Federal Deposit Insurance Corporation (FDIC). They protect consumers when financial institutions fail. The degree and amount of your coverage is state specific. Each state belongs to one of two national associations **regarding ("overseeing" maybe?)** their guarantee funds. There is one association for life and health insurance and another for property and casualty insurance. For life and health, visit the "National Organization of Life and Health Insurance Guarantee Associations" at www.nolhga.com. For property and casualty visit the "National Conference of Insurance Guarantee Funds" at www.NCIGF.org. Visiting these websites is a good starting point to finding your state specific coverage.

We will focus on Oklahoma's guarantee fund for the remainder of this discussion.

Oklahoma's Guarantee Fund

The Oklahoma Life and Health Insurance Guaranty Association is your guarantor in the event that your life and health insurer becomes insolvent or is otherwise unable to meet its obligations. Generally speaking, direct individual life and health insurance policies, direct group life and health insurance policies, as well as individual annuity contracts issued by the guaranty association's member insurers, are covered by the association. All policy coverage is limited by the terms of the Oklahoma Life & Health Insurance Guaranty Association Act (36 O.S. Section 2021 et seq.).

All insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in Oklahoma are required to be members of the guaranty association. To find out if your insurance provider is licensed in Oklahoma, call the Oklahoma Insurance Department at (405) 521-2828 or (800) 722-0071.

If your insurance company fails, the maximum amount of protection provided by the Oklahoma guaranty association for each type of policy, no matter how many of those types of policies you bought from your company, is:

- Life Insurance Death Benefit: $300,000 per insured life
- Life Insurance Cash Surrender: $100,000 per insured life
- Health Insurance Claims: $300,000 per insured life
- Annuity Benefits (Present Value): $300,000 per life

For example, “What if I own three annuities worth $200,000 each from the same insurer, and my insurance company fails? How much is protected?”

The total protection, per owner, per member company, is $300,000 for all annuity contracts. As a result, if you owned three $200,000 annuities totaling $600,000 with the same insolvent insurance company, you would have total guaranty association coverage of only $300,000. The value in excess of this statutory coverage limit would be eligible for submission as a creditor claim in the receivership, and you may receive distributions as the company's assets are liquidated by the receiver.

You can learn more about the Oklahoma Life and Health Insurance Guarantee Association by visiting www.oklifega.org.

Property and Casualty Insurance

To learn more about your protection with various types of property and casualty insurance such as automobile, homeowners, professional liability, medical malpractice, workers' compensation, and others, visit the “Oklahoma Property & Casualty Insurance Guaranty Association” at http://oklahoma.ncigf.org.

Conclusion

The reason you probably haven’t heard too much about these associations and guarantee funds is that it is prohibited by law for insurers to include the association’s guarantees in marketing and sales literature. This law prevents insurers from trying to sell their policies on the sole merit of the state guarantee association protection. As always, when it comes to your financial security find the facts and ask many questions.

FDIC, Strategies for Increasing Protection

The recent FDIC marketing campaign and expanded coverage limits have many people feeling more secure with their deposits. But what if you have more cash or CD's than the maximum coverage? Well, don't panic, because there are ways to double, triple and even quadruple your FDIC protections. Before I share with you these strategies, let's first take a quick primer on FDIC.

What is the FDIC

The Federal Deposit Insurance Corporation (FDIC) is a United States government corporation created by the Glass-Steagall Act of 1933. It provides deposit insurance which guarantees the safety of checking and savings deposits in member banks, currently up to $250,000 per depositor, per bank.

What's covered?
The FDIC insures deposits received at an insured bank. This includes deposits into checking and savings accounts, money market deposit accounts, and certificates of deposit (CDs). FDIC insurance cover the balance of a depositor's account dollar-for-dollar up to the insurance limit, including both principal and interest accrued up to the closing of the affected bank.

What's not covered?
FDIC insurance does not cover money invested in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities. Note that this is true even if these investments were bought from an insured bank. The FDIC also does not insure U.S. Treasury bills, bonds, or notes. These instruments are back by the "full faith and credit" of the U.S. government.

Limitations of coverage
The basic insurance amount is a total of $250,000 per depositor,

per insured bank. This $250,000 coverage level applies to all depositors of an insured bank except for owners of certain retirement accounts, which are covered up to a total of $250,000 per insured bank. The benefit here is that your retirement accounts are separately insured from any other deposits you may have at the same institution.

While deposits in different branches of the same insured bank are not separately insured, deposits in one insured bank are insured separately from deposits in another insured bank. Also, because coverage is determined on a "per depositor" basis, joint accounts are covered for up to $500,000. Interestingly, the FDIC provides separate insurance coverage for deposit accounts held in different categories of ownership, such that you can exceed the $250,000 limit by holding both single and joint accounts at one bank (see below).

Business accounts qualify for their own coverage as long as the business is a separate legal entity. But if the business is being operated as a sole proprietorship, then the deposits would fall under the sole proprietor's limits.

Visit www.FDIC.gov to learn more about your FDIC coverage.

What about Cash in a Brokerage Account?

SIPC was created by the 1970 Securities Investor Protection Act, 15 U.S.C. § 78aaa et seq, but it is not a government agency; rather, it is a membership corporation funded by its members.

SIPC serves two primary roles in the event that a broker-dealer fails. First, SIPC acts to organize the distribution of customer cash and securities to investors. Second, to the extent a customer's cash and/or securities are unavailable, SIPC provides insurance coverage up to $500,000 of the customer's net equity balance including up to $100,000 in cash.

From its creation by Congress in 1970 through December 2007, SIPC advanced $508 million to make possible the recovery of $15.7 billion in assets for an estimated 625,000 investors. (Bear in mind, this is protection against your broker going out of business, not the companies you invested in.)

Visit www.SIPC.org to learn more about SIPC coverage.

What About Cash at the Credit Unions

Credit Unions do not have FDIC insurance. However, they do have a similar federal insurance program called the National Credit Union Share Insurance Fund NCUSIF.

The National Credit Union Administration (NCUA) is the federal agency that charters and supervises federal credit unions and insures savings in federal and most state-chartered credit unions across the country through the National Credit Union Share Insurance Fund (NCUSIF), a federal fund backed by the full faith and credit of the United States government. -- source: NCUA

To learn more about NCUSIF visit their website at www.ncua.gov or contact NCUA's Consumer Assistance Center between 8 a.m. and 6 p.m. (EDT) at 1-800-755-1030, and press 1 for share insurance questions

Strategies on Increasing Your FDIC Cash Coverage

So what should you do if you have more than $250,000 laying around and you want it all insured? As noted above, joint accounts represent one way of stretching your coverage by giving

you an additional ownership class. Of course, this solution is limited to those with a spouse or other trustworthy individual who could serve as the account co-owner. Another possibility would be to open accounts at multiple banks, as this would provide you with as many $250,000 limits as you have banks. A related option is the Certificate of Deposit Account Registry Service (CDARS).

I'm not going to go into the CDARS in detail here, other than to say that it provides a means for easily spreading your assets around into CDs at multiple banks. Apparently, you can insure up to $50 million by doing this, with the downside being that the CD rates are typically a bit lower than you can get on the open market.

IMPORTANT: Opening Different Types of Accounts at the Same Bank Doesn't Work!
A common myth is that if you have $250,000 in a CD, $250,000 in a savings account, and $250,000 in a checking account, then all $750,000 is insured. This is wrong.

You cannot increase FDIC insurance by dividing funds owned in the same ownership category among different accounts. The type of account - whether checking, savings, certificate of deposit, or outstanding official check such as a cashier's check, or other form of deposit - has no bearing on the amount of insurance coverage.

Strategy for Getting FDIC Insurance on $250,000 Plus at a Single Bank

As noted above, the qualifying trick is to open accounts with different legal ownerships classifications. The typical types of ownership classes are:

- Single / Individual Ownership Accounts: Are insured up to $250,000.
- Joint Ownership Accounts Are insured up to $500,000.
- Testamentary "Payable on Death) Accounts POD" Are in-

sured up to $250,000 per beneficiary. Beneficiaries can be spouses, children, grandchildren, parents, or siblings.

- Trust Accounts Are insured up to $250,000 per beneficiary.
- Business Accounts "except sole proprietors" Are insured up to $250,000.

Example: Qualifying for $1,000,000 of FDIC Insurance at a Single Bank

- Open an individual account with $250,000
- Open a joint account with your spouse with $500,000
- Open a payable on death account "POD" with $250,000 (Also referred to as a transfer on death, TOD, account).

A married couple can qualify for the same $1,000,000 of FDIC insurance by having a joint account and each spouse having an individual account.

Example Two: Qualifying for $1,500,000 of FDIC Insurance at a Single Bank

Another way to get around the $250,000 FDIC limit, is by using a revocable / irrevocable trust account. These accounts are insured up to $250,000 per beneficiary. A trust account with 6 beneficiaries would qualify for $1,500,000 of coverage.

As you can see by utilizing the various ownership classes, you can dramatically increase your FDIC insurance coverage... without having to run around to 5 different banks.

What Happens to My Mortgage, Line of Credit, and Credit Cards if My Lender Goes Bankrupt?

The credit crisis has caused nearly 283 lenders to collapse in the last two years alone. Many people are left in fear of what happens next. “What happens to my mortgage?" "Will I still be able to access my home equity line of credit, and will my credit cards be cancelled?” So let’s look at the facts and answer these questions.

Your Mortgage

Recently, we’ve received questions such as, “Will they call my loan, forcing me to seek financing elsewhere to cover my note?” or “Will another lender assume the mortgage without us having to take any action?” There are a lot of unanswered questions in an economic crisis, but fortunately this answer is easy and can be summed up in two words, "Don’t Worry.”

When it comes to your home mortgage, you are protected by federal law. Your lender cannot legally change the terms of the mortgage on you and neither can the new lender. The bank or mortgage company owns your loan and/or services your loan. In either case, if your lender goes bankrupt, they would continue to hold or service your loan for a period of time, but would eventually sell your loan or servicing rights to another financial institution. Bankruptcy and post bankruptcy sale does not create or increase any right to call an ordinary mortgage. However, if your loan was callable, the bankruptcy or the whim of the buyer out of bankruptcy, might decide to call a note they would not have otherwise. Note: Callable mortgages are rare and are usually associated with commercial and business loans. Also, if you have exotic financing, which might include lease or other contract elements, bankruptcy could create some rights that didn’t exist before.

By the same token, if your lender goes bankrupt, you are still re-

sponsible for making your monthly mortgage payments. Your mortgage is a contract and you must continue to fulfill your obligation under the loan contract. The only real change that would affect you is where you would mail your monthly check.

What to do? The first thing you should do if you hear your mortgage lender is going under, is to contact your lender and find out if your mortgage is going to be sold or if they will continue to service your loan.

If your mortgage is transferred, you will receive two notices, one from your old lender and another from your new lender. The notice should disclose your loan number, payment amount, and interest rate. Even though you are federally protected, it is up to you to make sure everything is correct. Also, it's important to read your monthly statements. If you notice that your payment is late by even a few days, call the lender to track it down. Even though the crediting of your payments is automatic, it is a good idea to keep records of all your payments, including cancelled checks (if available), bank account statements, and online banking histories. If you do have a dispute, keep making your mortgage payments, but challenge the mistake in writing and keep a copy of your letter and any enclosures for your records.

Beware of Scams. During this transition you need to keep your eye out for scams. Monitor your mail, emails, phone calls and messages that deal with a change in lender, a late payment, or a payment that wasn't' received. You want to always call and confirm your new lender before making that first payment. Remember, if your loan was transferred, you will receive two notices, one from the old lender and one from the new lender. It takes two contacts to make it official. Anyone can say they bought the loan. You need the companion letter that authenticates the transfer from the original lender to confirm that all the loan numbers and information match up.

One last thing in regards to your home mortgage, you have a 60 day grace period after being transferred to a new lender. That means you cannot be charged a late fee if you send a payment to

your old lender by mistake and your new lender cannot report that payment as late to the credit bureau. When it come to protecting your personal finances, always keep good records and get to know all your facts before taking any actions.

Home Equity Line of Credit "HELOC"

Since this summer, millions of homeowners have seen their home -equity lines of credit sharply curtailed or even completely cancelled all together. But while banks certainly have the right to reduce, suspend or even terminate revolving lines of credit in which the borrower's home serves as collateral, they can't do so without underlying reason. There are several consumer-protection laws that must be followed. And even when the law is on their side, banks are required to reinstate credit lines when the reasons for the reduction or suspension no longer exist.

Here are the rules lenders are supposed to follow:

Under Regulation Z, which implements the "Truth in Lending Act", lenders are generally prohibited from closing a credit line and accelerating repayment of the outstanding balance. The main exceptions are when the borrower committed fraud or made material misrepresentations to obtain the loan, or when the borrower fails to repay the line as promised. Those two exceptions to Reg Z are obvious and pretty straightforward. If you lie to get the loan or miss a couple of payments, the line of credit can be yanked.

But a third exception -- when actions adversely affect the property pledged as collateral or the creditor's security interest in the property -- is somewhat more ambiguous, and is worth exploring in detail, especially by borrowers who think they've been treated unfairly.

According to recent guidance issued by the FDIC and the Office of Thrift Supervision (OTS), a lender can freeze or reduce a HELOC account when the value of collateral declines significantly below the appraised value. The problem, though, is that

term "significant decline" is not defined within the regulation. Indeed, the OTS says that it depends on individual circumstances.

However, there is an "official interpretation" of Reg Z on the books from a third agency, the Federal Reserve Board. It says that in order for a lender to be within its rights to clip a line of credit, or pull it altogether, the difference between the credit limit and the available equity at the time the account was opened should have been reduced by at least 50%. This 50% "rule" is not as wide of a gap as it seems. However, values don't have to plunge by 50% for your equity line to be shut down. Rather, only the amount of unencumbered equity need dip by half.

Say, for example, that a house with a first mortgage of $50,000 is appraised at $100,000. Now say the bank gave you a $30,000 line of credit. As the Fed figures it, the difference between your credit limit and the available equity is $20,000, and half of that is $10,000. Therefore, your lender can cut you off if the value of your house decreases by just 10%, from $100,000 to $90,000.

The bank is not required to obtain an appraisal before suspending someone's credit privileges. But it is violating the law if it does so -- in the words of the OTS -- "in a geographic area in which real estate values are generally declining without assessing the value of the collateral that secures each affected HELOC account." A lender, says the OTS, "should have a sound factual basis" for concluding the specific property securing each and every one of the credit lines it curtails." OTS also points out in its "guidance" to the savings institutions the agency regulates that they should avoid the possibility of "redlining," which is a form of disparate treatment based on the neighborhood where the underlying property is located.

Credit Cards

What happens to your credit cards when the issuing lender goes under? In most cases, this will be a non-event situation for you. Even though you may see your credit card as a liability,

they're the greatest asset most lenders have on their books. Almost always the credit card portfolio of a lender is sold to another financial institution in the event of a bank failure. In some cases, the bank listed on your credit card is just an agent or marketer of the card and the issuer is actually a completely separate financial institution, as in the case with IndyMac Visa cardholders.

Most of IndyMac Visa cardholders will probably never feel any effect from its closure, because IndyMac was not a card issuer but merely an agent bank, in this case of Elan Financial Services.

When it comes to credit cards, a lender going under is typically a non-event to you. The cards continue to be usable and, especially if the bank was an agent of somebody else, there will be zero change in card terms. But unlike home mortgages, the new issuer can change terms such as your interest rate and annual fees.

In Conclusion

The best advice for you today is to watch your mail. The mailbox is where you'll be notified of any changes with your mortgage, lines of credit, and credit cards.

The Recession and You

Panic, Fear, Anxiety… Just a few words that could describe the emotions most of us have experienced over the past several months. The economy and Wall Street have taken over the headlines with reports of doom and gloom, declaring "It's the end of the world as we know it."

The magnitude of the current credit crisis and its sweeping effects on the market and economy has stumped many of the smartest minds. I am certain many text books will be written on the various causes of this financial crisis and will be a classroom study for years to come. However, for the moment, we don't have time to write these text books and you probably don't have the time to read them. I would like to share several thoughts with you that I feel will ease your market restlessness. First, despite what the media is saying, these are not the worst of times. Second, I would like to share why our advice to our clients has not changed. Third, the actions you can take today to strengthen your future.

The Worst of Times?
The stock market is so volatile right now that it's almost impossible to write anything that won't become obsolete almost immediately. For instance, October's issue of "Consumer Reports Money Adviser" contains the following sentence: "U.S. stocks appear to be on the mend after taking a beating over the last 10 months."

It's been just over a year since the U.S. market hit its peak in October 2007. As of the time of this writing, the Standard & Poor's 500 Index has declined 35.9 percent since then. The average bear market over the past 50 years has seen a drop of 32 percent.

There are two crucial things you should know about bear markets. It is impossible to recognize the bottom of a bear market until well after the fact. (This tripped up the writers at "Consumer Reports Money Adviser."). And past bear-market bottoms often have been followed by very swift recoveries.

In 1981 and 1982, a major recession pushed the stock market down 27.1 percent over about 20 months. Though nobody could recognize it at the time, the bottom came on August 12, 1982. In the next four and a half months, the market rebounded nearly 40 percent, gaining back with stunning speed all the ground it had lost. Investors who were on the sidelines during the bad times missed out on much if not all of this recovery.

Today's Economy

Today's economic problems can seem insurmountable. That's nothing new. But our economy was in a lot more trouble in 1981 and 1982. Back then, the prime lending rate was more than 20 percent. People were taking out long-term mortgages at 15 to 20 percent. Banks offered five-year certificates of deposit paying 16.5 percent. As unemployment peaked at nearly 11 percent, it felt as if our system was coming unglued.

As investors it's important to keep in mind that the stock market does not operate on the same timetable as the economy. The amazing 1982 recovery started in mid-August, even though the recession itself was not over until November. Furthermore, the end of any recession is not known or announced right away. Investors who waited for better economic news waited too long for the late 1982 rally.

Our Advice

Our advice today is the same advice we gave over ten years ago when we first opened our doors for business. Then and now, we advocate that you invest for the long term and don't react on Wall Street's emotions. Then and now, we advocate a long term plan aligned with your goals and risk tolerance. A plan in place keeps your emotions in check and prevents you from reacting to market noise. Then and now we advocate wide diversification among multiple asset classes.

As your advisors we do not take our responsibilities lightly. It is our job to keep you on course to reach your financial objectives

making planned and unplanned adjustments when required. We are a beacon shining brightly on that rocky shore called Wall Street. It is our proud obligation to offer you direction, guidance, and reassurance… to protect you from the emotions of Wall Street, to assist you in the accumulations of wealth, and to ensure you leave a legacy to your family for generations to come.

What You Can Do Today

Sometimes, we have to accept that some things are just out of our control. Neither you, nor we, can control the stock market or macro economic events. We can stay informed about them, but we cannot control them.

The good news is that there are some things in our life that we can control. We can control how we invest and whether we are diversified. We can control whether we develop and follow a plan that assumes things will change from time to time. We can control the urge to panic when the market is falling and the temptation to buy when the market is rising wildly. You can also contol the information you seek and the questions you ask. Start asking your advisor and yourself the following:

- When was the last time your advisor performed a portfolio review?
- Do you know each investment you own and why you own it?
- If market trends continue, how confident are you that your current portfolio allocations will meet your longterm goals?
- What do you like and dislike about your current or past financial plan?
- What legacy do you want to leave for your family and what plans have you put in place to make sure your legacy is carried out?

Apart from the market we can control how much we spend and how much we borrow. We can control what we expect and what we demand from life. In good times and bad times, we can choose to focus our time and energy on the most precious wealth of all, God, our family, and our friends. It is in these times of un-

certainty when we can appreciate the many blessings we have and live our life to the fullest.

We hope this guide has given you some insight and knowledge. We thank you for being a loyal member of the community and look forward to serving you in the future.

We leave you with the following time tested advice. “**Invest wisely and live fully.”**

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