

# Market Report

## Family Investors Company



Summer, 2005

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### Real Estate Taxes

While you can re-negotiate your mortgage to bring down the monthly payments involved in owning a home, or you might be able to lower the monthly costs for PMI (private mortgage insurance), real estate taxes are a constant. However, you **MAY** be able to lower them also!

Your municipality is responsible for assessing your property and levying a tax against it. But you do not have to accept the results. You can often challenge the assessed value of your home and by changing the value, you change your tax bill. According to Pete Sepp of the National Taxpayers Union, "more than half of those who appeal a property assessment value get it reduced."

Compare your property's assessed value with similar properties in the same area. Visit your municipality's tax assessor's office and check the tax records. (This is public information). If you can provide proof of an error, you are likely to get a rapid deduction. The easiest way is to point out obvious discrepancies between the description of your home in the official tax records and its actual condition. At the tax assessor's office, find out the guidelines for challenging your assessment and what constitutes proof of an inaccurate assessment.

In New Jersey, though, unless an assessment exceeds the estimated market value by more than 15 percent, the assessor's computation will prevail.

### 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, that will be available the first week in October.

**Have a wonderful summer and take time to enjoy the wonders of nature.**

### Tidbits

Family Investors Company is a member of the **Fanwood Business and Professional Association** dedicated to making Fanwood businesses and services known to area residents. You can go on the web at [www.fanwood.biz](http://www.fanwood.biz) to view the list of members and the services they offer.

Our own **Peter Chemidlin** is president of the Association.

Fanwood's annual **Fanny Wood Day** street festival will be held at Martine Avenue and South Avenues on **Sunday, October 2nd**. Rain-date is Sunday, October 9th. There will be family entertainment, a pie eating contest, food vendors, crafters, and local business displays. Stop by and say "Hello" to us at the Family Investors Company display.

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## Information/Perspectives

**S**eries EE bond investors — Since May 1st, any bonds you buy now have a fixed rate of interest for at least 20 years. That means the interest rate established on the day you buy your EE bond is one you are going to have for a long time.

**W**ith today's low interest rates, the current interest rate on EE bonds is 3.50%. Currently, if you buy a Series EE bond and hold it for 20 years, the government guarantees that you will at least double your money.

**A**t the end of 20 years, if the bond is not worth at least its face value, the government will make a one-time adjustment to get that bond to face value, then there will be a 10 year extension. During that 10 year extension, the government reserves the right to make changes to the formula it uses for computing the forward interest earning power of that bond. The government can then change the rate or method of recalculating the interest for the next 10 years.

### ***THE LIGHTER SIDE***

**A dream becomes a goal  
when action is taken  
towards its achievement.**

**In order to be walked on,  
you have to be  
lying down.**

**Shoot for the moon. Even if  
you miss you will land  
among the stars.**

**Never spend your money  
before you have it.**

**The brighter you are,  
the more you have  
to learn.**

**B**eginning January 1, 2006, the government will allow companies to offer their employees a **Roth 401(k)**.

**A** Roth 401(k) will give employees the option of putting aside money that has already been taxed and investing it in a retirement plan where it will grow tax-free. 403(b) participants will have the option of a Roth 403(b). The Roth 401(k) is open to all employees who qualify for the regular 401(k). This is advantageous to higher paid employees who are excluded from a Roth IRA because of high income limitations.

**U**nlike the Roth IRA, in a Roth 401(k), the participant is required to take minimum distributions at age 70 1/2. You can rollover your Roth 401(k) to a Roth IRA when you retire or terminate employment.

## Compliance Chat

**Diana Cilluffo**

**F**amily 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.

**Y**our **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.**



### ***Family Chatter***

**Fred Chemidlin** and wife, Barbara, recently returned from a three week pilgrimage to various shrines in Europe, such as Lourdes and Fatima while visiting 11 countries. **Peter Chemidlin**'s daughter, Morgan, made her First Communion at St. Bart's in May. Peter and wife, Joan, hosted a party for her attended by relatives and friends. **Matt Chemidlin**, wife Janice, and their children vacationed in Virginia Beach. **Joe Chemidlin** and wife, Valerie, moved back into their home after a fire uprooted them for four months. **Darraugh Valli**, husband Peter, and their twins cruised from Florida to Cozumel, stopping in Key West and Jamaica. **Edna Trujillo**'s, daughter, Andrea, a member of the Scotch Plains/Fanwood High School band, played for the crowds at Disney World. Also, Edna's parents from Puerto Rico came to visit for two weeks. **Emmy Salerno** and husband, Charles, visited family members in the Washington. DC area and were taken on a tour of the Pentagon. **Steve Goldberg**'s daughter, Melissa, excelled in several dance numbers at recital.

**The office is now closed Saturday mornings.  
It will reopen for Saturday hours on September 10th.**

# Economic Outlook

Following are the implications for the rest of this decade based on other historical precedents, both good and bad:

- If the market in this first decade of the 21st century were to duplicate the Great Depression (which is the worst experience so far and holds the record with an annual loss of 0.89 percent), the market index, apart from dividends, would have to rise for the balance of the decade, by 3.2 percent a year, in fact.
- If the market were to duplicate the worst ten-year performance since the end of the Second World War, the 1.24 percent average annual return between 1965 and 1974, it would have to generate a total annual return of 4.3 percent during the rest of the decade.
- If the market were to duplicate its worst performance since 1970, a gain of 5.86 percent a year between 1970 and 1979, the market index would have to rise from here at a 14 percent annual rate for the rest of the decade.
- For the market in this decade to produce its average ten-year performance of the entire 79-year period, the index would have to rise 24 percent annually for the next five years.
- For the market to duplicate the average ten-year return of the post World War II period, the index would have to rise at a 28 percent annual rate for the rest of this decade.

Obviously, none of these comparisons constitutes a forecast. They do, however, put today's pessimism in perspective. As the first bullet above shows, anything less than a 3.2 percent annual gain in the S&P 500 between now and the decade's end would imply a worse total return than in the Great Depression, hardly a likely event. If the S&P 500 were to remain flat to the end of the decade, as so many seem to expect these days, it would show a performance three times worse than it did in the Great Depression, an even less likely event, especially in light of today's positive fundamentals. If the index, aside from dividends, falls short of a 14 percent annual rise during the next 4½ years, this first decade of the 21st century would fall well short of any ten-year stretch of the past 30-plus years. We believe the implication of these statistics clearly is that conditions are likely to improve going forward. History is indeed on the side of the bulls.

Milton Ezrati,  
Senior Economic Strategist  
Lord, Abbett & Co.

## Mutual Funds - Facts and Fancy

- ❖ The past few months have been trying times for investors. **Focus on your long-term goals** and don't let market setbacks deter you.
- ❖ According to Financial Research Corp., investors added \$8.1 billion to stock and bond mutual funds in April, 2005. International and global funds led with \$8 billion followed by corporate bond funds with \$100 million.
- ❖ Balanced funds are comprised of stocks and bonds, like an automatic portfolio allocation. Generally, a balanced fund holds 60% in equities and 40% in fixed income, though there is some leeway on either side.

## Investment Idea

**Darraugh Valli**

Now that the 2004 tax season is behind us, it would be a good time to reflect on how much you paid Uncle Sam. Many investors have done quite well accumulating assets over the years. However, the taxes on earnings, even if not used, are growing. How would you like to receive interest and dividends without owing any current taxes? There is a way—tax-free investing.

Municipal bonds and/or municipal bond mutual funds carry special tax advantages that generally allow you to keep more of what you earn. Since municipal bonds serve a public purpose, municipal bonds enjoy a special tax status. The interest payments are tax free from federal income taxes **AND** tax free within the state the bond or bonds were issued.

To make sure you are getting the most out of your investment portfolio, schedule an appointment with your financial representative to see if tax-free investing is appropriate for you based on your financial status, objectives and risk tolerance.

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## Holiday Closings

Our office follows the schedule of the NYSE and will be closed on Monday, July 4th and Monday, September 5th. A sign is always posted on the office front door as a reminder.

## Email Addresses

Email addresses will no longer be 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

## Spotlight — Diana Cilluffo



Compliance Director Diana Cilluffo joined Family Investors Company in February, 1993. Prior to that, she was president of family owned Dunhill Securities, a former New York Stock Exchange member firm.

Born and raised in Elizabeth, she lived in Maplewood before moving to Watchung in 1984. She has two children; a daughter, Mrs. Joanna Gaebele of

Green Brook and a son, Philip who lives at home.

A certified SCUBA diver, she enjoys reading, walking, needlecrafts and vacationing in the Caribbean.

## Our Clearing Agent

Fiserv Securities has sold their clearing business to National Financial Corp. You have probably already received information concerning this. The new clearing agent for Family Investors Company is NF Clearing. Certain paperwork may need to be completed again. You will be contacted if this becomes necessary.

## 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 to request this service.

## Custodian IRA Accounts

If your child has a part-time job, they are eligible to contribute to an Individual Retirement Account. However, since they are minors, an adult must be named as custodian. It is never too early to teach your children that investing in their future is a life long commitment.

## 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. **Deflation:** A decline in general price levels, often caused by a reduction in the supply of money or credit. Deflation can also be brought about by direct contractions in spending, either in the form of a reduction in government spending, personal spending or investment spending. Deflation has often had the side effect of increasing unemployment in the economy, since the process often leads to a lower level of demand in the economy.
2. **Stagflation:** High inflation and high unemployment occurring simultaneously.
3. **Escheatment:** The process of turning over unclaimed or abandoned property to a state authority, such as if a person dies without a will.
4. **Keynesian Economics:** Named for economist John Maynard Keynes. An economic theory which advocates government intervention or demand-side management of the economy, to achieve full employment and stable prices.
5. **Annual Percentage Yield:** (APY) The rate of return on an investment for a one-year period. For an interest-bearing deposit account, such as a savings account, APY is equal to one plus the periodic rate (expressed as a decimal) raised to the number of periods in one year. Due to compounding, the APY will be greater than the periodic interest rate multiplied by the number of periods in the year.

## Your 401(k)

With additional scandals regarding 401(k) accounts and company stock, we urge you to keep your allocation of your company’s stock to 10%. Rebalance your assets when necessary. Your representative can help you select the options available in your 401(k) based on your investment objectives and risk tolerance. Rollover your old 401(k)s into an IRA and maintain control over your investments. Call us **BEFORE you leave your job** so that we can help you with the necessary paperwork to rollover your 401(k) to an IRA..