January 1st, 2012

Money Matter$

A Quarterly Newsletter from Sommers Financial Management

Ph. (503) 397-1545 www.sommersfinancial.com

Volume 10, Issue 1

The New Year Resolution to...Shop?? With a Twist. (er, Twirl)

by Jan Zuccarini

Hey, it's January and the holiday spending season is over, but let's talk shopping! And specifically: shopping at home. What fun! Especially for retirees. You are probably visualizing lounging in jammies, bottomless mug of decaf in hand, perusing QVC, Amazon, The Shopping Channel, and eBay, just to name a few.

Well, no. Sorry. In true New Year's Resolution spirit, I say, it is time to get serious, and tighten that money belt! The weight of holiday spending is sending credit cards balances over the top! Therefore the home shopping experience I refer to involves neither lounging nor decaf. And if you are anything like me – a.k.a. retired – you might have shopped like this a time or two before. You get yourself a nice caffeine buzz going, for the frantic twirling in circles to come. You have purchased eight flashlights, six nail clippers and five measuring tapes over the past year – among *a lot* of other things. Bought over, and <u>over</u>, and OVER, again and <u>again</u>! And that's just the beginning…of the list. The lost list. Heck, I don't even know anymore what is <u>on</u> the lost list! And *where* is all this stuff? Who knows.

But you DO know EVERYTHING is *somewhere* in your house! Likely, with price tags still on.

So you get your buzz on and you shop 'til you drop in your own home! I am betting you will find those flashlights, nail clippers, measuring tapes, and a whole bunch of other things you forgot you bought! So, hey, here it is January: you are sticking to your New Year resolution, AND it's Christmas all over again! Woo-hoo, lucky day! And you can't beat the price: Free! Even better than that new rage, 'Extreme Couponing'!

I have discussed this shopping strategy with my financial guru, Adam. Being a young whippersnapper, he does not quite understand it. *But as my mother said to me years ago, I now say to Adam, "You just wait. YOU'LL see." And he will!* For now, he understands neither my method, nor the senior moments leading to this madness, but he approves of the net outcome. Whatever works. Do what you gotta do. *Meanwhile, now where did I put that bottle of memory pills…*

"you are sticking to your New Year resolution, AND it's Christmas all over again! "

2011 Rates of Return

Dow Jones Industrial 30 Average: 5.5 %

S&P 500 Large Company Index: 0.0 %

NASDAQ Composite Index: -1.8 %

Russell 2000 Small Company Index: -5.5 %

SFM's 'MODEL 25' PORTFOLIO: 1.2 %

(see back page for current stock holdings in the Model Portfolio)

ETF Extra — iShares National AMT-Free Muni Bond ETF (MUB:105.61)

MUB measures the performance of the investment-grade segment of the U.S. municipal bond market. The ETF includes municipal bonds from issuers that are primarily state or local governments or agencies such that the interest on the bond is exempt from U.S. federal income taxes and the federal alternative minimum tax (AMT). Each bonds must have a rating of at least BBB– by S&P and Fitch, and Baa3 by Moody's. Each bond must be denominated in U.S. dollars, and be a constituent of an offering of originally at least $100 million, and must maintain a minimum par value of at least $25 million.

MUB's Notable Statistics

One Year Return (as of 11/30/11):	6.4 %
YTD Return (as of 11/30/11):	10.2 %
Wtd. Avg. Coupon (as of 9/30/11):	4.6 %
Total Assets in the Fund:	$2.5 Bil.
Estimated Annual Expense Ratio:	0.25 %
Average Years to Maturity:	6.13
Effective Duration:	7.00
Current Yield:	3.43 %

SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Aflac	A	B+	C	Large
American Express	B	A-	B	Large
AstraZeneca	C	B-	B	Large
BHP Billiton	B	A+	B	Mega
Coach	D	A-	A-	Mid
Chevron-Texaco	A	D	A-	Mega
ITT Educational Svcs	B+	A+	D	Small
Federated Investors	A-	B-	D	Small
GE	A	D	B	Mega
Corning	B+	A-	C	Mid
IBM	C	B-	A+	Mega
Intel	B	A-	A-	Mega
JPMorgan Chase	A+	A-	C	Mega
Lockheed Martin	A	D	A	Large
Microsoft	B	A-	A+	Mega
Oracle	D	B+	A+	Mega
Phillip Morris International	D	A-	A+	Mega
Qualcomm	D	A-	B+	Large
Rio Tinto	A	A-	C	Large
Siemens	A+	B-	C	Mega
Taiwan Semiconductor	C	A+	A-	Large
Tata Motors	D	A-	B	Mid
Texas Instruments	C	A-	B	Large
Visa	D	A+	B	Large
Vale	C	A-	A-	Mega

SFM ORIGINAL Model "25" Portfolio vs. A Relevant Benchmark

	SFM Model 25	S&P 500 Index
3 Month Return:	**9.3 %**	11.2 %
12 Month Return:	**1.2 %**	0.0 %
3 Year Average Annual:	**13.8 %**	13.1 %
5 Year Average Annual:	**3.7 %**	- 2.3 %
Since Inception (6/1/2003):	**14.2 %**	3.5 %

GUEST Commentary & Ramblings

by Jacob Meadows

Most of us have heard the predictions. Crude oil is a finite resource and the world is running out. Oil plays a role in everything we consume, and the price influences the cost of any product. Consider an example of a box of cereal, Corn Flakes.

Let's start at the farm where the corn is grown: First, the field is tilled and seeded by a tractor powered by gasoline or diesel made from oil. The seed was likely brought in by a diesel truck, which is also powered by oil. How about fertilizer? It must be brought to the farm by oil powered trucks, and spread in the field by oil powered tractors. As the corn grows during the season it must be treated by pesticide. Pesticides are also brought to the farm by big diesel trucks. In fact, the pesticide itself is most likely made from crude oil.

Once the corn is ripe it must be harvested by another oil powered machine, the combine. Then, the corn is shipped to the processing factory by diesel truck or diesel locomotive train. The finished product, Corn Flakes, is shipped by diesel truck to the supermarket, where the customer can purchase the cereal; and take it home in their gasoline powered automobile. The packaging for the cereal is plastic—also made from crude oil.

It is easy to see why even a small increase in the price of oil causes inflation around the world. When oil goes up in price it acts like a tax on everything we buy, from food, to construction materials, to electronics, to vehicles, medicines, etc. These higher prices can cause economic growth to sag—or even cause recessions.

This does not bode well for the short-term investor. We could continue to see years of flat or even negative GDP growth if there are spikes in crude oil prices. However, there may still be hope for long term "buy and hold" investors. There are solutions available to the daunting problem of oil dependency.

Many argue that conservation is the key. However, while conservation may be great for the environment, it is not necessarily good for economics. We must be able to continue to move increasing amounts of people and goods from point A to point B in order to have economic growth. The solution is technology.

This year saw the first sales of mass production electric cars, the Chevy Volt and Nissan Leaf, both of which are possible to drive without using any fossil fuels. There is currently break-through technology in the works to create and mass-produce bio-diesel from algae and other sources. In the future, tractors, trucks, ships and planes will be powered by bio-fuels or natural gas. Many people will commute to work in electric cars. Tires will be made of synthetic rubber. Packaging material will be devised of something other than plastic.

At age 34, I still have 31 years until my retirement age goal of 65. By that time, electric cars will have been in mass-production for over 30 years. Oil powered machines will be a distant memory. Industry will break free of oil dependency, and we could once again see prosperity as a nation. I plan to stay focused and continue putting a small portion of my modest income into 401k savings in hopes of profitable returns on new technologies now and into the future.