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*Objective Advice to Help You Reach  
Your Goals & Find Peace of Mind*

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**The Economy** - After many weeks of sharp decline, the stock market recovered some losses at the end of March and beginning of April. The stock market is a leading indicator of recovery. However, it is too soon to be sure of continued gains, and we expect to see more significant ups and downs in the near term. While there are some signs of a slight turnaround in the economy, some meaningful reports I have read show concern that the media is jumping on positive news without putting it in proper perspective. We could easily hit Dow 7000 again before Dow 9000, but the very long-term trend should see us again reach Dow 14,000 and beyond.

**Life Style Changes** – As a result of the recession, the American consumer is changing his ways. Extravagant spending is disappearing. Bargain hunting and doing without are “in.” Using credit to finance unnecessary or unaffordable purchases is “out.” The idea of early retirement has become far less safe for a majority of Americans, especially considering the much longer life expectancies we now have.

**Rebalancing Investments** – It is time to consider rebalancing investment accounts – either toward stocks or away from them. For many clients except perhaps those over 55 or with low risk tolerance, moving toward conservative stock funds before the stock market makes more of a recovery makes good long-term sense. A case can be made for temporarily reducing government, intermediate and long-term bond *fund* holdings and moving toward shorter-term bond funds and/or CDs to reduce interest rate risk. As always, decisions need to be made based on goals, future needs and risk tolerance.

**How much cash?**

1. **Emergency Account** – We recommend at least six months of expenses. Make sure you are getting the best interest rates possible.

2. Targeted Savings - Money that will be needed for a specific purpose (down payment, tuition, car, etc.) in the next five years should be kept OUT of the stock market and in CDs, short-term bonds or other liquid, principal-preserving investments. Be reasonably conservative with monies needed from five to ten years away.

**Cosigning a Loan** - We have received several questions in the last few months about cosigning loans for family members, friends, and even employees. Before you cosign a loan for anyone, you need to understand your obligations and risks. Note: This is general and NOT legal advice.

When you cosign a loan, you are signing an agreement that you will personally guarantee the debt. If the person you cosign for neglects to make payments for any reason, you are responsible for repaying the lender -- in full.

That creditor can collect from you by demanding the money or taking you to court to garnish your wages or bank account or to seize any property you have pledged. You could also be on the hook for legal fees, late fees, and collection costs. The creditor may even have the right to collect a missed payment from you without trying to collect from the borrower first. Unless the lender lets you off the hook for some reason, you are stuck until the loan is paid in full.

Furthermore, future creditors will consider the cosigned loan yours. Nonpayment will stain your credit record, potentially preventing you from obtaining other credit for yourself.

It goes without saying that you should not cosign a loan if you could not afford to repay it. Neither should you pledge any asset that you do not wish to lose.

Ask yourself if you are prepared to gift the money. If you are not, you should seriously consider refusing to cosign by saying you cannot afford to do so. Or if you are being asked to cosign for a property loan, you could insist that you be on the title as co-owner so that you can sell the property if necessary. Ask the borrower to provide you with copies of the loan contract and, if you're cosigning for a car or other item, the warranty. That way, you'll know your exact obligations, and have some protection, if there is a legitimate dispute with the dealership or seller.

**Lending money** to family members and friends is another questionable practice with emotional as well as financial consequences. Again, ask yourself if you are prepared to gift the money at some point in the future if the person cannot pay or chooses not to pay for some reason.

**Thank you** to all of you for working with me through these difficult times. If there is any way I can better serve you, please let me know at 787-4693.