

Market Report

Family Investors Company



Summer, 2006

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High Gas Prices

The high price of gasoline is affecting everyone. Here are some **TIPS** to save you money at the pump:

Vehicle maintenance: A poorly tuned engine burns more fuel, so fuel economy will suffer if your engine is not in tune. **Keeping tires at the correct pressure** and changing the air filter on a regular basis can improve fuel economy. Also, new energy-saving motor oils can improve MPG.

Aggressive driving (speeding and rapid acceleration and braking) can decrease fuel economy by as much as 33 percent at highway speeds and 5 percent around town. This can cost you as much as \$0.49 per gallon.

Driving at high speeds creates additional wind resistance, which reduces fuel economy. Each 5 miles per hour you drive over 60 mph is like paying an additional \$0.10 per gallon.

Excessive idling will decrease your average MPG

Towing a trailer or carrying excessive weight can decrease fuel economy.

Running electric accessories such as your air conditioner can decrease fuel economy. Limited, informal tests by EPA have shown a fuel economy reduction of roughly 5 to 25 percent for operating the air conditioner on "Max" compared to not using the air conditioner.

Frequent short trips can reduce fuel economy. Your engine doesn't operate efficiently until it is warmed up. In colder weather, it takes longer for your engine to warm, and on short trips, your vehicle operates a smaller percentage of time at the desired temperature.

Driving on **hilly or mountainous terrain** or on unpaved roads can reduce fuel economy.

Using 4-wheel drive will reduce fuel economy. Four-wheel drive vehicles are tested in 2-wheel drive. Engaging all four wheels makes the engine work harder and increases crankcase losses.

Welcome Michael Lanzafama

We are happy to welcome **Michael Lanzafama** to the "Family." Michael joins us as a registered representative with 8 years of experience. Prior to joining Family Investors Company, Michael was employed by Merrill Lynch and Wachovia. In addition to assisting investors, he is a full-time guidance counselor in the Passaic School system. He lives in Cranford with his wife and 2 daughters.

In Memoriam

It is with deep sadness we mourn the loss of **Rosalind "Mickey" Ahtel**, beloved wife of Bill, who died on March 20th after a prolonged illness.

Mickey brought joy into the lives of all who knew and loved her. She is sorely missed.

Fanwood's annual **Fanny Wood Day** street festival will be held at Martine Avenue and South Avenues on **Sunday, September 17th from Noon until 5PM**. (The rain date is September 24th). There will be family entertainment, food vendors, crafters, classic car show and local business displays. Stop by and say "Hello" to us at the Family Investors Company kiosk.



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Information/Perspectives

When investing for your financial future, it is necessary to be **REALISTIC!** A mutual fund with a stated objective of growth and one which has yielded an average annual total return of +15.6% over its' lifetime of more than 30 years has performed quite nicely.

Your risk tolerance will affect the type of investments your representative will suggest you consider. If you are risk adverse, investing the bulk of your assets in a growth equity fund would not be the recommended course of action. Proper investment allocation can provide realistic returns to help you realize your investment objectives, while providing you peace of mind as to how much risk you are willing to assume.

If you are leaving your current job, you have the opportunity to roll over your 401(k) into an IRA. This will give you more investment options than leaving the money in your old 401(k) or rolling it over into your new employer's plan

Your former plan can send you a check for the full vested balance of your account. If the company makes the check out to you, however, **it is required to withhold 20% for taxes.** You will have to come up with the missing 20%, or pay income taxes (possibly a 10% penalty on the withdrawal). You won't get the withheld money until you file your taxes the following year (assuming your salary withholding and any other tax payments for the year exactly equal your tax bill).

Call our office for assistance.

Compliance Chat

Diana Cilluffo

Family Investors Company is required to annually provide you with our Privacy Notice. You will find this information on the insert in this quarter's Market Report.

Your **privacy** is of extreme importance to us and we work to protect it. No documents of any type with your personal information are left in the trash. We maintain locked bins in the office to store sensitive material which will be shredded by a professional shredding company (actively recycling the paper to protect the environment) observed by a Family Investors Company staff member.

Safeguard your identity and privacy. When in doubt, never give personal information to anyone whose intentions are unclear.



THE LIGHTER SIDE

If your outgo exceeds your income, then your upkeep will be your downfall.

If you tell the truth, you don't have to remember anything.

Time is the most valuable thing a person can spend.

A person who never made a mistake never tried anything new.

A smile and laughter is the shortest distance between two people.

Family Chatter

Fred Chemidlin and wife, Barbara, visited the Sagamore resort in Lake George, New York, as part of a Fanwood/Scotch Plains Rotary Club function. Fred also worked on the Cornerstone project at Saint Helen's Church in Westfield. **Peter Chemidlin** continues to coach son Tighe's Fanwood Youth Organization's baseball team. Daughter, Morgan, gave a stellar performance in the McGinn School production of "The Emperor's New Clothes." **Matt Chemidlin**, wife Janice, and their children vacationed at Disney World. **Edna Trujillo**'s, daughter, Keila, and **Steve Goldberg**'s son, Andrew, graduated from Scotch Plains/Fanwood High School. As reported previously, both will be attending Rutgers University this Fall. In addition, Steve's daughter, Melissa, made her Confirmation at St. Bart's. **Darraugh Valli**, husband Peter, and their twins vacationed in Florida and visited Disney World. **Diana Cilluffo** spent a week in Negril, Jamaica on Bloody Bay and learned to sail.

**The office is now closed Saturday mornings.
It will reopen for Saturday hours on September 9th.**

Economic Outlook

The “**buy now and pay later**” philosophy is getting many people in deep financial trouble. Mortgage foreclosures are up 38% for the first quarter of 2006. According to experts, there are 2.7 trillion dollars in adjustable rate mortgages which will be reset over the next 18 months. With inflation fears creeping up, if the Federal Reserve decides to hike interest rates (and it may happen more than one time), this could mean big problems for many homeowners who have stretched themselves too thinly. It may make sense to refinance to a fixed rate mortgage.

Although adjustable rate mortgages do have caps as to how high the interest rate can go, an increase of 1% on a \$200,000 loan can have a jolting impact. Considering that real estate taxes are usually always increasing each year, factor in the cost of homeowners’ insurance and, if applicable, the PMI (private mortgage insurance), some homeowners will be looking at monthly housing bills that may become out of reach.

Mutual Funds - Facts and Fancy

- ❖ The markets have been moving upwards. However, they can just as easily slide. Do not get caught up in market euphoria as some investors did in 1999 and 2000. Focus on long-term goals and stay balanced.
- ❖ The Securities and Exchange Commission (SEC), which regulates the mutual fund industry, requires mutual funds to show rates of return for year to date, 1 year, 3 years, 5 years, and 10 years. If a fund has been in existence for less than 10 years, it is required to show its rate of return since inception date.
- ❖ Rebalancing your investment portfolio (if appropriate) based on your age, financial situation and investment objectives can usually be done at no cost to you. If you have not discussed this with your representative, please call the office.
- ❖ Some money market funds are now yielding over 4%. It is a good idea to keep emergency monies in one.

Investment Idea

Peter J. Chemidlin

It is the **duty** of a investment advisor to assist clients in selecting suitable investments based on their financial objectives and risk tolerance. Unfortunately, some clients are impatient and prefer to chase short-term performance rather than wait and let the market do the work.

This impatience is fueled by the seemingly limitless amount of information generated by the internet and other media sources. According to one well known fund company, “Researchers in the area of behavioral finance have noted that when faced with new information, investors have a tendency to do something in reaction to that information. When investors react to new information, they frequently move in the wrong direction and do the wrong thing at the wrong time.”

Family Investors Company is here to assist investors in making the right decisions at the right time. Call our office.

Holiday Closings

Our office follows the schedule of the NYSE and will be closed on **Tuesday, July 4th** in observance of Independence Day and **Monday, September 4th** in observance of Labor Day. A sign is always posted on the office front door as a reminder.

Email Addresses

Email addresses are no longer available in the Market Report or on the Family Investors Company website. The email addresses which have been published in the past are, however, still valid. When in doubt, you can always email:

info@familyinvestors.com

Summer

Have a wonderful Summer. Take some time out for personal reflection and to enjoy the sounds and beauty of the season.

Credit Report

Every year, Family Investors Company reminds our clients and friends to check their credit report. Residents of New Jersey are entitled to a **free annual credit report** from each of the major credit reporting bureaus. Call for yours:

Equifax	800-685-1111
Experian	888-397-3742
Trans Union	800-888-4213

You can receive the “Market Report” via email or online at our website. We would be happy to send it to you quarterly as soon as it becomes available. Email info@familyinvestors.com and request this service.

Financial Check Up

Have you already made your annual appointment to complete your Net Worth statement and to affirm your financial goals and investment objectives? If not, please call the office and schedule a meeting with your representative. Don't procrastinate!

Consolidation

If you are one of the millions of Americans with 5 or more retirement accounts (401(k), IRA, etc.) consider merging some of these accounts to one fund family. Simplifying your paperwork will give you a better idea of where you stand financially. According to experts, almost 17% of people have 5 or more accounts.

Besides the advantage of less paperwork, you will also incur less fees. Many companies charge an annual IRA fee and new monies invested incur sales charges. By consolidating, you gain the opportunity of lower sales charges once you hit a sales charge breakpoint.

Let Family Investors Company help you. Call our office.

Investment Terms

You hear investment terms on television and in the print media. But what do they mean? Here is a primer of some common mutual fund and investment terms:

1. **Real Income**: The income of an individual, organization or country after taking into consideration the effects of inflation on purchasing power.
2. **Rebalancing**: Making adjustments to counteract the fact that different assets have performed differently and now comprise different percentages of an investment portfolio than they were intended to.
3. **Weak Dollar**: Dollar that can be exchanged for only a small or decreasing amount of foreign currency. A weak dollar means the US dollar cannot buy very much of another currency. The strength of the dollar has an impact on imports and exports because goods and services from a foreign nation are usually purchased in the currency of the producing nation. A weak dollar usually leads to high exports and low imports.
4. **Shareholder of Record**: The name of an individual or entity that an issuer carries on its records as the registered holder (not necessarily the beneficial owner) of the issuer's securities. Dividends and other distributions are paid only to shareholders of record.
5. **Benchmark**: A standard usually used for comparison. For example, the NASDAQ may be used as a benchmark against which the performance of a technology stock is compared.

Small Businesses

If you own a small business, let Family Investors Company help you maximize the potential for retirement savings for both yourself and for your employees. Selecting the right type of retirement plan can save you corporate tax liability in addition to funding retirement accounts for your employees. Contact the Family Investors Company office. We are here to assist you.