



STAFFORD WELLS

personal wealth management newsletter

January 2012

Dear Clients, Friends and Family,

Perhaps you managed some or all your investments in 2011 following the rules of good, "proven" portfolio management, such as diversification; investments in a variety of asset classes, including global assets, not just local U.S. choices; and hedge funds that have little or no correlation to the market. If you followed all those rules you were probably disappointed with a negative return for the year.



- U.S. stocks, as evidenced by the Standard & Poor's 500 index, were one of the better performing asset classes. The index returned flat for the year while small- and mid-capitalization stocks ended in negative territory.
- Europe and Japan stock markets declined by double digits and emerging markets were even worse.
- Hedge funds fell a dismal -3.2 percent.
- The place to avoid in 2011 was 30-year Treasury's because of a perceived "bubble," but holders earned a 34 percent return when the yield of their bond went from 4.42 percent to 2.89 percent by 2011's end.

It is important to remember that out-of-favor allocations may take more time to come to fruition and provide you with returns you want. If the fundamentals of your investment still continue to suggest a good case for growth, then do not give up. Historically, most investments eventually revert to their true intrinsic values.

So where do you put your money in 2012?

Here is my take on the market: It is virtually impossible to predict returns over the short term, however, over the next several years, the stock market has a much better chance of beating bonds and inflation. All the so-called experts (economists from a variety of organizations and Chief Investment Officers of several major fund organizations) are predicting 5 to 7 percent returns from stocks. That is not particularly bullish compared with historical returns. However, 5 to 7 percent on stocks appears far more attractive than a 2 percent yield on "safe" bonds.

Another compelling case for stocks: When you look back over 2000 through 2009, the return on the S&P 500 including dividends averaged a negative 0.9 percent per year. At the end of 2011, the S&P 500 traded at just under 13 times estimated earnings. Compare that with its 17.5 historical average price-to-earnings ratio. (Source: S&P Indices-data& analysis)

Jeremy Siegel, a Wharton School finance professor, feels the ["best case for bonds over the next couple of decades is a return of `zero' after inflation--and more likely, a negative outcome."](#) Of course, he needs to be consistent with the book he just wrote, "Stocks for the Long Run."

For 2012, I like:

- U.S. and multinational stocks with strong cash flows. I am concerned that market participants have bid up dividend-paying companies ; the FTSE High Dividend Yield Index 10.65 percent in 2011, so I would rather invest in less of a dividend-paying company, but one with a global presence, name brand and strong cash flow.
- Emerging markets offer the best long-term growth prospects due to a variety of factors, including stronger balance sheets than the U.S. government (low debt is good for economic growth), positive demographics (younger populations tend to influence economic growth), and their governments' ability to rapidly implement economic changes (such as China). Finally, emerging markets stocks were among the worst performers in 2011 resulting in a valuation that is even more compelling.
- Good inflation hedges and diversifiers should include commodities. I especially like investing in global oil companies, but suggest waiting until the Iran crisis settles down, as oil stocks have had a fast run-up in value lately. Clearly, commodities face more scarcity and it is a sector that can be quite volatile.
- For fixed income, I like short-term, high-quality bonds, TIPS (Treasury inflation-protected securities, a type of Treasury bond) and emerging-market bonds, to name a few.

After listening and reading the economic outlook from a multitude of economists, most sound fairly optimistic for the US and global markets for 2012. However, many economists work for investment and brokerage firms, so I do consider the source.

Please read further below for information on the need for **Power of Attorney** documents, how I got a quote for the same **health insurance** at a lower rate (and you may be able to do so), and **great savings** if you have reached the age 50.

In addition, I will be speaking at the following events. If you are interested in attending, please let me know; The Retired Men's Roundtable; **The Economic Outlook for the Year and Tax Implications in Retirement**. Wednesday, January 25th at the Hinsdale Community House

Think Tank; **Financial Decision Making in Marriage and in Divorce**. Sponsored by the law firm, Ladden & Allen. Saturday Feb 25th in Chicago.

The Chicago CEO Roundtable, **Tax management and retirement planning**. Chicago. Tuesday April 10th

As always, if I may be of help or service, please call me at 630-202-3104.

My best,



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Establishing Legal Health Care Documents Brings Peace of Mind

It is imperative to have power-of-attorney documents in place. As I talk with current and prospective clients, I find that a significant number of people do not have an estate plan. As a result, these individuals generally have not executed powers of attorney for health care and property.



It is imperative you have this in place. Suppose your 18-year-old child is rushed to the hospital and cannot communicate with the doctor or is not in a condition to make decisions about his or her well-being. If you do not have a power of attorney for health care or HIPAA (Health Insurance Portability and Accountability Act) release, the health care professional cannot share with you anything about your child's illness, and you cannot make any decisions on the child's behalf. Medical information on your 18 or over child cannot be released to you the parent. A health care power of attorney grants you the authority to act on one's behalf in decisions regarding hospitalization, surgeries and treatments. To obtain a power of attorney after someone becomes incapacitated, you need to go to court, which can be costly, time-consuming and stressful.

Similarly, with a power of attorney for property, again when one is incapacitated, you (or the person named in the document) have the ability to handle one's financial affairs to the extent authorized in the document. This can include paying bills, entering into contracts and handling investments, to name a few.

If you have put off updating or implementing your estate plan, then at least put your power of attorney documents in place. Powers of attorney are relatively simple to implement, and the State of Illinois does have statutory forms for [power of attorney for health care](#) and [power of attorney for property](#). You should also include a HIPAA release form to share information from medical records with those persons designated, including the agent under the power of attorney. Each health insurer provides a HIPAA form online. Choose your designated agent(s) wisely, as you are giving them significant responsibility.

Even though you can implement these documents on your own, it is best to obtain advice from a qualified estate attorney.

Knowing you have designated the right individuals for your affairs under your powers of attorney, or you may make decisions on behalf of your grown children, should give you peace of mind.

Please note; this document is intended to provide you with general information and is not intended to constitute legal advice. This document should not be relied upon in lieu of consultation with appropriate legal advisors. The views expressed in this document are the opinions of the author.

How Can You Save on Health Insurance?

I almost saved \$1,200 a year on my personal health care policy. Perhaps this will work for you.

If you are not part of a company sponsored plan, then please read below;

In December, I applied for health care coverage from Blue Cross Blue Shield of Illinois for the exact same policy that I have now with the same deductible and co-pays, and received a quote for \$100/ month less than my current rate. I realize this does not make sense so let me explain.



For those of you who have health insurance in the form of an individual plan, there is about \$1,200 (more or less) worth or reason to re-apply for coverage. In early December, when I received my annual letter from BCBS about the annual increase in my monthly health insurance charge, the insurer was going to add another \$100 per month to my bill, so I called. I didn't understand the increase as I am healthy and rarely use my insurance. The BCBS representative encouraged me to submit a new application for coverage as a new (2012) policy has added benefits due to the new health care regulations. In contrast, my old (established in 2010) insurance policy did not have to comply with the new laws. I re-applied for coverage (the exact same plan name, deductible and co-pay). I felt surprised to find the quote was \$100 less per month than my new rate on my previous policy.

Even, better, under the new plan, lifetime benefits will not be limited for essential services.

In addition, the new coverage offers, with no deductible or co-pay charges, preventive services such as:

- Blood pressure, diabetes, and cholesterol tests;
- Many cancer screenings, including mammograms and colonoscopies;
- Counseling on quitting smoking, losing weight, eating healthfully, treating depression, and reducing alcohol use;
- Routine vaccinations against measles, polio or meningitis
- Flu and pneumonia shots;

- And many more not listed here.

Unfortunately for me, BCBS considered last year's shoulder surgery a pre existing condition and refused to cover any future shoulder injuries for the next year. For some reason, since the shoulder is all better (I have been swimming three times a week for last four months) it is still called a "pre existing condition". Hopefully you will have better success.

I spoke with Lorrie Walker of MAVCO Insurance in Hinsdale, who handles personal and small business insurance, about these changes and for her advice.

"The volume of calls that I have taken regarding this topic has grown substantially every month since the summer of last year," said Lorrie. "There is so much confusion still out there for those with individual and employer-provided medical plans. For my clients and prospects with individual health insurance policies, I always recommend the following actions:

1. A full review of their current policy.
2. A discussion of any medical conditions they might have or how their medical information might have changed since the policy was originally accepted from the carrier.
3. A discussion regarding their current premium and changes to their current policy that can lower their premium versus simply obtaining a new plan.

In summary, it really is on a case-by-case basis depending on individual health history, but consumers owe it to themselves to investigate their options in the market and understand how this legislation may or may not affect them."

In your case, , it might be worth the savings to make a phone call and see if you are eligible for a reduced rate--with extra coverage.

For the 50 year old and older crowd, please read:

I am not getting older, I am getting Discounts

From Charie Stroller-*Smart Spender* blog- [Financial Advisor Magazine](#)

As I was waiting in line behind an older gentleman at Wendy's recently, I heard him ask for his senior discount. The girl at the register apologized and charged him less. When I asked the man what the discount was, he told me that seniors over 55 gets 10% off everything on the menu, every day.

Read more on getting discounts and a listing of offers

Being that age myself, I figured I might as well ask for the discount too. As I waited for my turn, I thought about the consequences of doing so. If the employee asked me for I.D., it could be

embarrassing having to show my license. But if she didn't ask for proof, I would get depressed that I really did look "old" and that I didn't need to prove it. Since I always like to save money, I boldly asked for the discount, and sadly she just rang up the discount (even though I am convinced I don't look a day over 54).

Anyway, this incident prompted me to do some research, and I came across a list of restaurants, supermarkets, department stores, travel deals and other types of offers giving various discounts with different age requirements. I was actually surprised to see how many there are and how some of them start at the young age of 50.

Hmmmm, Dunkin Donuts gives free coffee to people over 55. If you're paying for a cup every day, you might want to start getting it for free.

Restaurants

Applebee's: 15% off with Golden Apple Card (60+)

Arby's: 10% off (55+)

Ben & Jerry's: 10% off (60+)

Bennigan's: discount varies by location

Bob's Big Boy: discount varies by location (60+)

Boston Market: 10% off (65+)

Burger King: 10% off (60+)

Captain D's Seafood: discount varies on location (62+)

Chick-Fil-A: 10% off or free small drink or coffee (55+)

Chili's: 10% off (55+)

CiCi's Pizza: 10% off (60+)

Culver's: 10% off (60+)

Denny's: 10% off, 20% off for AARP members (55+)

Dunkin' Donuts: 10% off or free coffee (55+)

Einstein's Bagels: 10% off baker's dozen of bagels (60+)

Fuddrucker's: 10% off any senior platter (55+)

Gatti's Pizza: 10% off (60+)

Golden Corral: 10% off (60+)

Hardee's: \$0.33 beverages everyday (65+)

IHOP: 10% off (55+)

Jack in the Box: up to 20% off (55+)

KFC: free small drink with any meal (55+)

Krispy Kreme: 10% off (50+)

Long John Silver's: various discounts at participating locations (55+)

McDonald's: discounts on coffee everyday (55+)

Mrs. Fields: 10% off at participating locations (60+)

Shoney's: 10% off

Sonic: 10% off or free beverage (60+)

Steak 'n Shake: 10% off every Monday & Tuesday (50+)

Subway: 10% off (60+)

Sweet Tomatoes: 10% off (62+)

Taco Bell: 5% off; free beverages for seniors (65+)

TCBY: 10% off (55+)

Tea Room Cafe: 10% off (50+)

Village Inn: 10% off (60+)

Waffle House: 10% off every Monday (60+)

Wendy's: 10% off (55+)

White Castle: 10% off (62+)

Retail And Apparel

Banana Republic: 10% off (50+)

Bealls: 20% off first Tuesday of each month (50+)

Belk's: 15% off first Tuesday of every month (55+)

Big Lots: 10% off

Bon-Ton Department Stores: 15% off on senior discount days (55+)

C.J. Banks: 10% off every Wednesday (60+)

Clarks: 10% off (62+)

Dress Barn: 10% off (55+)

Goodwill: 10% off one day a week (date varies by location)

Hallmark: 10% off one day a week (date varies by location)

Kmart: 20% off (50+)

Kohl's: 15% off (60+)

Modell's Sporting Goods: 10% off

Rite Aid: 10% off on Tuesdays & 10% off prescriptions

Ross Stores: 10% off every Tuesday (55+)

The Salvation Army Thrift Stores: up to 50% off (55+)

Stein Mart: 20% off red dot/clearance items first Monday of every month (55+)

Grocery

Albertson's: 10% off first Wednesday of each month (55+)

American Discount Stores: 10% off every Monday (50+)

Compare Foods Supermarket: 10% off every Wednesday (60+)

DeCicco Family Markets: 5% off every Wednesday (60+)

Food Lion: 6% off every Monday (60+)

Fry's Supermarket: free Fry's VIP Club Membership & 10% off every Monday (55+)

Great Valu Food Store: 5% off every Tuesday (60+)

Gristedes Supermarket: 10% off every Tuesday (60+)

Harris Teeter: 5% off every Tuesday (60+)

Hy-Vee: 5% off one day a week (date varies by location)

Kroger: 10% off (date varies by location)

Morton Williams Supermarket: 5% off every Tuesday (60+)

The Plant Shed: 10% off every Tuesday (50+)

Publix: 5% off every Wednesday (55+)

Rogers Marketplace: 5% off every Thursday (60+)

Uncle Guiseppe's Marketplace: 5% off (62+)

Travel

Alaska Airlines: 10% off (65+)

Alamo: up to 25% off for AARP members

American Airlines: various discounts for 65 and up (call before booking for discount)

Amtrak: 15% off (62+)

Avis: up to 25% off for AARP members

Best Western: 10% off (55+)

Budget Rental Cars: 10% off; up to 20% off for AARP members (50+)

Cambria Suites: 20%-30% off (60+)

Clarion: 20%-30% off (60+)

Comfort Inn: 20%-30% off (60+)

Comfort Suites: 20%-30% off (60+)

Continental Airlines: no initiation fee for Continental Presidents Club & special fares for select destinations

Dollar Rent-A-Car: 10% off (50+)

Econo Lodge: 20%-30% off (60+)

Enterprise Rent-A-Car: 5% off for AARP members

Greyhound: 5% off (62+)

Hampton Inns & Suites: 10% off when booked 72 hours in advance

Hertz: up to 25% off for AARP members

Holiday Inn: 10%-30% off depending on location (62+)

Hyatt Hotels: 25%-50% off (62+)

InterContinental Hotels Group: various discounts at all hotels (65+)

Mainstay Suites: 10% off with Mature Traveler's Discount (50+); 20%-30% off (60+)

Marriott Hotels: 15% off (62+)

Motel 6: 10% off (60+)

Myrtle Beach Resort: 10% off (55+)

National Rent-A-Car: up to 30% off for AARP members

Quality Inn: 20%-30% off (60+)

Rodeway Inn: 20%-30% off (60+)

Sleep Inn: 20%-30% off (60+)

Southwest Airlines: various discounts for ages 65 and up (call before booking for discount)

Trailways Transportation System: various discounts for ages 50 and up

United Airlines: various discounts for ages 65 and up (call before booking for discount)

U.S. Airways: various discounts for ages 65 and up (call before booking for discount)

Activities And Entertainment

AMC Theaters: up to 30% off (55+)

Bally Total Fitness: up to \$100 off memberships (62+)

Busch Gardens Tampa: \$3 off one-day tickets (50+)

Carmike Cinemas: 35% off (65+)

Cinemark/Century Theaters: up to 35% off

U.S. National Parks: \$10 lifetime pass; 50% off additional services including camping (62+)

Regal Cinemas: 30% off

Ripley's Believe it or Not: @ off one-day ticket (55+)

SeaWorld Orlando: \$3 off one-day tickets (50+)

Cell Phone Discounts

AT&T: Special Senior Nation 200 Plan \$29.99/month (65+)

Jitterbug: \$10/month cell phone service (50+)

Verizon Wireless: Verizon Nationwide 65 Plus Plan \$29.99/month (65+).

Miscellaneous

Great Clips: \$3 off hair cuts (60+)

Super Cuts: \$2 off haircuts (60+)