

summer 2007

# MARKETREPORT



## Family Investors Company



## HOMEOWNER'S INSURANCE

In the event of a natural disaster, how safe is your greatest investment—your home? With summer upon us and the projection from NOAA (National Oceanic & Atmospheric Administration) for a 75 percent chance that the Atlantic hurricane season will be above normal, do you have an accurate idea of how much money it would take to replace your home and its contents? The Insurance Information Institute ([www.iii.org](http://www.iii.org)) has a simple program to inventory your possessions called “Know Your Stuff.” Using this program, it is *simple to inventory* the items in your home. It contains lists of items in typical rooms to make your project fun and easy. After you complete your inventory, check your homeowner’s insurance policy for amount of coverage. It is recommended that you have enough insurance to: (1) completely rebuild your home in the event it is destroyed by fire or other

insured disaster; (2) replace everything in the home; and (3) protect your liability in case someone is injured on your property and sues you. A well-known pharmacy chain sells one time use video cameras. Walk through your house or apartment videotaping the contents. Remember to open drawers and closets. One advantage of videotape is that you can narrate what you are filming. Bring the camera to have the video put on DVDs. Keep these DVDs in a safe place (not your home) should you ever have to substantiate loss. Update the inventory as needed.

Most people should increase their homeowner’s insurance coverage to meet today’s high costs. Some items, such as jewelry, may need additional coverage in the form of riders. If you live in a designated flood zone, purchase federal flood insurance as your homeowner’s policy *does not* cover floods. ●

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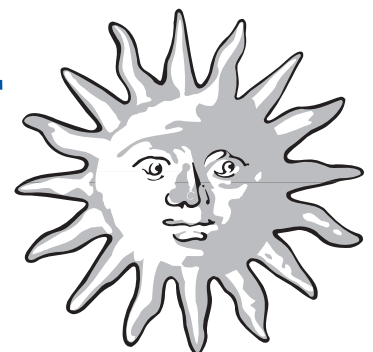
### TIDBITS

- **Family Investors Company** representatives give instruction in various topics at the local college and high schools. Those in the Union County area generally receive a Summer Brochure from these schools listing the courses available. Sign up and get additional information on financial subjects of importance to you. We look forward to seeing you there.
- Fanwood’s annual **Fanny Wood Day** street festival will be held on Martine Avenue and South Avenue on Sunday, **September 30th**. There will be family entertainment, food vendors, crafters, and local business displays. Stop by and say “Hello” to us at the Family Investors Company table.

### Future Happenings...

No seminars will be held in the Family Investors Company office during the Summer months. Check the schedule in our Fall Market Report, which will be available the first week in October.

**Have an enjoyable summer.**



## Information/Perspectives

■ Are you a saver or a spender? Do you look at your checking account balance after you have (hopefully) paid yourself first and then paid your bills and think, “Aha! I have enough money to treat myself to a night out at that new restaurant I have been wanting to try, some new clothing or a weekend in Atlantic City!” Or do you think, “Yes! I can invest some more money in my IRA, and put some additional cash in my emergency fund!”

Consumerism and consumption

can be the downfall of your retirement. While it's nice to have nice things, it is NOT the only benchmark of personal success. Having sufficient resources to fund a comfortable retirement should be your goal.

■ Welcome to the newest member of our “Family,” **Alicia O'Connor**. Alicia lives in Scotch Plains with her husband, Edward, and children, Erin, and twins Brendan and Sean.

Alicia is active in the community and volunteers as a Brownie leader, Boy Scout leader, and a CCD teacher. She is involved in her children's sports activities of baseball and swimming. She herself competes in Triathlon events along with her husband.

Alicia graduated from Rutgers University and earned her CPA. She previously worked at JP Morgan in the Corporate Tax Department and has traveled around the world.

## HOW MUCH HOUSE CAN YOU AFFORD?

**F**inding the right home for you and your family can be a difficult task. Determining what you can realistically afford sometimes means putting the ego to rest.

With mortgage foreclosures on the rise due to sub-prime lending, it is wise to pay attention to all the details involved in home ownership —

i.e. taxes, insurance, maintenance, repairs, emergencies.

Mortgage lenders are now using the **28/36 Rule**. The gist of this rule is that no more than 28% of your gross income can be applied to your mortgage, real

estate taxes and insurance. In addition, no more than 36% of your gross income can be applied to your mortgage expenses plus your regular debt expenses (credit cards, car payments and other loans). ●



### Unexpected Money?

According to George Bernard Shaw, “**The surest way to ruin a man who doesn't know how to handle money is to give him some.**” If you have received an inheritance, won the lottery, received an insurance settlement, or some other windfall, **let us help you.**

### Did You Know?

We Americans have always known that “**time is money.**” With that in mind, we have probably made, invested, and spent more (and more quickly) than any other people on Earth.

# INVESTMENT IDEA

by Robert Oberlander

**W**hat is a 401(k) Plan? Back in 1978, Section 401(k) of the Internal Revenue Code was established and authorized the use of a defined contribution plan that allows an employee to make **pre-tax contributions** to the plan. Normally, the employee 401(k) contributions are automatically deducted from their paycheck each pay period. By definition, the money is taken out before the employee's paycheck is taxed. The employee's contributions are invested into one or more funds provided in the plan. Employers often "match" employee contributions, but they are not required to do so. While the investments may grow, there is no tax liability.

Benefits of a 401(k) are: automatic savings on a pre-tax basis; easy diversification; employer matching; portability; and control through self direction.

Consider a 401(k) Plan review to review whether: you may be able to save more; your diversification can be improved; you may improve your company match; and you understand your options within your 401(k)

To ensure you are maximizing the benefits of your 401(k), contact your representative or our office to schedule a review which takes into consideration your financial status, investment objectives and risk tolerance. ●

## MUTUAL FUNDS – FACTS & FANCY

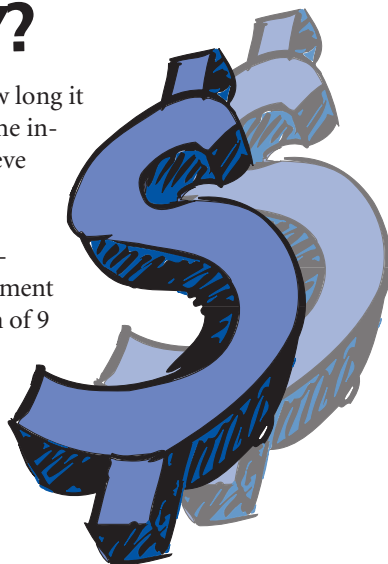
- Before you switch mutual fund or stock accounts, make sure you are aware of fees or charges involved. Sales or exchanges may result in a taxable event and may diminish the amount of money you have to invest. Discuss this with your representative.
- If you own a number of mutual funds in different fund families, now may be the time to consolidate your holding and reduce paperwork. We can help you simplify your financial life. Call our office or your representative.
- Exchange traded mutual fund and option-type mutual funds are new investments not suitable for every investor. The "I made money and so can you" advertisements are very deceiving and contain a myriad of small print. Always know what you are investing in and choose companies with proven track records. If it seems too good to be true, it probably is.
- Invest in quality mutual fund families and stay balanced in your portfolio. Avoid individual stocks and "putting all your eggs in one basket." ●

## HOW LONG WILL IT TAKE TO DOUBLE MY MONEY?

**T**he Rule of 72 makes it easy to approximate how long it will take to double your money. If you know the interest rate or the time period you want to achieve your financial goal, the Rule of 72 will assist you in your calculation.

For instance, if you know the interest rate, let's assume 8 percent, the time period to double your investment is estimated by dividing 72 by 8, for an approximation of 9 years. If the interest rate is 6%, it would take 12 years to double your investment.

If you choose to set a time frame to double your investment, let's say 6 years, you would divide 72 by 6. Therefore, you would have to earn 12% on your investment to double your money in 6 years. (For estimation purposes only) ●



## What is My Retirement Age?

Year of birth and 'normal retirement age'

- 1937 ▶ 65 years
- 1938 ▶ 65 years, 2 months
- 1939 ▶ 65 years, 4 months
- 1940 ▶ 65 years, 6 months
- 1941 ▶ 65 years, 8 months
- 1942 ▶ 65 years 10 months
- 1943-1954 ▶ 66 years

The year 1955 starts the cycle over with two months added for each year until 1960, when the NRA reaches 67 years of age. If you were born in 1955, your NRA is 66 years, 2 months; if you were born in 1956, your NRA is 66 years and 4 months, and so on. Anyone born after 1960 will have an NRA of 67 years.

## 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](mailto:info@familyinvestors.com) to request this service.

## Financial Success

When investing, it is important to be **rational** rather than emotional about your money. Successful investing takes patience and discipline. Make sure your representative fully understands your financial goals and objectives. **Stay focused** on long-term goals.

## Compliance Chat by Diana Cilluffo

Family Investors Company is required to 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. ●**

## 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:

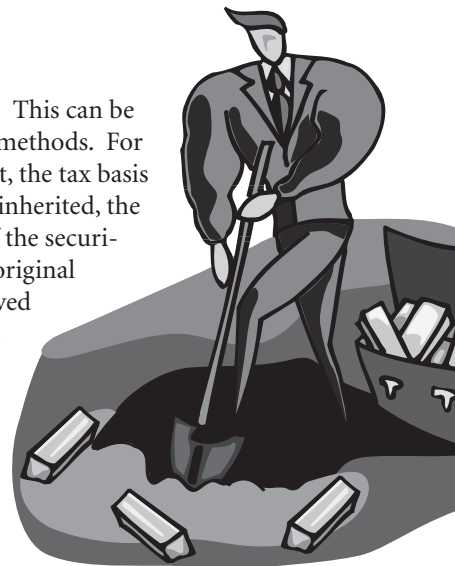
**1035 Exchange:** A tax sheltered exchange of cash value from one life insurance policy or annuity to another. This allows the individual to avoid capital gains or losses in the first policy as long as the second policy is of equal or greater cost.

**Blue Chip:** Stock of a large, national company with a solid record of stable earnings and/or dividend growth and a reputation for high quality management and/or products.

**Capital Appreciation Fund:** A mutual fund that seeks maximum growth, by investing primarily in stocks and often taking excessive risk. (Also called an Aggressive Growth Fund).

**Cost Basis:** The purchase price, including commissions and other expenses, used to determine capital gains and capital

losses for tax purposes. This can be determined by several methods. For a purchased investment, the tax basis is the amount paid. If inherited, the tax basis is the value of the securities on the date of the original owner's death. If received as a gift, the tax basis is the amount that was originally paid for the investment, unless the market value of the investment on the date of the gift was lower. ●



## FAMILY CHATTER

**Fred Chemidlin** and wife, Barbara, vacationed in northern Ireland near the town of Londonderry. **Peter Chemidlin** is coaching son, Tighe, and his teammates in the FYO Baseball league, and Peter is also playing on the St. Bart's Oldtimers' Softball League. **Darraugh Valli**, husband Peter, and their children, Micaela and Sean, spent a week in the Outer Banks of North Carolina. In addition, Sean and Micaela recently made their First Communion. **Emmy Salerno** and husband, Charles, welcomed their first grandchild, Charles Coelho Salerno, born to John and Catia Salerno. **Matt Chemidlin**, wife Janice, and their children, spent a long weekend in Washington, DC. **Edna Trujillo** and husband, Luis, vacationed at

their home in Naples, Florida. **Steve Goldberg's** daughter, Melissa, competed in the national DECA championship in Orlando, Florida. **Joe Chemidlin**, wife, Valerie and son, Joe and his family, vacationed at Gettysburg. Joe's granddaughter, Megan, graduated from high school and will be attending Seton Hall University School of Nursing. In addition, his granddaughter, Lauren, is recovering from successful scoliosis surgery. **Bob Oberlander's** daughter, Allison, a junior at Kent Place School, received the Cornell University College of Agriculture Life Sciences Alumni Association Book Award as well as the varsity tennis team's MVP award. **Diana Cilluffo** spent a week in Negril, Jamaica where she sailed and snorkled. ●

## Holiday Closings

Our office follows the schedule of the NYSE and will be closed on Wednesday, July 4th and Monday, September 3rd. 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](mailto:info@familyinvestors.com)