Summer/Fall Newsletter, 2009

ROGAN & ASSOCIATES

Financial Planning for Life.

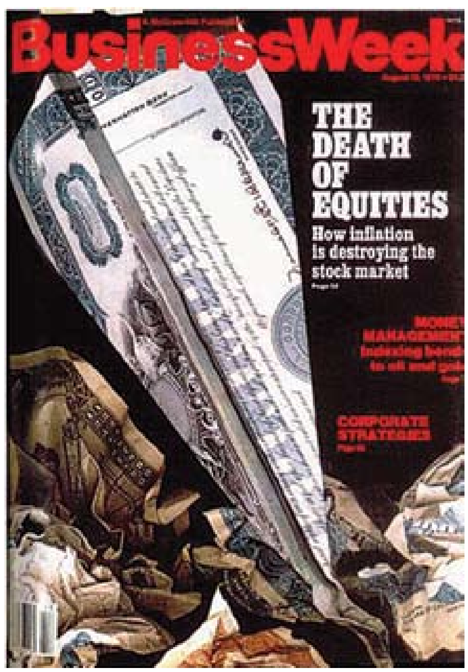
From Our Founder, Michael G. Rogan

The Great Depression Revisited? Hardly.

Contrary to the constant references to the Great Depression, our current economy reminds me of the 1980s, when I first began my formal education in economics.

The economy of the early 1980's could best be described as a malaise. The nearest thing we had had to a pro-growth administration had been Kennedy's, and that was a long time ago. The Nixon, Ford, and Carter administrations had all tried a variety of policies designed to force economic growth and control inflation, but they had been fairly unsuccessful.

Unemployment those days was nearly 10% (it would peak at nearly 11%), and our economy had been sputtering for several years. Similarly, the stock market had peaked nearly a decade earlier, and conventional wisdom was that it would never be a cornerstone of a wealth building plan again — at least for a generation or more — since we were all so jaded from the previous decade. (See the infamous cover story from BusinessWeek from late 1979 — The Death of Equities.)



BusinessWeek, 1979, The Death of Equities

With inflation raging, people flocked to "hard assets" like gold, silver, and even diamonds as alternative investments for their long term assets. CDs were popular, since they offered double digit returns, despite the reality that after inflation and taxes, people were losing ground. Few people would have bet that it would take nearly 30 years for the price of

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What's Inside

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From Our Founder, Michael G. Rogan

The Great Depression Revisited? Hardly. (Continued from Page 1)

gold to get back up as high as it was right then (which doesn't account for inflation — gold would need to be nearly $2400/oz. to have maintained its value against inflation.)

It was against this backdrop that I began my formal introduction to the world of economics and investing. Some 27 years ago, I entered a classroom at the University of Virginia and prepared to learn the "Principles of Economics", or Econ 201. My father had already provided me a good business background, and he had shared with me his knowledge of economic matters, though he hadn't studied it formally.

From that point forward, I have spent nearly all of my time continuing my education — either formally or through my experiences. I have learned many things, which has given me an ability to identify aspects of our business and culture that simply do not make sense. For example, when I entered the advisory business, it was largely a sales game rather than a profession geared towards truly improving our clients' lives — fortunately that has changed for some of us. Likewise, I've realized how crazy it is that all of our children leave their high schools having been exposed to algebra, the periodic element table, and probably how to dissect a frog, but they have no clue how to balance a checkbook. Moreover, they have not had any introduction to investing.

Over the years I have developed many strong relationships with others who have also been able to continue their educations in a like manner, from all of the planners at Rogan & Associates, to many outside the firm. In our own way, we have all learned how to sift through the noise and nonsense of the financial world (and trust me, virtually all of it is noise and nonsense), and we have each developed trusted, reliable sources which we lean on for economic information, investment prowess, and guidance with our planning practice.

Over this same 27-year span, most of you have been busy with earning a living, raising a family, and with basically living your lives. For many of you, the past year or so has been quite unnerving. It has possibly been more unnerving as a result of the financially illiterate press and both of the last two politically motivated administrations. As a result of their prompting, you may even have heard yourself repeat that this is the worst economy and stock market we've ever been through. It's more accurate to say that this may be the worst economy and stock market you've ever paid attention to.

Nobody yells — "Don't just do something, sit there!" But they should.

The media wants you to believe things are getting worse. Some unethical members of the financial community want to prey on your fears and sell you things that may make you feel better right now — with disastrous results that will soon make you forget you ever felt better. Despite these "chirps," our message remains: stay the course! Has there ever been a more boring, non-reactive idea than stay the course?

See, as planners with your (and our) long term best interests at heart, we have to tell you the smart thing to do, regardless of how many people are screaming at you to do something different. We realize it's almost anti-American to be patient. Nobody yells — "Don't just do something, sit there!" But they should.

The frenzied crowd has never been right throughout all of human history. The frothing speculative day traders caught up in the new era of the dot-coms were wrong when they told us the rules had changed. The house and condo "collectors" were wrong when they told you this time it was different and that real estate prices could rise dramatically for many years, and never fall back. And similarly, the talking heads who now speak of a "new normal" where we will all save our money and not spend it, resulting in a stalled economy and years of slow growth, are likely to be as wrong this time as they were when they predicted the same thing coming out of each of the last two recessions.

Our regulators won't allow me to make predictions, so I am left to remind you of what has always happened. While past returns do not guarantee future results, it may be useful to know that throughout the history of the stock market (S&P 500), only one eighth of the time have we had a decade where the stock market delivered a 5% average rate of return or worse. That fact alone might make you think twice before letting your friends and family get suckered in to the "safety" of long term investments yielding 3 or 4% today. But after one of those rare decades (like the one we just lived through), when conventional wisdom has always turned to alternative ideas, the **worst** subsequent decade — ever — averaged 8% per year. That would really make that feeling of relief seem brief. Perhaps most telling, though, is that the **average** subsequent decade averaged 15% per year, or quadrupled your money.

Each time we've been through this, conventional wisdom is that this is the worst ever, the recovery, if it ever occurs, will be slower than ever before, and we need to seek out safe investments or newfangled ones, because we just can't sit there and "do nothing." And each time, the recovery has been much stronger than conventional wisdom expected, and the "safe" and alternative investments often proved disastrous.

All of our investment decisions are always based on your plan, which is designed to address your life's needs and wants. We do not make investment decisions based on market conditions or media noise because those rarely change your needs and wants. That said, if you were to ignore our guidance and let your emotions take control, history suggests that instead of the fear you may be feeling, greed might be more appropriate today.

Feature

Let's Compare.

In times of financial worry in our country, the media can be depended upon to present the gloomiest scenario possible. They would have us believe that the economy is often teetering on the edge of collapse. One of their favorite themes is to trot out the idea of repeating the Great Depression — it's something they do every time.

1992

VS.

2008

While it's true that the stock market suffered its largest percentage decline since the Great Depression, it's also true that it was the largest decline since World War II, but no one seems to think that means a World War is imminent. As the chart shows you, today's media's "Great Recession" is nearly as unrelated to the Depression as it is to World War II.

Event	Great Depression	"Great Recession"
GDP Decline	30%	2.5%
Unemployment	37% (non-farm)	9.5%
Mortgage Defaults	nearly 50%	7%
Stock Market Decline	82%	56%
Bank Deposit Insurance	No	Yes
Social Security	No	Yes
Dust Bowl?	Yes	No

Back in the early 1930s, the US economy was about 25% agricultural, so amongst the other issues, nature wreaked havoc with a dustbowl. Folks living through those times would scoff at the idea that today's economy was nearly as bad as it was then. But then, one of the reasons the media loves to bring up the Depression is that there's virtually no one alive today with an adult memory of it!

We understand that the economy isn't great currently, but the only thing we can really conclude from the facts above is that this was the worst panic since the Great Depression. Score one for the media!

You've Been Misinformed!

The media never likes to let the facts get in the way of a good story, so in this column each issue we try to inject some perspective into some of their most popular stories.

It's popular in the media to report the incredible economic growth of China. Reports suggest that in the near future, it's likely that China will surpass the United States as the largest and most powerful economy in the world. Anecdotally, the press points to the fact that since there are so many more Chinese people than Americans, by simply increasing their productivity a small amount, they will soon dominate us economically.

Unfortunately, the facts simply don't bear this out. Our supposedly weak economy produces over **$14 trillion** of output annually. The Chinese generate about **$4 trillion.** While their rate of growth has exceeded ours, it's from a smaller base. In fact, the US economy has grown by a greater amount this decade — despite 2 recessions — than the Chinese economy's entire size!

If the rates of growth of each economy continued at their present paces indefinitely, they would eventually catch us. But major challenges must be overcome. The Chinese have practiced population control for some 35 years, resulting in family trees that look inverted. The Chinese have a much greater (and growing) elderly population than we do, and they face the task of caring for these people without a national pension system, Social Security system, welfare system, and without enough young people!

It's easy to take a trend that exists today and calculate what might occur many years from now if nothing were to change. It's also simpleton math. Few things in life proceed in precisely linear fashion without change. So while some economy may eventually overtake ours in size someday, it just isn't likely to be in our grandchildren's lifetime or beyond.

Feature

RIP (Really — I Planned).

Clients, recipients of our monthly email updates, radio listeners and pretty much anyone within earshot of us can readily tell you our position on the media. Among other things, we have been very vocal about advising people to take a "media holiday" — basically tuning out the media and focusing on the things that are truly important — your family, friends and, perhaps, work. It goes without saying that if something important happens, you will find out about it because you simply will not be able to avoid it.

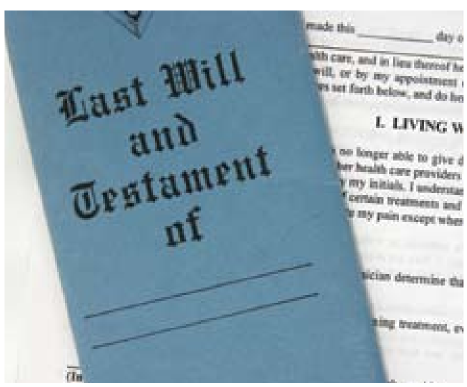
Well, despite our own efforts to take a media holiday, we did indeed hear some news over the last number of weeks; although, we cannot claim that it is of particular importance to us (sad, but of little real importance in our daily lives). That news was the passing of 5 celebrities: Ed McMahon, Farrah Fawcett, Michael Jackson, Billy Mays and Steve "Air" McNair.

Ed McMahon was getting on in years, so his passing was not particularly surprising. Likewise, Farrah Fawcett had been battling cancer for quite some time, and there were indications that she was not doing well. On the other hand, both Michael Jackson and Billy Mays were in their 50's and there was no real indication that they were in jeopardy. Finally, Steve McNair, who only in his 30's, was a victim of a murder-suicide. Whether expected or not, all of this tragedy brings us to the point of this missive... Planning (c'mon, where did you think we were going with this?).

As our clients know, two of the questions we spend some real time discussing are:

Question 1:
What is the plan for your loved ones if you do not wake up tomorrow?

Question 2:
Will your wealth pass to your loved ones, charities or others when and how you want it to after you pass?



If we had an expiration date stamped on our foreheads (or elsewhere), we would know how much time we have to prepare the answers to these questions. Unfortunately, none of us knows with certainty whether we'll have a long life, like Ed McMahaon, or have our lives taken at a much younger age either naturally or unnaturally, like Steve McNair. That is why it is important to address these questions today.

For some people, the answers to the questions are relatively straight forward. Let's take the first question: What is the plan for your loved ones if you do not wake up tomorrow. For some people the answers might be easy:

Answer 1: We have sufficient life insurance to cover our family's spending needs for X years if I were to pass away suddenly, and my spouse and I have discussed exactly what to do and who to trust for guidance (our Rogan & Associates Planner, of course).

Answer 2: There is nobody relying on my income, so this is not really a concern; however, my spouse knows that he/she can contact you, my Rogan & Associates Planner, for guidance.

Other people may have more complex situations, such as a special needs relative or a complicated financial situation, so the answers may be more difficult.

Likewise, the second question may also have easy or difficult answers. Some people simply require a living trust and/or a will. Others, due to large or complex financial situations may require specialized trusts, family limited partnerships and/or other legal structures. The critical issue is that the proper structures are in place ahead of time so that when the time comes, your wealth passes to whom you want it rather than to the government, attorneys and/or other relatives simply because you failed to plan.

Your Rogan & Associates Planner can help you identify your needs and can also bring in estate planning attorneys, accountants and other professionals to ensure that your plan is not only completed but that it is completed correctly. If you have procrastinated, just remember that none of us knows when that fateful day will come… call your Planner today so that your family will be ready for tomorrow.

Would you be interested in a Fall Foliage Cruise of New England & Canada? Let us know. Call (727) 712-3400

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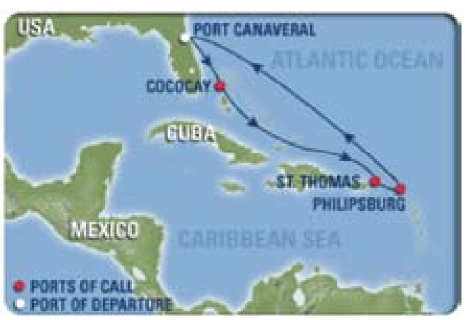

RoyalCaribbean INTERNATIONAL

Sailing Itinerary***

Day	Port***	Arrive	Depart
28-Feb	Port Canaveral, Florida		4:30 PM
01-Mar	CocoCay, Bahamas	7:00 AM	4:30 PM
02-Mar	Cruising		
03-Mar	Charlotte Amalie, St. Thomas	11:00 AM	7:00 PM
04-Mar	Philipsburg, St. Marten	8:00 AM	5:00 PM
05-Mar	Cruising		
06-Mar	Cruising		
07-Mar	Port Canaveral, Florida	7:00 AM	

***All Itineraries are subject to change without notice.

For more information Call Jennifer today at (727) 712-3400

Rogan Q & A Forum

Q & A:

Q: I appreciate all the help you have given me getting my financial life in order. It is nice not to have to worry about that any more. I don't know if you can help, but it seems as if my business is out of control - not the core business, but my benefit plans, payroll, all the "incidental" stuff. Is there anyone you know that can help me out?

A: It is interesting that you ask. We recently began a pilot program to help our clients that run their own businesses. We have partnered with corporate lawyers, accountants, HR/benefits professionals, payroll services and others (i.e., practice management consultants for our medical clients). What we have found thus far is that we can help our clients get more control of their businesses by helping to manage this process for them. We sit down with you and determine your needs. If you have service providers that are doing a good job, we don't want to displace them. Rather, we want to figure out where your headaches are and eliminate them. Of course, we can provide guidance on retirement savings programs, succession plans and tax minimization strategies for your business. Our partners, can provide guidance on virtually every other area of your business outside of your core expertise. What's better is that we can serve as the primary point of contact so that you don't have to sit through dozens of meetings. Let us know how we can help you eliminate some of your headaches.

Q. I recently met with a representative from my employers' 401(k) plan. He recommended that I should consider investing in the "XYZ" High Yield Bond Fund because it had performed well recently. What are your thoughts?

A: One of the key determinants of the appropriateness of an investment for an individual's investment portfolio is the amount of time one expects to be invested in that portfolio. Most of us can agree that employer sponsored plans, 401(k) assets, IRA's, Roth IRA's are all generally categorized as "long term" investments. We generally define long term as investments we expect to own for five years and beyond. If that's the case, the portfolio primarily should be designed with a growth orientation consisting mostly of equity (common stock) funds. An equity portfolio should have exposure to large cap, mid-cap, small cap and global companies. High yield bonds and/or corporate bonds are instruments designed to deliver yield (interest payments) but not growth, by design. Therefore almost by default, "XYZ" High Yield Bond Fund would not likely be an appropriate fund to own in your 401(k) for the long run.

We are always willing to help you allocate your employer's retirement plan appropriately. Please contact us if you'd like us to have a look at yours.

Q: With all the government stimulus and other programs, it seems as if inflation, and possibly hyperinflation, is inevitable. Shouldn't we have more exposure to gold?

A: This is actually two questions — the inevitability of inflation/hyperinflation and the appropriateness of gold as an investment/hedge. With very few exceptions, the history of our economy has been inflation, so worrying about a moderate level of inflation seems counterintuitive. As far as hyperinflation is concerned, it will likely be quite some time before that even becomes a concern. To begin, the government stimulus is scheduled to kick in over time. To date, sources suggest that only 11% has been funded, and that amount has yet to be reflected in economic indicators. True, the government has been involved in other operations to ease up liquidity; however, there has also been a tremendous amount of deleveraging taking place (i.e., all those bad loans are being written off). Basically, the government action is simply counteracting the damage from the deleveraging. That process should continue for some time during which inflation and, more importantly, hyperinflation will simply not be much of a concern.

Now as to the viability of gold as an inflation hedge. Gold has never really proven to be an inflation hedge. It is trading today at levels comparable to where it was trading back in 1979. We can all agree that we have experienced inflation since then. In order for gold to have been at least a modest hedge, it would have to be trading at closer to $2,400 per ounce, not under $1,000 per ounce. The reputation of gold as an inflation hedge is well known. Apparently it's one of those stories people refuse to let be interrupted by the facts.

Now contrast that to stocks. Over meaningful periods of time, stocks have demonstrated an ability to not only hedge inflation, but to provide a return in excess of inflation. Why is that? Well simply, stocks represent an ownership in businesses. Inflation is reflected in rising prices. When a business' costs rise, what does it do? The business raises its prices and passes along the increase to the customer. In periods of moderate inflation, stocks tend to hedge inflation almost in real-time. In the event of an inflationary shock (i.e., a very high change in inflation), stocks may not reflect the reality as quickly because it takes time for the businesses to react. However, they will react, so over time stocks will also reflect an inflationary shock.

Q: With all the changes the current administration in Washington is making it seems that America's economy is heading for disaster and it will have a lasting impact for generations to come.

A: History teaches us that political changes are somewhat like the weather — if you don't like it now, just wait a little while and it'll change. Granted, some of the changes made will stick longer than others. But our Founding Fathers put tremendous checks and balances into our system of government that generally keep our country balanced.

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Rogan Community

Community Update.

It's been an interesting time for your planners and friends at Rogan & Associates since our last official newsletter. We've had new additions to our families, witnessed the first full scale panic since World War II, seen the country's next new "agent of change" elected president, and all the while we've continued to grow the Rogan & Associates community.

New team member, Ryan Belz

▶ **In February,** we expanded our team by bringing on Ryan Belz as a licensed Financial Planning Assistant. After receiving his Bachelor of Science Degree in Marketing from the University of Tampa, where he was a four year varsity pitcher on the UT baseball team, Ryan began his career in financial services at Raymond James & Associates. While working for Raymond James Correspondent Services Division, he gained valuable perspective regarding the relationship between individual Broker Dealers and their Clearing Firm. He subsequently passed the FINRA General Securities Examination (Series 7) and, by virtue of working with multiple Broker Dealers in the Raymond James system, gained valuable experience regarding the methodologies employed by independent Advisors.

When the opportunity arose in early 2009, Ryan elected to make the transition a role of providing direct assistance to the Planners and clients of Rogan & Associates. His goal is to continue to gain experience in a supporting role and ultimately make the transition to the role of Planner with the Firm.

▶ **Also in February,** Michael Rogan was invited to speak on the economy at the DBA International Convention in Las Vegas. The convention was attended by over 1000 guests and Michael's talk was well received.

▶ **In early March of this year,** in the midst of much turmoil, 79 smart people turned off their TVs and set out on the 5th "in Search of the Good Life" cruise. We enjoyed five island ports of call, a lively financial planning presentation, and plenty of camaraderie.

Shawn White with daughter Camilla

▶ **While we were at sea,** Shawn and Melissa White welcomed their third child and second daughter into the world. Camilla White was born at 10:45am on March 2nd, starting out at a very healthy 7lbs. 11ozs, and 20 inches long. Mom, Camilla and all of the White's are doing well.

▶ **This May,** the Rogan & Associates team attended and supported our local firefighters at their annual Firefighters Ball in Largo. Late May saw Jason, Shawn, Michael, and Ed attend the Palm Harbor Fire Department's annual MDA golf tournament. Rogan & Associates was the tournament's title sponsor.

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Q & A:

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Historically, when Americans have decided occasionally to give the majority of the power of the House, Senate, and Presidency to one party, that party becomes "drunk" with their new power and pushes fervently to pass all of their pet projects all at once. This is predictable. But this is why the Founding Fathers gave us mid-term elections, and staggered the terms of the Representatives, Senators, and the President.

In addition, the media catastrophists often mislead us into believing that one party's proposals are already law (Government Health Care, for example). In reality, the system will often require these proposals to be modified dramatically or abandoned altogether before they actually become law. Finally, though new laws are often described as "permanent", it's fair to say that they're only permanent until the next Congress is seated.

Two famous descriptions of democracy come to mind. First, watching democracy in action is much like watching sausage being made — you may appreciate the outcome, but no one should have to watch the process! The other is from Sir Winston Churchill who famously said, "It has been said that democracy is the worst form of government except all the others that have been tried."

So rather than getting caught up in the catastrophizing media mouthpieces, take our advice and turn away from your TV set, and check out the next sunset!

Rogan Community

Community Update.

(Continued from Page 7)

Jason, Shawn, Michael, and Ed at the MDA Golf Tournament

▶ **In June,** Rogan & Associates again hosted the SPCA Tampa Bay's 6th Annual Pet Bowl, which raised nearly $30,000 for the SPCA. We sponsored 3 teams this year, which included many of our friends from the Rogan & Associates Community.

▶ **Finally,** as many of you have learned, Rogan & Associates has joined Facebook! We have created a company Facebook page which includes links to many of our key planning concepts, a frequently updated blog written by David Fink, and much more. Check us out at www.facebook.com/roganfinancial.

Rogan & Associates again hosted the SPCA Tampa Bay's 6th Annual Pet Bowl

▶ **Coming up,** we have begun a series of Town Hall Meetings designed to keep clients informed of our view on current conditions and how they affect you. We will be holding these about once every six weeks in an area restaurant. In addition to being informative, these meetings provide an excellent forum for you to introduce a friend or relative of yours to our community. Please contact your planner if you are interested in attending.

▶ **All of us at Rogan & Associates** would like to thank you for your confidence over the past year. While it may have been trying for all of us, our hope is the past year can serve as an educational reminder that anything can happen. Also, hopefully, it will serve to show us that once again, having a plan and sticking to it is critical to long term financial success.